

# Comprehensive Annual Financial Report



CITY OF



SPARTANBURG  
SOUTH CAROLINA

Fiscal Year Ended  
June 30, 2007

Cover art by the Graphics Design Staff, City of Spartanburg  
1907 photo of Morgan Square courtesy of the City of Spartanburg historical archives  
2007 photo of Morgan Square courtesy of C. Shurbutt



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**City of Spartanburg  
South Carolina**

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

**FINANCE DIVISION**

**Dennis R. Locke  
Finance  
&  
Administrative Services Director**



CITY OF SPARTANBURG, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2007

---

INTRODUCTORY SECTION

	<u>Page Number</u>
Transmittal Letter	1
Principal Officials	7
Organizational Chart - City of Spartanburg	9
Organizational Chart - Finance Division	11
Certificate of Achievement for Excellence in Financial Reporting	13

FINANCIAL SECTION

<b>INDEPENDENT AUDITORS' REPORT</b>	15
Management's Discussion and Analysis	17
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	27
Statement of Activities	28
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	31
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	32
Statement of Net Assets - Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds	35
Statement of Net Assets and Liabilities - Fiduciary Fund Types	36
Statement of Changes in Net Assets - Fiduciary Fund	37
<i>Notes to the Basic Financial Statements</i>	38
<b>Required Supplementary Information:</b>	
<u>Budgetary Comparison Schedule - General Fund</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	67

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2007

---

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
<b>Required Supplementary Information (Continued):</b>	
<u>Budgetary Comparison Schedule - Hospitality Tax Fund</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	68
<b>Other Supplementary Information:</b>	
<u>General Fund</u>	
Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balance - Revised Budget and Actual	71
<u>Other Governmental Funds</u>	
Combining Balance Sheet	83
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	84
<u>Special Revenue Funds</u>	
Combining Balance Sheet - Non-Major Special Revenue Funds	86
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Special Revenue Funds	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Victims Assistance Fund	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Federal Home Program Fund	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Community Development Fund	96
<u>Debt Service Funds</u>	
Combining Balance Sheet - Non-Major Debt Service Funds	99
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Debt Service Funds	100
<u>Internal Service Funds</u>	
Combining Schedule of Net Assets - All Internal Service Funds	103
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets - All Internal Service Funds	104
Combining Schedule of Cash Flows - All Internal Service Funds	105
<u>Fiduciary Funds</u>	
Schedule of Changes in Assets and Liabilities - Fiduciary Fund - Agency Fund	109
Schedule of Fines, Assessments, and Surcharges	110

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2007**

---

**STATISTICAL SECTION (UNAUDITED)**

	<u>Page Number</u>
<u>Financial Trends Information</u>	
Net Assets by Component - Last Ten Fiscal Years - Accrual Basis of Accounting	113
Changes in Net Assets - Last Ten Fiscal Years - Accrual Basis of Accounting	114
Fund Balances of Governmental Funds - Last Ten Fiscal Years - Modified Accrual Basis of Accounting	116
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years - Modified Accrual Basis of Accounting	117
<u>Revenue Capacity Information</u>	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	119
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	120
Principal Property Taxpayers - Current Year and Nine Years Ago	121
Property Tax Levies and Collections - Last Ten Fiscal Years	122
<u>Debt Capacity Information</u>	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	123
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	124
Direct and Overlapping Governmental Activities Debt - As of June 30, 2007	125
Legal Debt Margin Information - Last Ten Fiscal Years	126
Pledge Revenue Coverage - Last Ten Fiscal Years	127
Security for the Series 2000 Bonds - Franchise Fees and CPW Payments - Last Ten Fiscal Years	128
Millage Rate for the Broad Street Development Area - Last Ten Fiscal Years	129
Millage Rate for the St. John-Daniel Morgan Redevelopment Project - Last Ten Fiscal Years	130
Revenue Bond Coverage - Public Improvements and Capital Appreciation	131
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics - Last Ten Fiscal Years	132
Principal Employers - Current Year and Nine Years Ago	133
Property Value and Construction - Last Ten Fiscal Years	134
<u>Schedule of Operating Information</u>	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	135
Operating Indicators by Function/Program - Last Ten Fiscal Years	136
Capital Asset Statistics by Function - Last Ten Fiscal Years	137

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

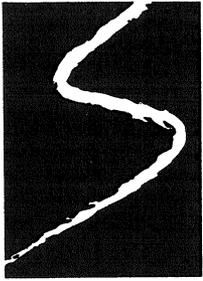
**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2007**

---

**COMPLIANCE SECTION**

	<u>Page Number</u>
Schedule of Expenditures of Federal Awards	139
Notes to the Schedule of Expenditures of Federal Awards	142
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	143
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	145
Schedule of Findings and Questioned Costs	147
Schedule of Prior Audit Findings	150



# CITY OF SPARTANBURG

## FINANCE

TELEPHONE: 864.596.2059

FAX: 864.596.2424

[www.cityofspartanburg.org](http://www.cityofspartanburg.org)

December 3, 2007

The Honorable William Barnet III, 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, 2007. State law requires that all general-purpose local governments, at the close of each fiscal year, publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with 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, 2007.

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 both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of 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, L.L.P., 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, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Spartanburg's financial statements for the fiscal year ended June 30, 2007 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 metropolitan area of approximately 260,000, 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. There is a Mayor and six Council Members who 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 comparison is presented as required supplementary information to the basic financial statements and can be found as listed in the table of contents of this report.

The City Council adopts annual operating budgets for the General Fund, the Enterprise Funds, and certain Special Revenue Funds. Following this process, the City prints 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 appropriation may not be overspent. This is done 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**

The City of Spartanburg has a diverse economy and continues to benefit from growth and increasing strength. The City’s downtown is home to well-known corporate headquarters such as Denny’s, Extended Stay America, Advance America, and JM Smith. Additionally, the Spartanburg metro area continues to support manufacturing companies such as Milliken, Gibbs International, BMW, Invista, Benteler Automotive, and a recently announced Adidas facility.

The City is served by two nationally-recognized healthcare institutions, both investing significantly in capital upgrades and state-of-the-art technologies. The City boasts quality of life amenities that attract new businesses and residents, including the new \$43-million Chapman Cultural Center downtown, the presence of six colleges in the metropolitan area, and a community focus on active living.

More than \$2.3 billion was recorded in gross business sales for 2006-2007, and the valuation of building permits exceeded \$175 million. New projects, such as the recently entitled Easton MarketCenter mixed-use development, demonstrate the positive trend in both retail and residential growth. The 2003 opening of The Marriott Hotel & Conference Center at Renaissance Park has allowed the City and its convention and tourism partners to attract thousands of visitors each year to the community.

### **Cash Management Policies**

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City has a banking service agreement which provides that all funds will earn interest provided that a specific compensating balance is maintained. Cash which was temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the United States and Federal agencies.

The cash management program maintains reasonable liquidity to meet obligations while maximizing return through the use of competitive rate comparison. During FY 2006-2007, General Fund investments generated interest income of \$186,179, averaging 5.32% yield, compared to \$155,052 averaging 4.13% yield for FY 2005-2006. This represents a 20% increase over the previous fiscal year. Increased interest rates, along with an increase in revenue, affected the amount of cash the City was able to invest.

### **Risk Management**

The purpose of the Risk Management program is to ensure that no unforeseen accident, action or event will adversely affect the City's ability to successfully achieve its goals and objectives. Possible occurrences include, but are not limited to, incurring unexpected liabilities, unintentional errors and misstatement, noncompliance with laws and regulation, and fraud. Risk assessment is an ongoing and dynamic process. City services are constantly modified to reflect changes in organizational structure, federal and state mandates, and demands from citizens. Such realities require risk assessment to be a continuous course of action.

### **Pension and Other Post Employment Benefits**

The majority of City employees participate in cost-sharing multiple-employer defined benefit pension plans operated by the State of South Carolina. Public Safety employees (Police and Fire) participate in the South Carolina Police Officers' Retirement System ("SCPORS"). Other non-Public Safety employees participate in the South Carolina Retirement System ("SCRS").

The City also sponsors a single-employer defined benefit pension plan. Participation is frozen to those employees who were participating in the plan at June 1, 1993 and who elected not to transfer to the South Carolina Retirement Systems. As of the fiscal year end, the plan had 19 active and 124 retiree/beneficiary participants. The plan's year-end is December 31<sup>st</sup>. The City's local retirement plan had an increase of approximately 5% in the value of assets as of June 30, 2007. The market value of plan assets on June 30, 2007 was \$15,288,340 as compared to \$14,575,658 on June 30, 2006. The Retirement Committee, which oversees this fund, made adjustments to the investment of pension plan assets during the year. The fund experienced a 12.70% return on investment for the fiscal year. The plan still faces challenges ahead. As of January 1, 2007, the ratio of actuarial value of assets to the present value of accrued benefits was 88.2%. In the valuation report received by City management after the end of the fiscal year, the actuary recommended the City contribute \$412,957 in calendar year 2007 to meet the actuarial assumptions of future obligations of the Fund, not including any future cost of living adjustments which can be granted only if the plan is funded at 110% in any future year. The Retirement Committee is working with the investment advisors and actuary to reduce the unfunded liability of the plan.

## Management Highlights

The City has declared its intent to pursue programs and policies that contribute to the following: a growing economy with broad-based job creation, a vibrant downtown, nurturing neighborhoods offering a high quality of life, and an active support structure for the community's youth. During the last year, the City's collective efforts were rewarded through several milestone achievements and recognitions:

- The City Council adopted a Downtown Master Plan and a Parks Master Plan, both following extensive, participatory community input processes. The plans are guiding resource allocation and development, both in the historic downtown and for 20+ neighborhood parks and 4 recreation centers. In June, the City Council approved a comprehensive parks capital improvement and financing plan of \$12 million.
- Construction continues on the \$43 million Chapman Cultural Center in Renaissance Park. Completion is anticipated in October, 2007. Funding for the facility, operated by the innovative Arts Partnership of Spartanburg, comes primarily from private fundraising.
- The first units were occupied in the 136-unit Collins Park HOPE VI public housing community, which replaced a very poor public housing project that had become a symbol of poverty and crime. The Spartanburg Housing Authority contributed significantly towards public housing improvements in the new 41-unit Shaw-Wilmonit subdivision, the Woodworth Homes rebuild, and the Camp Croft rehab project.
- Construction began on the South Church Street Plaza grocery store and retail project in an historically underserved neighborhood. This project, funded through extensive private-public partnerships, is expected to open in November, 2007.
- Thousands of convention guests and tourists visited the City in 2007, enjoying overnight stays and/or events at The Marriott Hotel & Conference Center, the Spartanburg Memorial Auditorium, the Hub-Bub Showroom, and other points of attraction.
- Spartanburg was the recipient of the following distinctions in 2007:
  - Designated by Sperling's "Cities Ranked and Rated" as the most livable in South Carolina and #48 nationally.
  - Selected by America's Promise Alliance as one of the 100 "Best Communities for Young People," following a competitive application process.
  - Recognized by *Smart Money Magazine* as one of the five best real estate buys in America.
  - Designated by the League of American Bicyclists as the first Bike Friendly Community in South Carolina and one of only 6 so-designated in the Eastern United States.
  - Granted the 2007 Public Service Achievement Award by the Municipal Association of South Carolina for the City's sponsorship of the Hub-Bub program, which serves young adults and the community's "creative class."
  - Awarded funding for a second 5-year Department of Justice "Weed & Seed" project site, to serve the City's northside neighborhoods.
- Construction commenced on the first-ever downtown condominium project. Library Commons will offer 48 units, with an anticipated first-half 2008 completion date.
- New commercial, office, and retail projects were completed, including the Carolina First East Main Street office complex, the Integral Solutions office/headquarters building, the Mary Black Foundation and Spartanburg County Foundation office buildings, a COSTCO retail center, and the following restaurants: The Olive Garden, Justin's Steakhouse, Jason's Deli, Starbuck's, and Five Spices Indian Cuisine.
- The City was preparing, at year-end, to sign a consent order with the South Carolina Department of Health & Environmental Control (DHEC) and the U.S. Environmental Protection Agency (EPA), allowing remediation of the City's old landfill site that was abandoned in the early 1970's. This project (referred to in more detail in Note IV.F in the notes to the basic financial statements) allows the City to move forward with greater certainty on an environmental clean-up obligation that has existed for several years. The project is being funded by a dedicated property tax assessment and from private foundation support.
- Also at year-end, the City was moving forward with plans to transfer the assets and future obligations of the City's sewer collection system to the Spartanburg Sanitary Sewer District. This consolidation is expected to be complete by January 1, 2008, and is jointly supported by both agencies in the interest of efficiency and good public service. The District already operates the sewage treatment facilities and maintains all of the City's sewer pump stations.

## Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Division and the Administrative Services Department. 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 efficiency and sound advice.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Spartanburg for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards and for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Spartanburg has received a Certificate of Achievement for the last fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Respectfully submitted,



Mark Scott  
City Manager



Dennis R. Locke, CGFO  
Finance & Administrative Services Director





## **CITY COUNCIL**

**William Barnet, III, Mayor**

**Junie White, Mayor Pro Tem**

**Renee Cariveau, Councilmember  
Linda Dogan, Councilmember  
Robert Reeder, Councilmember  
Kenneth D. Smith, Councilmember  
Joe D. Spigner, Councilmember**

## **Appointed Officials**

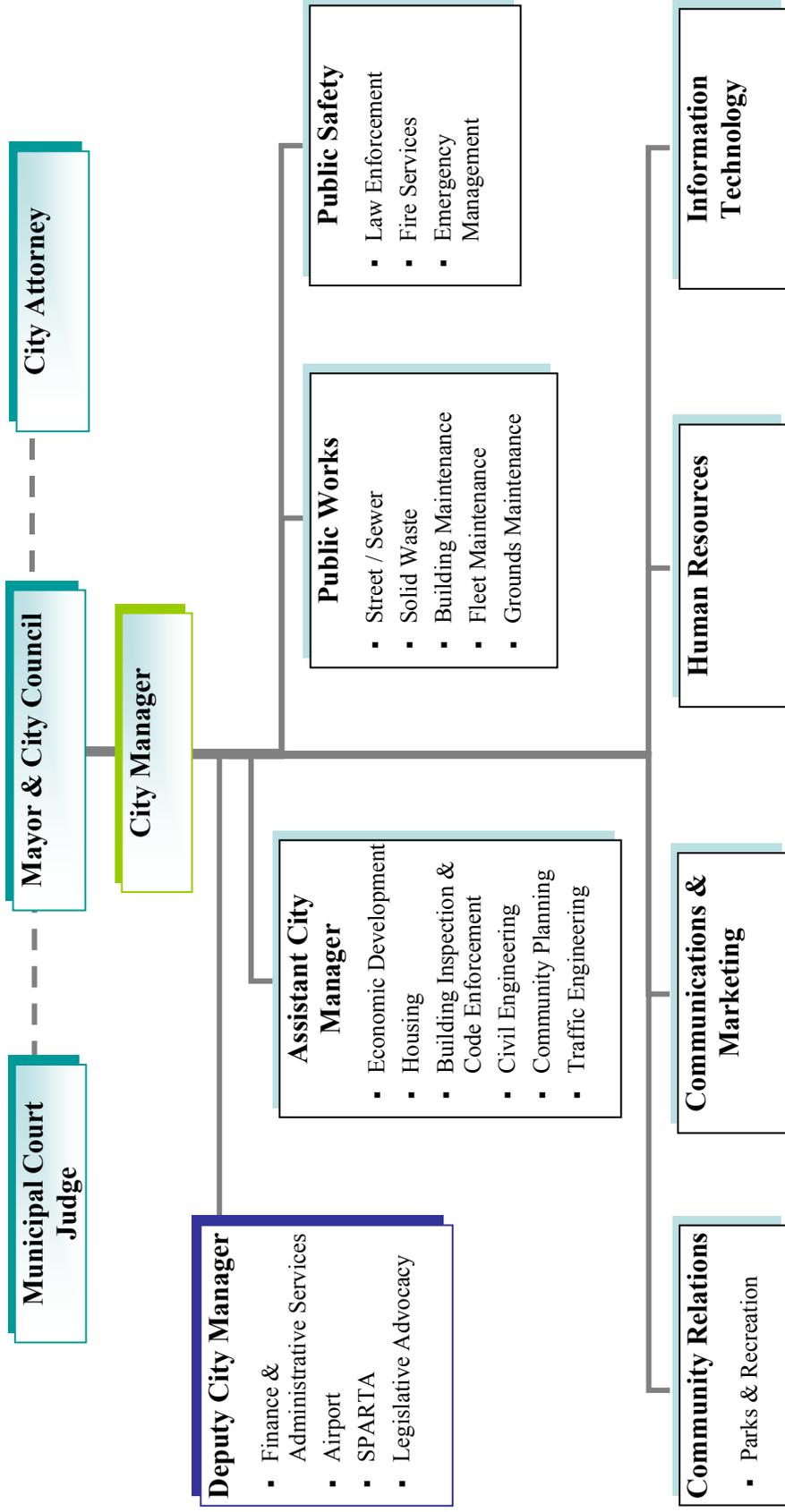
**Mark Scott  
City Manager**

**Cathy Hoefler McCabe  
City Attorney**

**John J. Smith  
Municipal Judge**

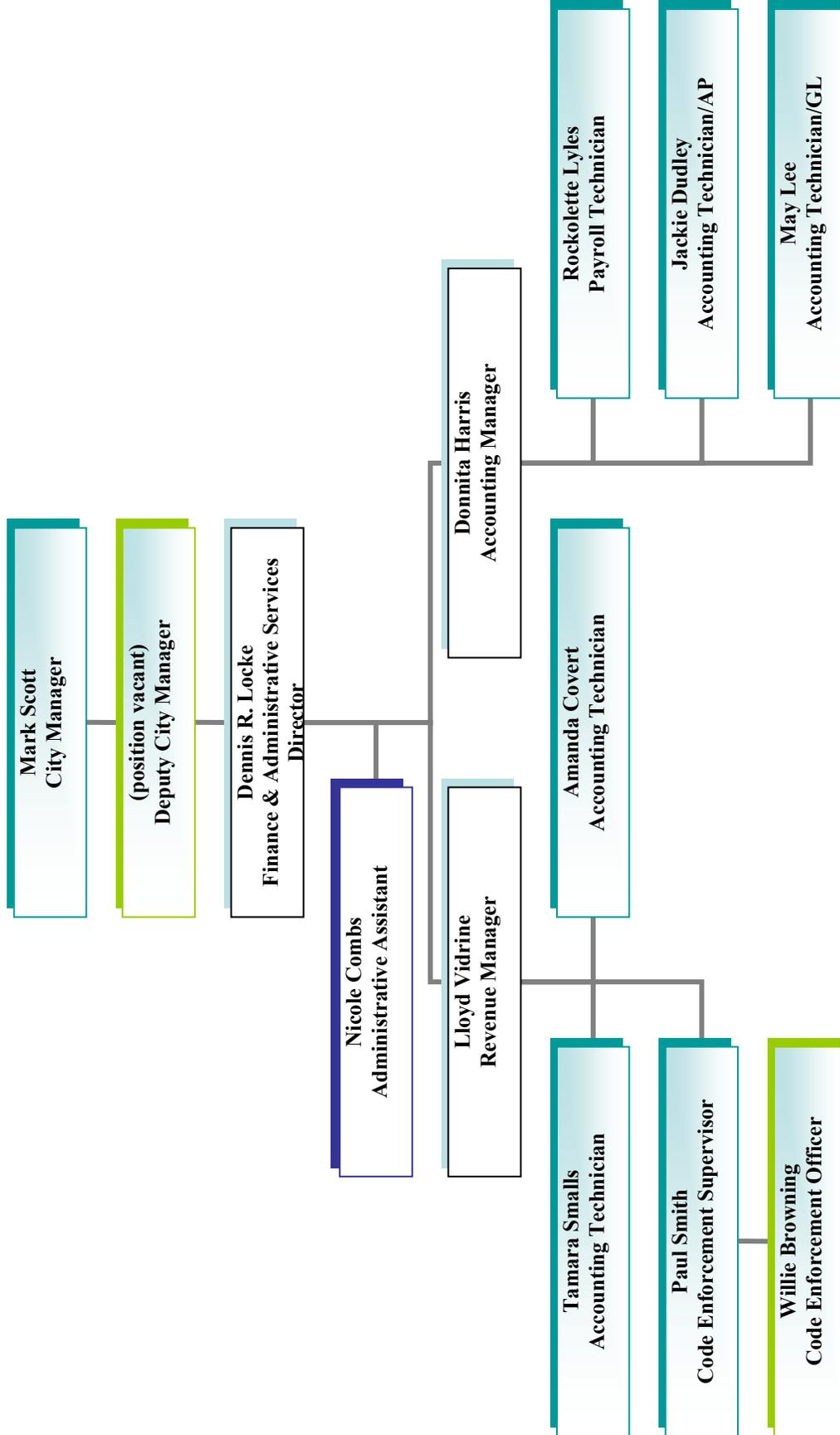


# City of Spartanburg Organizational Chart





# Finance Division





# 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, 2006

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



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director





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

**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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express 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 above 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 of Spartanburg, South Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
December 3, 2007

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2007

---

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, 2007. 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 2007 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$88,872,000 (net assets). Of this amount, approximately \$8,829,000 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets have increased by approximately \$4,956,000, which consisted of an increase in governmental activities and business-type activities of approximately \$4,680,000 and \$276,000, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$11,983,000, a decrease of approximately \$83,000 or less than 1% in comparison with the prior year restated fund balance of approximately \$12,066,000. The unreserved and undesignated fund balances for the General Fund decreased approximately \$56,000 (1%) to approximately \$4,848,000 at June 30, 2007 compared to the prior year fund balance of approximately \$4,903,000.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was approximately 16% of total General Fund expenditures (approximately \$30,039,000).
- The City's total capital assets increased by approximately \$2,484,000 (2%) during the current fiscal year. The increase was primarily due to capital asset additions of approximately \$6,935,000 (which includes donated infrastructure of approximately \$3,640,000), partially offset by depreciation expense of approximately \$4,451,000.
- The City's total debt has decreased by approximately \$1,958,000 (5%) during the current fiscal year. The decrease in long-term debt was due to scheduled principal payments made during the year.
- During the 2007 fiscal year, the City's governmental activities revenues were approximately \$48,164,000 (excluding transfers) compared to approximately \$42,025,000 for the restated prior year. The primary reason for the increase was due to increased business license and permit revenues (due to rate increases). In addition, the franchise fee revenue from utility companies increased because of rate of return amount for water fees rising 4% - 6%. Also, property tax revenue collections increased 3% from the prior year.

#### 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 a component unit. The component unit includes one legally separated nonprofit corporation ("Spartanburg Public Facilities Corporation" or "Corporation") for which the City is financially accountable. Financial information for the Corporation is included in the amounts reported for the City because the nonprofit Corporation is considered a "blended" component unit, and as such, is included in the governmental activities of the City.

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).

# CITY OF SPARTANBURG, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

---

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, Sanitary Sewer, and Airport. 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.

**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, Sanitary Sewer, and Airport 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, Sanitary Sewer, and Airport 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**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.

Figure A-1 Major Features of the City of Spartanburg’s Government-Wide and Fund Basic Financial Statements				
	Fund Basic Financial Statements			
	Government-Wide Basic Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component unit.	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, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$88,872,000 at the close of the most recent fiscal year.

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 *	2007	2006 *	2007	2006 *
<b>Assets</b>						
Current & Other Assets	\$ 24,866,418	24,576,619	1,953,492	1,460,019	26,819,910	\$ 26,036,638
Capital Assets, Net	84,719,638	81,640,680	26,021,288	26,616,703	110,740,926	108,257,383
<b>Total Assets</b>	<b>109,586,056</b>	<b>106,217,299</b>	<b>27,974,780</b>	<b>28,076,722</b>	<b>137,560,836</b>	<b>134,294,021</b>
<b>Liabilities</b>						
Long-Term Liabilities	39,386,240	40,328,123	5,486,620	5,838,165	44,872,860	46,166,288
Other Liabilities	3,553,353	3,922,501	262,655	288,846	3,816,008	4,211,347
<b>Total Liabilities</b>	<b>42,939,593</b>	<b>44,250,624</b>	<b>5,749,275</b>	<b>6,127,011</b>	<b>48,688,868</b>	<b>50,377,635</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	55,677,341	51,634,856	20,655,031	20,887,730	76,332,372	72,522,586
Restricted	3,710,337	4,787,389	-	-	3,710,337	4,787,389
Unrestricted	7,258,785	5,544,430	1,570,474	1,061,981	8,829,259	6,606,411
<b>Total Net Assets</b>	<b>\$ 66,646,463</b>	<b>61,966,675</b>	<b>22,225,505</b>	<b>21,949,711</b>	<b>88,871,968</b>	<b>\$ 83,916,386</b>

\* Certain amounts have been restated. See Note IV.G of the basic financial statements for more information.

The net assets of the City's governmental activities increased by approximately 8% (approximately \$66,646,000 compared to a restated balance of approximately \$61,967,000). The various components of the City's governmental activities net assets changed as follows:

- Invested in Capital Assets, Net of Related Debt increased by approximately \$4,042,000 or approximately 8%, primarily due to capital asset additions and principal payments on capital related debt exceeding depreciation expense for the year.
- Restricted net assets decreased by approximately \$1,077,000 (22%) primarily due to disbursement to The Arts Partnership for \$800,000 for the Chapman Cultural Center.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from approximately \$5,544,000 restated at June 30, 2006 to approximately \$7,259,000 at June 30, 2007. The increase in unrestricted net assets is primarily due to an increase in cash investments and decrease in outstanding debt as well as current year revenues exceeding expenses of the City, partially offset by the City's increase of \$500,000 in its landfill remediation and post-closure care liability (based on management's current best estimate).

The net assets of business-type activities increased by approximately 1% (approximately \$22,226,000 in the current year compared to approximately \$21,950,000 in the restated prior year) for the year ended June 30, 2007. This increase was primarily due to a decrease in long term liabilities as well as current year revenues exceeding the normal operating expenses of the business-type activities.

**CITY OF SPARTANBURG, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2007**

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

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 *	2007	2006 *	2007	2006 *
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 15,361,583	13,394,535	3,851,059	3,807,908	19,212,642	\$ 17,202,443
Operating Grants	4,238,686	2,828,963	1,157,349	806,744	5,396,035	3,635,707
Capital Grants	5,312,210	4,146,899	-	-	5,312,210	4,146,899
<b>General Revenue:</b>						
Property Taxes	15,757,130	14,906,022	-	-	15,757,130	14,906,022
Other Taxes	4,115,641	3,841,688	-	-	4,115,641	3,841,688
Intergovernmental Revenue	1,140,963	1,217,526	-	-	1,140,963	1,217,526
Other	2,237,585	1,689,335	155,462	69,963	2,393,047	1,759,298
<b>Total Revenues</b>	<b>48,163,798</b>	<b>42,024,968</b>	<b>5,163,870</b>	<b>4,684,615</b>	<b>53,327,668</b>	<b>46,709,583</b>
<b>Program Expenses ^</b>						
Policy Formulation & Administration	4,383,247	3,376,444	-	-	4,383,247	3,376,444
Public Safety	12,198,601	12,704,299	-	-	12,198,601	12,704,299
Parks, Recreation, and Special Events	2,423,902	2,326,567	-	-	2,423,902	2,326,567
Community Development	2,441,514	5,063,632	-	-	2,441,514	5,063,632
Public Works	10,650,667	11,361,908	-	-	10,650,667	11,361,908
Finance and Administrative Services	3,539,901	225,424	-	-	3,539,901	225,424
Operating	5,578,284	1,035,138	-	-	5,578,284	1,035,138
Interest and Other Charges	1,707,435	1,724,908	-	-	1,707,435	1,724,908
Transit	-	-	1,755,525	1,759,885	1,755,525	1,759,885
Parking	-	-	992,650	1,063,605	992,650	1,063,605
Sanitary Sewer	-	-	1,031,238	983,794	1,031,238	983,794
Airport	-	-	1,669,122	1,610,149	1,669,122	1,610,149
<b>Total Expenses</b>	<b>42,923,551</b>	<b>37,818,320</b>	<b>5,448,535</b>	<b>5,417,433</b>	<b>48,372,086</b>	<b>43,235,753</b>
Change in Net Assets Before Transfers	5,240,247	4,206,648	(284,665)	(732,818)	4,955,582	3,473,830
Transfers In (Out)	(560,459)	(324,821)	560,459	324,821	-	-
<b>Change in Net Assets</b>	<b>4,679,788</b>	<b>3,881,827</b>	<b>275,794</b>	<b>(407,997)</b>	<b>4,955,582</b>	<b>3,473,830</b>
Net Assets - Beginning of Year, Restated	61,966,675	58,084,848	21,949,711	22,357,708	83,916,386	80,442,556
<b>Net Assets - End Year</b>	<b>\$ 66,646,463</b>	<b>61,966,675</b>	<b>22,225,505</b>	<b>21,949,711</b>	<b>88,871,968</b>	<b>\$ 83,916,386</b>

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

^ Functional expenses for governmental activities for 2007 have been regrouped and thus may not be readily comparable to prior year amounts.

**Governmental Activities:**

Revenues exceeded expenses (before transfers) by approximately \$5,240,000 for fiscal year 2007 for governmental activities. Revenues increased by approximately \$6,139,000 (15%) to approximately \$48,164,000 from the prior year. Property tax collections increased approximately 6%, approximately \$15,757,000 compared to approximately \$14,906,000 for 2006 due to the collection rate improving to 99.5% compared to 96.5% for 2006.

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

---

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

##### Governmental Activities: (Continued)

Charges for services increased \$1,967,000 in 2007 primarily due to rate increases for all business license classifications and an increase in franchise fees from the Commissioner of Public Works from 4% to 6%. Operating grants increased \$1,410,000 in 2007 primarily due to three homeland security grants and road maintenance grants from Spartanburg County. Capital Grants and Contributions increased 28%, approximately \$5,312,000 compared to approximately \$4,147,000 in 2006, primarily due to an increase in donated infrastructure assets.

Expenses increased by approximately \$5,105,000 (13%) to approximately \$42,924,000 from the prior year. The increase in expenses was primarily due to increases in salaries, fuel, and insurance costs.

**Business-Type Activities:** In aggregate, business-type revenues increased approximately (10%) to approximately \$5,164,000 compared to approximately \$4,685,000 in the prior year. Total expenses increased 2%, approximately \$5,449,000 in 2007 compared to approximately \$5,417,000 in the prior year. The increase was primarily due to airport grants for capital improvements.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net 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, 2007, the City's governmental funds reported a combined ending fund balance of approximately \$11,983,000, a decrease of approximately \$83,000 in comparison with the prior year restated fund balance. Approximately 64% of this total amount (approximately \$7,640,000) constitutes unreserved and undesignated fund balance. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed (1) for capital projects (approximately \$4,206,000), (2) to pay debt service (approximately \$42,000), or (3) for inventories (approximately \$95,000).

**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 \$22,226,000. Factors concerning the operations of these four 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 at June 30, 2007 was approximately \$30,401,000, an 8% increase from the previous year. Property tax collections increased to approximately \$12,945,000 (4%) compared to approximately \$12,418,000 for the previous year. This increase reflects a 3% increase in the collection rate by the County Treasurer. Business License and permit fees increased approximately 11% to \$12,095,000 compared to approximately \$10,873,000 in 2006.

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 103.2 mills. The assessed value is 4% of market value for residential property, 6% for rental and other real property, and 10.5% for some personal property. Property taxes accounted for 43% or approximately \$12,945,000 of total General Fund revenue for the fiscal year ending June 30, 2007.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

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

General Fund Revenues (Continued)

The City received approximately \$12,095,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$659,000, intergovernmental revenue of approximately \$3,732,000, fines and forfeitures of approximately \$553,000, and other revenues of approximately \$419,000.

General Fund Expenditures

General Fund expenditures at June 30, 2007 totaled approximately \$30,039,000, a 9% increase over the previous fiscal year. This reflects increases in salaries, salary adjustments, fuel cost, health insurance, workers compensation, and general liability insurance.

Together, the Public Safety and Public Works departments accounted for approximately 60% of total General Fund expenditures. Actual expenditures for these departments, not including capital outlay, were approximately \$11,627,000 for Public Safety and approximately \$6,264,000 for Public Works. The remaining 40% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$3,663,000, Parks, Recreation, and Special Events – approximately \$1,727,000, Community Development – approximately \$3,019,000, Finance and Administrative Services – approximately \$2,681,000, and total Capital Outlay of approximately \$1,058,000.

General Fund Balance

Total fund balance in the General Fund decreased by approximately \$58,000, from approximately \$5,001,000 at June 30, 2006 to approximately \$4,942,000 at June 30, 2007. The unreserved fund balance decreased by approximately \$56,000, from approximately \$4,903,000 to approximately \$4,848,000. Unreserved undesignated fund balance represents 16% of total General Fund expenditures.

**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 \$30,602,000 (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 basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2007, the City had approximately \$110,741,000 invested in capital assets, net of depreciation. The total increase in the City’s investment in capital assets was approximately \$2,484,000 (2%). The increase was primarily due to capital asset additions of approximately \$6,935,000 partially offset by depreciation expense of approximately \$4,451,000. Table 3 shows fiscal 2007 Capital Asset balances (net of depreciation) compared to 2006:

	Government Activities		Business-Type Activities		Total	
	2007	2006 *	2007	2006 *	2007	2006 *
Land	\$ 25,813,114	25,813,114	752,421	718,986	26,565,535	\$ 26,532,100
Construction in Progress	2,684,304	4,130,448	-	41,234	2,684,304	4,171,682
Building & Improvements	21,828,378	22,418,864	23,837,680	24,233,305	45,666,058	46,652,169
Infrastructure	28,416,943	23,616,445	-	-	28,416,943	23,616,445
Machinery & Equipment	1,325,194	1,499,787	452,890	523,137	1,778,084	2,022,924
Vehicles	4,651,705	4,162,022	978,297	1,100,041	5,630,002	5,262,063
Totals	<u>\$ 84,719,638</u>	<u>81,640,680</u>	<u>26,021,288</u>	<u>26,616,703</u>	<u>110,740,926</u>	<u>\$ 108,257,383</u>

\* Certain amounts have been restated. See Note IV.G of the notes to the basic financial statements for more 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, 2007**

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

**Long-Term Obligations**

At June 30, 2007, the City had long-term obligations of approximately \$44,873,000 versus approximately \$46,166,000 in the prior year, a decrease of approximately \$1,293,000 or 3%. The decrease in long-term obligations was primarily due to scheduled principal payments on debt and capital leases of approximately \$2,029,000, partially offset by an increase in the landfill post closure accrual of \$500,000 and a net increase in compensated absences of approximately \$236,000.

Table 4 shows fiscal 2007 balances compared to 2006:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Debt:						
Tax Increment Bonds	\$ 14,825,000	15,790,000	-	-	14,825,000	\$ 15,790,000
Certificates of Participation	13,955,000	14,525,000	-	-	13,955,000	14,525,000
Revenue Bonds	-	-	3,715,000	3,865,000	3,715,000	3,865,000
General Obligation Bonds	-	-	1,005,000	1,180,000	1,005,000	1,180,000
Pollution Revolving Loan	-	-	646,257	683,973	646,257	683,973
HUD 108 Loan	3,900,000	3,960,000	-	-	3,900,000	3,960,000
<b>Total Debt</b>	<b>32,680,000</b>	<b>34,275,000</b>	<b>5,366,257</b>	<b>5,728,973</b>	<b>38,046,257</b>	<b>40,003,973</b>
Capital Lease	724,800	796,582	-	-	724,800	796,582
Landfill Post Closure	3,000,000	2,500,000	-	-	3,000,000	2,500,000
Compensated Absences	2,981,440	2,756,541	120,363	109,193	3,101,803	2,865,734
<b>Total</b>	<b>\$ 39,386,240</b>	<b>40,328,123</b>	<b>5,486,620</b>	<b>5,838,166</b>	<b>44,872,860</b>	<b>\$ 46,166,289</b>

The State limits the amount of general obligation debt that cities can issue to 8 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 8%, 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 \$10,450,000. The current amount of outstanding general obligation debt at June 30, 2007 is \$1,005,000 which leaves an unused legal debt margin of approximately \$9,445,000.

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	A2
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.

**ECONOMIC FACTORS**

The primary goal of the City of Spartanburg's 2007-2008 budget appropriation is to provide a financial plan for City officials to carry out both short-term and long-term priorities set by our City Council to meet the expectations of our citizens.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

---

**ECONOMIC FACTORS (CONTINUED)**

The 2007-2008 budget was developed with several challenges in mind (i.e. renovation of the City's community centers and an increase in the employer's retirement contribution rate). In addition, we continue to be faced with the burden of increased fuel, utility, and insurance cost (i.e. free short and long term disability insurance for employees and increases in worker's compensation premiums). Departments were asked to submit their funding request at the current year's level. For the second consecutive year, capital funding for equipment replacement was reduced. Lastly, City Council approved the creation on a Lan-Yair Multi-County Industrial and Business Park which will pave the way for a new eastside retail and residential development.

The Spartanburg City Council adopted the 2007-2008 budget plan in the amount of \$46,761,412. The City's millage rate increased form 103.2 to 104.7 mills.

**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 & Administrative Services Director, City of Spartanburg, Administrative Services Department, 145 W. Broad Street, Spartanburg, South Carolina, 29304.



CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2007

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,093,386	115,000	\$ 15,208,386
Restricted Cash and Cash Equivalents	429,870	78,993	508,863
Restricted Investments	157,599	-	157,599
Property Taxes Receivable, Net	1,178,977	-	1,178,977
Other Receivables, Net:			
Mortgage	241,031	-	241,031
Commercial Loan	155,558	-	155,558
Other	2,957,122	455,706	3,412,828
Internal Balances	(1,030,226)	1,030,226	-
Inventories and Prepaid Items	94,826	273,567	368,393
Note Receivable	3,893,158	-	3,893,158
Other Assets	1,695,117	-	1,695,117
Capital Assets:			
Non-Depreciable	28,497,418	752,421	29,249,839
Depreciable, Net	56,222,220	25,268,867	81,491,087
<b>TOTAL ASSETS</b>	<b>109,586,056</b>	<b>27,974,780</b>	<b>137,560,836</b>
<b>LIABILITIES</b>			
Accounts Payable	990,758	131,615	1,122,373
Accrued Interest Payable	439,201	73,405	512,606
Accrued Salaries and Benefits	1,116,559	33,086	1,149,645
Intergovernmental Payable	225,706	-	225,706
Customer Deposits	74,412	22,645	97,057
Unclaimed Checks	32,562	-	32,562
Accrued Claims/Premiums	443,433	-	443,433
Unearned Revenues	230,722	1,904	232,626
Non-Current Liabilities:			
Due Within One Year	3,598,038	490,395	4,088,433
Due in More Than One Year	35,788,202	4,996,225	40,784,427
<b>TOTAL LIABILITIES</b>	<b>42,939,593</b>	<b>5,749,275</b>	<b>48,688,868</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	55,677,341	20,655,031	76,332,372
Restricted For:			
Debt Service	713,701	-	713,701
Special Revenue	2,996,636	-	2,996,636
Unrestricted	7,258,785	1,570,474	8,829,259
<b>TOTAL NET ASSETS</b>	<b>\$ 66,646,463</b>	<b>22,225,505</b>	<b>\$ 88,871,968</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, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
Policy Formulation and Administration	\$ 4,383,247	-	-	-	(4,383,247)	-	\$ (4,383,247)
Public Safety	12,198,601	1,037,145	1,510,345	-	(9,651,111)	-	(9,651,111)
Parks, Recreation, and Special Events	2,423,902	244,783	-	-	(2,179,119)	-	(2,179,119)
Community Development	2,441,514	666,295	1,978,525	187,500	390,806	-	390,806
Public Works	10,650,667	1,760,990	749,816	5,124,710	(3,015,151)	-	(3,015,151)
Finance and Administrative Services	3,539,901	11,652,370	-	-	8,112,469	-	8,112,469
Operating	5,578,284	-	-	-	(5,578,284)	-	(5,578,284)
Interest and Other Charges	1,707,435	-	-	-	(1,707,435)	-	(1,707,435)
<b>Total Governmental Activities</b>	<b>42,923,551</b>	<b>15,361,583</b>	<b>4,238,686</b>	<b>5,312,210</b>	<b>(18,011,072)</b>	<b>-</b>	<b>(18,011,072)</b>
<b>Business-Type Activities:</b>							
Transit	1,755,525	273,133	783,505	-	-	(698,887)	(698,887)
Parking Enterprise	992,650	263,264	-	-	-	(729,386)	(729,386)
Sanitary Sewer	1,031,238	1,820,404	-	-	-	789,166	789,166
Airport	1,669,122	1,494,258	373,844	-	-	198,980	198,980
<b>Total Business-Type Activities</b>	<b>5,448,535</b>	<b>3,851,059</b>	<b>1,157,349</b>	<b>-</b>	<b>-</b>	<b>(440,127)</b>	<b>(440,127)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 48,372,086</b>	<b>19,212,642</b>	<b>5,396,035</b>	<b>5,312,210</b>	<b>(18,011,072)</b>	<b>(440,127)</b>	<b>(18,451,199)</b>
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					12,389,702	-	12,389,702
Tax Increment					2,183,246	-	2,183,246
Motor Vehicle Taxes					1,184,182	-	1,184,182
Hospitality Taxes					3,290,344	-	3,290,344
Other Taxes					825,297	-	825,297
Intergovernmental Revenue - Unrestricted					1,140,963	-	1,140,963
Investment Income					441,941	127,121	569,062
Miscellaneous					375,682	-	375,682
Grants and Contributions Not Restricted to Specific Programs					504,731	-	504,731
Gain on Sale of Assets					915,231	28,341	943,572
Transfers In (Out)					(560,459)	560,459	-
<b>Total General Revenues and Transfers</b>					<b>22,690,860</b>	<b>715,921</b>	<b>23,406,781</b>
<b>CHANGE IN NET ASSETS</b>					<b>4,679,788</b>	<b>275,794</b>	<b>4,955,582</b>
NET ASSETS, Beginning of Year, as Previously Reported					62,563,723	21,376,591	83,940,314
PRIOR PERIOD ADJUSTMENT					(597,048)	573,120	(23,928)
NET ASSETS, Beginning of Year, Restated					61,966,675	21,949,711	83,916,386
<b>NET ASSETS - End of Year</b>					<b>66,646,463</b>	<b>22,225,505</b>	<b>\$ 88,871,968</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, 2007

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 15,089,987	-	-	99	3,300	\$ 15,093,386
Restricted Cash and Cash Equivalents	-	304,644	-	-	260	304,904
Restricted Investments	-	157,599	-	-	-	157,599
Property Taxes Receivable, Net	646,122	-	-	510,715	22,140	1,178,977
Accounts Receivable, Net	1,426,486	274,877	278,201	431,914	16,544	2,428,022
Commercial Loan Receivables	-	-	-	-	155,558	155,558
Intergovernmental Receivables	-	-	-	-	529,100	529,100
Due From Other Funds	975,894	3,586,389	2,120,168	175,548	384,599	7,242,598
Inventories	94,826	-	-	-	-	94,826
Note Receivable	-	-	-	3,893,158	-	3,893,158
Mortgages Receivable:						
Home Loans	-	-	-	-	146,458	146,458
Deferred Loans	-	-	-	-	29,993	29,993
SRDC	-	-	-	-	64,580	64,580
<b>TOTAL ASSETS</b>	<b>18,233,315</b>	<b>4,323,509</b>	<b>2,398,369</b>	<b>5,011,434</b>	<b>1,352,532</b>	<b>31,319,159</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts Payable	648,872	67,348	46,177	-	186,700	949,097
Accrued Salaries and Benefits	1,008,803	-	-	-	107,756	1,116,559
Customer Deposits	74,412	-	-	-	-	74,412
Unclaimed Checks	31,407	-	-	-	-	31,407
Intergovernmental Payable	225,706	-	-	-	-	225,706
Due To Other Funds	10,576,515	-	-	-	372,163	10,948,678
Unearned/Deferred Revenues:						
Taxes	544,541	-	-	493,734	-	1,038,275
Other	180,721	50,000	-	4,325,072	396,589	4,952,382
<b>TOTAL LIABILITIES</b>	<b>13,290,977</b>	<b>117,348</b>	<b>46,177</b>	<b>4,818,806</b>	<b>1,063,208</b>	<b>19,336,516</b>
<b>FUND BALANCES</b>						
Reserved:						
Inventories	94,826	-	-	-	-	94,826
Debt Service	-	-	-	-	41,468	41,468
Capital Projects	-	462,243	-	-	-	462,243
Unreserved, Designated For, Reported In:						
Capital Projects	-	3,743,918	-	-	-	3,743,918
Unreserved, Undesignated Reported In:						
General Fund	4,847,512	-	-	-	-	4,847,512
Special Revenue	-	-	2,352,192	-	247,856	2,600,048
Debt Service	-	-	-	192,628	-	192,628
<b>TOTAL FUND BALANCES</b>	<b>4,942,338</b>	<b>4,206,161</b>	<b>2,352,192</b>	<b>192,628</b>	<b>289,324</b>	<b>11,982,643</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,233,315</b>	<b>4,323,509</b>	<b>2,398,369</b>	<b>5,011,434</b>	<b>1,352,532</b>	<b>\$ 31,319,159</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, 2007**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 11,982,643</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 \$105,296,459 and the accumulated depreciation was \$25,049,417.</p>	80,247,042
<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>	1,038,275
<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 not recognized in the governmental funds but are recognized in the Statement of Net Assets.</p>	4,721,660
<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>	1,442,898
<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>	(439,201)
<p>The City's Net Pension Asset resulting from overfunded 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>	252,219
<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>	6,062,367
<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	(32,680,000)
Landfill Remediation Liability	(3,000,000)
Compensated Absences (Sick Pay and Vacations)	(2,981,440)
	(38,661,440)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>66,646,463</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

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

YEAR ENDED JUNE 30, 2007

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$ 12,945,054	-	3,191,038	157,496	2,576,548	\$ 18,870,136
Fees, Licenses, and Permits	12,094,813	-	-	-	-	12,094,813
Fines and Forfeitures	552,608	-	-	-	-	552,608
State Government Contributions	-	1,672,530	-	-	837,966	2,510,496
Federal Government Contributions	-	-	-	-	2,324,035	2,324,035
Intergovernmental Revenues	3,731,577	-	-	-	-	3,731,577
Charges for Services	658,605	-	-	-	-	658,605
Investment Earnings	-	23,637	209,336	924	27,372	261,269
Confiscated Drug Funds	-	-	-	-	90,732	90,732
Donations	-	438,482	-	-	-	438,482
Other	418,648	-	450	-	592,238	1,011,336
<b>TOTAL REVENUES ALL SOURCES</b>	<b>30,401,305</b>	<b>2,134,649</b>	<b>3,400,824</b>	<b>158,420</b>	<b>6,448,891</b>	<b>42,544,089</b>
<b>EXPENDITURES:</b>						
Current:						
Policy Formulation and Administration	3,662,869	-	-	-	-	3,662,869
Public Safety	11,626,737	-	-	-	-	11,626,737
Parks, Recreation, and Special Events	1,726,686	-	-	-	-	1,726,686
Community Development	3,019,086	-	-	-	-	3,019,086
Public Works	6,264,411	-	-	-	-	6,264,411
Finance and Administrative Services	2,680,693	-	-	-	813,852	3,494,545
Operating	-	-	1,728,171	-	3,850,113	5,578,284
Capital Outlay	1,058,346	2,144,826	-	-	683,716	3,886,888
Debt Service:						
Principal Retirement	-	-	-	325,000	1,270,000	1,595,000
Interest	-	-	-	609,090	1,048,006	1,657,096
Other	-	-	-	26,859	14,284	41,143
<b>TOTAL EXPENDITURES</b>	<b>30,038,828</b>	<b>2,144,826</b>	<b>1,728,171</b>	<b>960,949</b>	<b>7,679,971</b>	<b>42,552,745</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>362,477</b>	<b>(10,177)</b>	<b>1,672,653</b>	<b>(802,529)</b>	<b>(1,231,080)</b>	<b>(8,656)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	911,199	1,117,159	-	168,640	1,552,774	3,749,772
Transfers Out	(1,582,016)	-	(2,446,248)	-	(845,871)	(4,874,135)
Proceeds from Sale of Capital Assets	250,000	525,000	-	-	275,000	1,050,000
Total Other Financing Sources (Uses)	(420,817)	1,642,159	(2,446,248)	168,640	981,903	(74,363)
<b>NET CHANGES IN FUND BALANCES</b>	<b>(58,340)</b>	<b>1,631,982</b>	<b>(773,595)</b>	<b>(633,889)</b>	<b>(249,177)</b>	<b>(83,019)</b>
FUND BALANCES, Beginning of Year	5,000,678	2,536,144	3,125,787	826,517	538,501	12,027,627
PRIOR PERIOD ADJUSTMENTS	-	38,035	-	-	-	38,035
FUND BALANCE, Beginning of Year, Restated	5,000,678	2,574,179	3,125,787	826,517	538,501	12,065,662
<b>FUND BALANCES, End of Year</b>	<b>\$ 4,942,338</b>	<b>4,206,161</b>	<b>2,352,192</b>	<b>192,628</b>	<b>289,324</b>	<b>\$ 11,982,643</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, 2007

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (83,019)</b>
<p>Amounts reported for the governmental activities in the Statement of Activities are different because of the following:</p>	
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.	506,349
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,595,000
Changes in the estimates for landfill remediation obligations do not affect current financial resources and thus are not reported in the governmental funds. They changes are reflected in the Statement of Activities.	(500,000)
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.	18,671
Contributed infrastructure and other capital assets are not recognized in the governmental funds as no current financial resource has been received, but are recognized in the Statement of Activities as a capital grant.	3,639,680
The City's Net Pension Asset resulting from overfunded 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 asset during the current year is reported in the Statement of Activities.	(264,312)
Internal service funds are used by management to charge the costs of medical insurance and replacement of equipment the individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the Statement of Activities.	(41,686)
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.	(224,899)
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.	7,204
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.	629,818
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceeded depreciation expense in the current period.	<u>(603,018)</u>
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,679,788</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

STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS

JUNE 30, 2007

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 32,393	-	82,607	-	115,000	\$ -
Restricted Cash and Cash Equivalents	-	-	78,993	-	78,993	124,966
Accounts Receivable, Net	109,303	23,437	148,789	174,177	455,706	-
Other Assets	-	-	-	1,206	1,206	-
Due From Other Funds	-	-	1,516,445	117,513	1,633,958	2,675,854
Inventories	52,064	-	-	220,297	272,361	-
Total Current Assets	<u>193,760</u>	<u>23,437</u>	<u>1,826,834</u>	<u>513,193</u>	<u>2,557,224</u>	<u>2,800,820</u>
Non-Current Assets:						
Capital Assets:						
Non-Depreciable	179,840	-	-	572,581	752,421	-
Depreciable, Net	5,232,955	14,242,015	4,384,251	1,409,646	25,268,867	4,472,596
Total Non-Current Assets	<u>5,412,795</u>	<u>14,242,015</u>	<u>4,384,251</u>	<u>1,982,227</u>	<u>26,021,288</u>	<u>4,472,596</u>
<b>TOTAL ASSETS</b>	<b><u>5,606,555</u></b>	<b><u>14,265,452</u></b>	<b><u>6,211,085</u></b>	<b><u>2,495,420</u></b>	<b><u>28,578,512</u></b>	<b><u>7,273,416</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable/Deposits Payable	42,831	9,806	25,785	53,193	131,615	41,661
Accrued Interest Payable	-	71,304	2,101	-	73,405	-
Accrued Salaries and Benefits	-	3,919	12,282	16,885	33,086	-
Customer Deposits	-	22,645	-	-	22,645	-
Due To Other Funds	493,695	110,037	-	-	603,732	-
Unearned Revenue	-	1,904	-	-	1,904	-
Unclaimed Checks	-	-	-	-	-	1,155
Accrued Claims/Premiums	-	-	-	-	-	443,433
Current Portion of Compensated Absences	-	-	13,729	27,612	41,341	-
Current Portion of Debt/Capital Leases	-	410,000	39,054	-	449,054	74,374
Total Current Liabilities	<u>536,526</u>	<u>629,615</u>	<u>92,951</u>	<u>97,690</u>	<u>1,356,782</u>	<u>560,623</u>
Long-Term Liabilities:						
Compensated Absences, Less Current Portion	-	-	26,242	52,780	79,022	-
Debt/Capital Leases, Less Current Portion	-	4,310,000	607,203	-	4,917,203	650,426
Total Long-Term Liabilities	<u>-</u>	<u>4,310,000</u>	<u>633,445</u>	<u>52,780</u>	<u>4,996,225</u>	<u>650,426</u>
<b>TOTAL LIABILITIES</b>	<b><u>536,526</u></b>	<b><u>4,939,615</u></b>	<b><u>726,396</u></b>	<b><u>150,470</u></b>	<b><u>6,353,007</u></b>	<b><u>1,211,049</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	5,412,795	9,522,015	3,737,994	1,982,227	20,655,031	3,747,796
Unrestricted	(342,766)	(196,178)	1,746,695	362,723	1,570,474	2,314,571
<b>TOTAL NET ASSETS</b>	<b><u>5,070,029</u></b>	<b><u>9,325,837</u></b>	<b><u>5,484,689</u></b>	<b><u>2,344,950</u></b>	<b><u>22,225,505</u></b>	<b><u>6,062,367</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,606,555</u></b>	<b><u>14,265,452</u></b>	<b><u>6,211,085</u></b>	<b><u>2,495,420</u></b>	<b><u>28,578,512</u></b>	<b><u>\$ 7,273,416</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

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

YEAR ENDED JUNE 30, 2007

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 236,720	263,264	1,820,404	254,649	2,575,037	\$ 800,000
Contributions	-	-	-	-	-	3,424,667
Other Revenues	36,413	-	-	-	36,413	-
Sale of Inventory	-	-	-	1,239,609	1,239,609	-
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b>273,133</b>	<b>263,264</b>	<b>1,820,404</b>	<b>1,494,258</b>	<b>3,851,059</b>	<b>4,224,667</b>
<b>OPERATING EXPENSES</b>						
Personal Services	-	81,133	436,706	439,867	957,706	-
Depreciation	355,680	462,940	127,080	84,192	1,029,892	791,847
Other Services and Charges	1,399,845	144,383	444,004	237,929	2,226,161	183,887
Claims/Premiums	-	-	-	-	-	3,843,132
Cost of Goods Sold	-	-	-	876,665	876,665	-
Maintenance	-	31,384	-	30,469	61,853	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,755,525</b>	<b>719,840</b>	<b>1,007,790</b>	<b>1,669,122</b>	<b>5,152,277</b>	<b>4,818,866</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,482,392)</b>	<b>(456,576)</b>	<b>812,614</b>	<b>(174,864)</b>	<b>(1,301,218)</b>	<b>(594,199)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Gain (Loss) on Sale of Assets	2,066	-	-	26,275	28,341	15,231
Federal and State Contributions	783,505	-	-	373,844	1,157,349	-
Interest Expense	-	(272,810)	(23,448)	-	(296,258)	(27,867)
Investment Earnings	-	-	106,725	20,396	127,121	1,245
Other Income (Expense)	-	-	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>785,571</b>	<b>(272,810)</b>	<b>83,277</b>	<b>420,515</b>	<b>1,016,553</b>	<b>(11,391)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(696,821)</b>	<b>(729,386)</b>	<b>895,891</b>	<b>245,651</b>	<b>(284,665)</b>	<b>(605,590)</b>
Transfers In	443,584	590,000	-	135,024	1,168,608	563,904
Transfers Out	(8,488)	(27,008)	(415,057)	(157,596)	(608,149)	-
<b>CHANGE IN NET ASSETS</b>	<b>(261,725)</b>	<b>(166,394)</b>	<b>480,834</b>	<b>223,079</b>	<b>275,794</b>	<b>(41,686)</b>
NET ASSETS, Beginning of Year, as Previously Reported	5,331,754	9,492,231	5,003,855	1,548,751	21,376,591	6,104,053
PRIOR PERIOD ADJUSTMENT	-	-	-	573,120	573,120	-
NET ASSETS, Beginning of Year, Restated	5,331,754	9,492,231	5,003,855	2,121,871	21,949,711	6,104,053
<b>NET ASSETS, End of Year</b>	<b>\$ 5,070,029</b>	<b>9,325,837</b>	<b>5,484,689</b>	<b>2,344,950</b>	<b>22,225,505</b>	<b>\$ 6,062,367</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 CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Charges for Services	\$ 269,162	263,265	1,964,526	231,801	2,728,754	\$ 800,000
Receipts from Contributions	-	-	-	-	-	3,424,667
Receipts from Sale of Inventory	-	-	-	1,239,609	1,239,609	-
Receipts from Other Revenues	36,413	-	-	-	36,413	270,374
Payments for Personal Services	-	(81,133)	(456,492)	(408,910)	(946,535)	-
Payments for Services and Charges	(1,404,744)	(178,934)	(447,191)	(255,291)	(2,286,160)	(166,063)
Payments for Cost of Goods Sold	(52,064)	-	-	(948,894)	(1,000,958)	-
Payments for Claims/Premiums	-	-	-	-	-	(3,895,424)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,151,233)</u>	<u>3,198</u>	<u>1,060,843</u>	<u>(141,685)</u>	<u>(228,877)</u>	<u>433,554</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Transfers to Other Funds	(8,489)	(27,008)	(1,055,463)	(30,054)	(1,121,014)	563,904
Transfers from Other Funds	(143,090)	621,620	-	135,024	613,554	-
Non-Operating State and Federal Grants	1,342,641	-	-	373,844	1,716,485	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>1,191,062</u>	<u>594,612</u>	<u>(1,055,463)</u>	<u>478,814</u>	<u>1,209,025</u>	<u>563,904</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	(15,556)	-	(47,670)	(371,251)	(434,477)	(834,143)
Proceeds on Sale/Transfer of Assets	2,066	-	-	26,275	28,341	15,231
Bond, Note, and Capital Lease Principal Payments	-	(325,000)	(37,716)	-	(362,716)	(71,782)
Bond, Note, and Capital Lease Interest Payments	-	(272,810)	(23,448)	-	(296,258)	(27,867)
Other Receipts (Payments)	-	-	-	(12,549)	(12,549)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(13,490)</u>	<u>(597,810)</u>	<u>(108,834)</u>	<u>(357,525)</u>	<u>(1,077,659)</u>	<u>(918,561)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment Earnings	-	-	106,725	20,396	127,121	1,245
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>106,725</u>	<u>20,396</u>	<u>127,121</u>	<u>1,245</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>26,339</b>	<b>-</b>	<b>3,271</b>	<b>-</b>	<b>29,610</b>	<b>80,142</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	6,054	-	158,329	-	164,383	44,824
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 32,393</b>	<b>-</b>	<b>161,600</b>	<b>-</b>	<b>193,993</b>	<b>\$ 124,966</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:						
Operating Income (Loss)	\$ (1,482,392)	(456,576)	812,614	(174,864)	(1,301,218)	\$ (594,199)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Depreciation Expense	355,680	462,940	127,080	84,192	1,029,892	791,847
Change in Account Representing Operating Activities:						
Accounts Receivable	32,442	29,252	144,122	(22,848)	182,968	270,374
Other Assets	-	-	-	(1,206)	(1,206)	-
Inventory	(52,064)	-	-	(72,229)	(124,293)	-
Accounts Payable/Deposits Payable	(4,899)	(3,444)	(958)	12,835	3,534	(134,408)
Accrued Salaries and Benefits	-	(392)	(2,229)	1,478	(1,143)	-
Customer Deposits	-	669	-	-	669	-
Compensated Absences	-	-	(19,786)	30,957	11,171	-
Claims/Premiums	-	-	-	-	-	99,940
Deferred Revenue	-	(29,251)	-	-	(29,251)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,151,233)</u>	<u>3,198</u>	<u>1,060,843</u>	<u>(141,685)</u>	<u>(228,877)</u>	<u>\$ 433,554</u>

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 AND LIABILITIES -  
FIDUCIARY FUND TYPES**

**JUNE 30, 2007**

	<b>PENSION TRUST</b>	<b>AGENCY</b>
	General Employees'	Donation Fund
<b>ASSETS</b>		
Restricted Cash and Cash Equivalents	\$ 41,233	\$ -
Restricted Investments:		-
Commingled Bond Funds	4,504,105	-
Commingled Common-Stock Funds	10,736,841	-
Accounts Receivable:		
Interest	6,161	-
Other	-	55,607
<b>TOTAL ASSETS</b>	<b>15,288,340</b>	<b>55,607</b>
<b>LIABILITIES</b>		
Due to Others	-	55,607
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>55,607</b>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	15,288,340	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 15,288,340</b>	<b>\$ 55,607</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, 2007

	<b>PENSION TRUST</b>
	<u>General Employees'</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 364,712
Member	52,252
Total Contributions	<u>416,964</u>
Investment Earnings:	
Interest	383,962
Realized and Unrealized Appreciation in Fair Value of Investments	1,689,868
Total Investment Earnings	<u>2,073,830</u>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<b><u>2,490,794</u></b>
<b>DEDUCTIONS</b>	
Pension Benefits	1,717,240
Administrative Expense	60,872
TOTAL DEDUCTIONS	<u>1,778,112</u>
<b>NET INCREASE IN ADDITIONS OVER DEDUCTIONS</b>	<b>712,682</b>
NET ASSETS, Beginning of Year	<u>14,575,658</u>
<b>NET ASSETS, End of Year</b>	<b><u>\$ 15,288,340</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, 2007

---

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 over 39,000 city residents and over 253,000 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 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 one blended component unit.

#### Blended Component Unit

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. Blended component units, although legally separate entities, are in substance, part of the government's operations; therefore, data from this Corporation is combined with data from the primary government. Separate financial statements for the Corporation are not issued.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

**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 and Sanitary Sewer District  
Spartanburg Development Corporation  
Spartanburg Housing Authority  
Preservation Trust of Spartanburg, Inc.

**Major Operations**

The City's major operations include police and fire protection, parks and recreation, economic and community development, public works and general administrative services. In addition, the City operates four enterprise funds as of June 30, 2007, consisting of Transit, Parking, Sanitary Sewer, and the Airport.

**Joint Venture**

The City Council and Spartanburg County Council also administer the communications fund as a joint operation. The financing for this related organization is funded on a formula basis. The City's share is funded entirely by the General Fund, under the function "Public Safety Administration." Each governing body budgets, within its own organization, its share of the costs. The County is reimbursed monthly by the City for its share. In 1987, the City/County communications fund began to implement the enhanced E911 concept in emergency response. All new equipment was leased by the county or purchased with bonds issued by the County. The County entered into a contract with AT&T to provide the enhanced E911 equipment and thus accounts for and fully reports for this operation in its annual financial report.

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

The **government-wide 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, 2007

---

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 are 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, 2007

---

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:

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

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

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

The City has four major Enterprise Funds:

- i. The **Sanitary Sewer Fund** is used to account for sanitary sewer services to residents of the City.
- ii. The **Transit Fund** is used to account for the local fixed-route public transportation system.
- iii. The **Parking Fund** is used to account for the City's parking garage system.
- iv. The **Airport Fund** is used to account for the activities of the City's downtown airport.

*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.

*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.

**C. Assets, Liabilities, and Equity**

**1. Cash, Cash Equivalents, and Investments**

**Cash and Cash Equivalents**

For purposes of the basic financial statements and the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months or less and investments of the cash management pool to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**Investments**

Investments are recorded at fair value. The City's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the City to invest in the following:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

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

The City's cash investment objectives are preservation of capital, liquidity, and yield. The City 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:

- 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.
- 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

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

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

**2. *Receivables and Payables***

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating 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 uncollectibles.

**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.

The cost of lots purchased for redevelopment and resale by the City for community development activities are recognized as an expenditure in the governmental fund basic financial statements. However, in the government-wide basic financial statements these costs are recorded as an other asset.

**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.

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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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

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

**4. Capital Assets (Continued)**

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	N/A
Roads and Streets	20 years	N/A
Bridges and Sidewalks	50 years	N/A
Traffic Signals	15 years	N/A

**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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund 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 the fund financial statements, the City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations of fund balance represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure. Fund balance reserves can be established for, but not limited to, the following: prepaids, inventory, non-current receivables, prior year appropriations, grant projects, debt service, capital projects and special revenue programs. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

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.

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 Plans*

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.

Plan Two – The retirement plan of the City of Spartanburg (“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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

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

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

**11. Pension Plans (Continued)**

The City recognizes in its government-wide basic financial statements the amount for which the Pension Plan is over or under funded as either a pension plan asset or a pension plan obligation. No amounts are recognized in the governmental fund basic financial statements as these amounts are not a current financial resource or obligation.

**12. Comparative Data**

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

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

**A. Budgetary Information**

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 was adopting budgets biennially, but has changed to an annual budgeting process beginning in fiscal year 2004.

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 2006. 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City 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, 2007, none of the City's primary government bank balances of \$1,201,876 (book balance of \$784,736) were exposed to custodial credit risk.

*Investments*

As of June 30, 2007, the City's investment portfolio consisted of:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
<b><u>Primary Government</u></b>			
State Local Government Investment Pool	*	\$ 14,812,547	~
U.S. Treasury Bills	*	157,599	0.33
Money Market Mutual Fund	A,NR	119,966	0.13
Total Primary Government		<u>15,090,112</u>	
<b><u>Fiduciary - Pension Trust Fund</u></b>			
Mutual Fund Equities	NR	10,736,841	N/A
Mutual Funds Fixed Income:			
Fund One	NR	1,478,856	11.10
Fund Two	NR	1,472,016	7.60
Fund Three	NR	801,724	5.83
Mutual Fund Commodity Real Return	NR	751,509	9.63
Total Pension Trust		<u>\$ 15,240,946</u>	

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

\* 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.

NR – Not rated.

N/A – Not Applicable.

**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, 2007, 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

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

**B. Receivables and Deferred Revenue**

**Property Taxes Receivables and Loan Receivables**

Property tax for the City is levied each fall on the assessed valuation of property located in the City as of the preceding January 1. The books are open to collection on September 1. 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 2006 levy was assessed at \$95,424,660. 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 2006 assessed value was \$20,192,070. Assessed value for privately-owned public utilities is established by the South Carolina Department of Revenue and was assessed at \$10,501,146 for 2006.

The City's operating tax rate is currently 103.2 mills. The County of Spartanburg bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$646,122 and \$532,855 (which is net of an allowance for uncollectibles of \$649,123) for general operations and for its tax increment districts, respectively, at June 30, 2007.

The City has outstanding mortgage and commercial loans receivables of \$396,589 (which are net of an allowance for uncollectibles of approximately \$1,049,721) at June 30, 2007. The City has an outstanding rent receivable from the Developer related to the Renaissance Park Project of \$200,000 at June 30, 2007.

**Note Receivable**

In order to assist the Developer with the Renaissance Park Hotel project (See Note IV.A 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 \$16,667 (initial payments are interest only) and escalate to \$41,667 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 and interest receivable at June 30, 2007 was \$3,893,158 and \$231,914, respectively, for which all has been deferred at June 30, 2007 (as it was not available).

The Developer is currently in bankruptcy. Due to the City's priority claim on the Renaissance Park Project, the City believes that the outstanding note and interest receivable balances will be paid by either the Developer or by the various interested parties who are actively pursuing to purchase the Renaissance Hotel. Thus, an allowance for uncollectibles was not deemed necessary for the outstanding note or interest receivable balances at June 30, 2007.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

B. Receivables and Deferred Revenue (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, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable (General Fund and St. John Daniel Morgan TIF Fund) - Deferred	\$ 1,038,275
Past Due Rent (Debt Service Funds) - Deferred	200,000
Note Receivable and Interest Receivable (Debt Service Funds) - Deferred	4,125,071
Mortgage and Loan Receivables (Special Revenue Funds) - Deferred	396,589
Other Unearned Revenue (General Fund and Capital Projects Fund) - Unearned	230,722
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,990,657</u>

C. Capital Asset

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

Governmental Activities:	Restated Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 25,813,114	-	-	-	\$ 25,813,114
Construction In Progress	4,130,448	1,458,210	-	(2,904,354)	2,684,304
Total Capital Assets, Non-Depreciable	<u>29,943,562</u>	<u>1,458,210</u>	<u>-</u>	<u>(2,904,354)</u>	<u>28,497,418</u>
Capital Assets, Depreciable					
Buildings and Improvements	28,774,104	-	-	-	28,774,104
Infrastructure	38,007,577	3,639,680	-	2,904,354	44,551,611
Machinery and Equipment	4,878,871	201,905	-	-	5,080,776
Vehicles	9,287,719	1,200,134	121,173	-	10,366,680
Furniture and Fixtures	26,353	-	-	-	26,353
Total Capital Assets, Depreciable	<u>80,974,624</u>	<u>5,041,719</u>	<u>121,173</u>	<u>2,904,354</u>	<u>88,799,524</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	6,355,240	590,486	-	-	6,945,726
Infrastructure	14,391,132	1,743,536	-	-	16,134,668
Machinery and Equipment	3,379,084	376,498	-	-	3,755,582
Vehicles	5,125,697	710,451	121,173	-	5,714,975
Furniture and Fixtures	26,353	-	-	-	26,353
Total Accumulated Depreciation	<u>29,277,506</u>	<u>3,420,971</u>	<u>121,173</u>	<u>-</u>	<u>32,577,304</u>
Total Capital Assets, Depreciable, Net	<u>51,697,118</u>	<u>1,620,748</u>	<u>-</u>	<u>2,904,354</u>	<u>56,222,220</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,640,680</u>	<u>3,078,958</u>	<u>-</u>	<u>-</u>	<u>\$ 84,719,638</u>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

C. Capital Assets (Continued)

The City receives from time to time donated infrastructure for new subdivisions/projects from various developers and donations from other governments. The City received \$3,639,680 of donated infrastructure related to several new subdivisions/projects. The City engineer inspects and approves the installation of the infrastructure by the developer before the City takes over ownership. The City engineer also estimates the value of the donated infrastructure based on the estimated replacement cost for the infrastructure.

The cost of equipment recorded under capital lease was approximately \$833,000. Accumulated amortization was approximately \$111,000 at June 30, 2007. 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 \$791,847) was charged to functions/programs as follows:

Functions/Programs	Amount
Finance and Administrative Services	\$ 9,546
Community Development	256,158
Parks, Recreation, and Special Events	687,165
Policy Formulation and Administration	90,012
Public Safety	422,526
Public Works	1,955,564
Total Depreciation Expense - Governmental Activities	<u>\$ 3,420,971</u>

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

Business-Type Activities:	Restated Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 718,986	33,435	-	-	\$ 752,421
Construction In Progress	41,234	337,816	-	(379,050)	-
Total Capital Assets, Non-Depreciable	<u>760,220</u>	<u>371,251</u>	<u>-</u>	<u>(379,050)</u>	<u>752,421</u>
Capital Assets, Depreciable:					
Buildings and Improvements	32,403,496	-	-	379,050	32,782,546
Machinery and Equipment	1,241,286	15,556	-	-	1,256,842
Vehicles	2,975,039	47,670	-	-	3,022,709
Total Capital Assets, Depreciable	<u>36,619,821</u>	<u>63,226</u>	<u>-</u>	<u>379,050</u>	<u>37,062,097</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	8,170,191	774,675	-	-	8,944,866
Machinery and Equipment	718,149	85,803	-	-	803,952
Vehicles	1,874,998	169,414	-	-	2,044,412
Total Accumulated Depreciation	<u>10,763,338</u>	<u>1,029,892</u>	<u>-</u>	<u>-</u>	<u>11,793,230</u>
Total Capital Assets, Depreciable, Net	<u>25,856,483</u>	<u>(966,666)</u>	<u>-</u>	<u>379,050</u>	<u>25,268,867</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,616,703</u>	<u>(595,415)</u>	<u>-</u>	<u>-</u>	<u>\$ 26,021,288</u>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

C. Capital Assets (Continued)

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

Functions/Programs	Amount
Transit	\$ 355,680
Parking	462,940
Sanitary Sewer	127,080
Airport	84,192
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,029,892</u>

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 (“TIF”) 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. The full faith, credit, and taxing powers of the City are not pledged for the payment of the TIF bonds 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.

Details for each debt issue and outstanding capital lease as of June 30, 2007, are as follows:

Principal Outstanding  
at Year End

***Tax Increment Bonds***

- \$7,045,000 Series 2000 – Bonds issued July 1, 2000, in an original amount of \$10,660,000. The rate of interest begins at 4.40% and increases to 5.375%. The bond matures April 1, 2015. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$355,000 began April 1, 2001, and increase in amounts annually until the annual payment reaches \$1,045,000 in year 2015. The proceeds of these bonds were primarily used 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.
  
- \$7,035,000 Series 2002 A – Bonds issued May 1, 2002, in an original amount of \$7,235,000. The rate of interest begins at 4% and increases to 5%. The bonds mature April 1, 2025. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$100,000 begin year 2006, and increase in amounts annually until the annual payment reaches \$630,000 in year 2025. The proceeds of these bonds were primarily used to: (a) purchase land for the Renaissance Park Project and (b) fund improvements for Barnet Park.
  
- \$745,000 Series 2002 B – Bonds issued May 1, 2002, in an original amount of \$1,355,000. The rate of interest begins at 4.25% and increases to 6%. The bonds mature April 1, 2011. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$140,000 begin year 2004, and increase in amounts annually until the annual payment reaches \$205,000 in year 2011. The proceeds of these bonds were primarily used to: (a) purchase land for the Renaissance Park project and (b) fund improvements for Barnet Park.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

---

*Certificates of Participation (“COPS”)*

\$10,960,000 Series 2002 – The above certificates evidence proportionate undivided interest in base fee payments to be paid by the City under an installment sale agreement dated May 15, 2002, with the Spartanburg Public Facilities Corporation (a blended component unit). The certificates fully mature in year 2020. The security for the certificates is a conference center and related improvements. Rights and interests under the installment sale agreement are assigned to the Bank of New York Trust Company of Florida, N.A. (See Note IV.A for further details).

The original amount of Certificates was \$12,740,000. The rate of interest begins at 3.5% and increases to 4.25%. Base fee payments are due on March 15<sup>th</sup> and September 15<sup>th</sup> of each year. Principal payments began April 1, 2003, at \$290,000 and increase in amounts annually until the annual payment reaches \$690,000 in year 2020. The certificates are subject to optional and mandatory redemption prior to their stated maturity dates. The proceeds of these certificates were primarily used to construct the Renaissance Park Conference Center.

\$2,995,000 Series 2005 – Issued June 23, 2005 and maturing April 1, 2020. The Bond interest rate is 3.390% 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 bond is the liability of the Spartanburg Public Facilities Corporation a South Carolina nonprofit corporation (as noted above it is a blended component unit of the City). The purpose of the debt is to provide funding for the “Morgan Square Project.”

*HUD Section 108 Loan*

\$3,900,000 On February 1, 2002, the City entered into a contract with the U.S. Department of Housing and Urban Development for a 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 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 begin August 2005, and increase until the annual payment reaches \$415,000 in year 2021.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Capital Lease*

\$724,800 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).

*General Obligation Bonds*

\$1,005,000 Series 2002 – Bonds issued in December of 2002, in an original amount of \$1,845,000. The rate of interest ranges from 3.0% to 5.0%. The bond matures in April of 2012. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$160,000 begin April 1, 2004, and increase in amounts annually until the annual payment reaches \$220,000 in year 2012. The proceeds of these bonds were primarily used in constructing the Magnolia parking garage.

*Revenue Bonds*

\$3,715,000 Series 2002 – Bonds issued March 27, 2002, in an original amount of \$4,165,000 and are secured by revenue from the City of Spartanburg Parking System. The bonds mature April 1, 2017. The rate of interest is 6.09%. 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 begin April 1, 2004, at \$75,000 and increase in amounts annually until the annual payment reaches \$345,000 on April 1, 2017. The proceeds of these bonds were used in constructing the Magnolia parking garage.

*South Carolina Water Pollution Control Revolving Fund Loan*

\$646,257 Loan originated February 25, 2000, in an original amount of \$877,091. The loan is due in full September 1, 2020. The rate of interest is 3.5%. Payments of both interest and principal are due quarterly in an amount of \$15,290.97. The proceeds from this loan were used for improvements and construction of certain sewer treatment facilities.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

D. Long-Term Obligations (Continued)

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

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
Tax Increment Bonds:					
2000 Series	\$ 7,745,000	-	700,000	7,045,000	\$ 735,000
2002 Series A	7,135,000	-	100,000	7,035,000	110,000
2002 Series B	910,000	-	165,000	745,000	170,000
Total Tax Increment Bonds	15,790,000	-	965,000	14,825,000	1,015,000
Certificates of Participation					
2002 COPS	11,350,000	-	390,000	10,960,000	410,000
2005 COPS	3,175,000	-	180,000	2,995,000	185,000
Total Certificates of Participation	14,525,000	-	570,000	13,955,000	595,000
HUD Section 108 Loan	3,960,000	-	60,000	3,900,000	60,000
Total Debt	34,275,000	-	1,595,000	32,680,000	1,670,000
Capital Leases:					
2005 Capital Lease	796,582	-	71,782	724,800	74,374
Total Capital Leases	796,582	-	71,782	724,800	74,374
Landfill Rem. and Post-Closure Care Liability	2,500,000	500,000	-	3,000,000	-
Compensated Absences	2,756,541	2,099,577	1,874,678	2,981,440	1,853,664
Total Governmental Activities	\$ 40,328,123	2,599,577	3,541,460	39,386,240	\$ 3,598,038
<b>Business-Type Activities:</b>					
Debt:					
2002 Series G.O. Bonds	\$ 1,180,000	-	175,000	1,005,000	\$ 185,000
2002 Revenue Bonds	3,865,000	-	150,000	3,715,000	225,000
Pollution Revolving Loan	683,973	-	37,716	646,257	39,054
Total Debt	5,728,973	-	362,716	5,366,257	449,054
Compensated Absences	109,193	58,672	47,502	120,363	41,341
Total Business-Type Activities	\$ 5,838,166	58,672	410,218	5,486,620	\$ 490,395

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 and capital lease obligations. The General Fund (via transfers out) and the Parking Fund have been used to liquidate the business-type activities debt. The General Fund or the respective Enterprise funds from which the employees originate have been used to liquidate compensated absence liabilities.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

D. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements to maturity by year for the governmental and business-type activities:

Year Ending June 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2008	\$ 1,670,000	1,586,257	74,374	25,275	\$ 3,355,906
2009	1,760,000	1,510,319	77,059	22,590	3,369,968
2010	1,895,000	1,428,563	79,841	19,808	3,423,212
2011	2,010,000	1,338,580	82,723	16,926	3,448,229
2012	2,120,000	1,242,886	85,710	13,939	3,462,535
2013-2017	10,275,000	4,614,099	325,093	23,677	15,237,869
2018-2022	8,610,000	2,374,810	-	-	10,984,810
2023-2025	4,340,000	447,707	-	-	4,787,707
Totals	<u>\$ 32,680,000</u>	<u>14,543,221</u>	<u>724,800</u>	<u>122,215</u>	<u>\$ 48,070,236</u>
<b>Business-Type Activities</b>					
2008	\$ 449,054	280,535	-	-	\$ 729,589
2009	500,438	259,666	-	-	760,104
2010	546,873	235,614	-	-	782,487
2011	598,358	209,305	-	-	807,663
2012	629,895	179,932	-	-	809,827
2013-2017	2,454,517	474,992	-	-	2,929,509
2018-2022	187,122	11,661	-	-	198,783
Totals	<u>\$ 5,366,257</u>	<u>1,651,705</u>	<u>-</u>	<u>-</u>	<u>\$ 7,017,962</u>

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, 2007, the City had \$1,005,000 of bonded debt subject to the 8% legal debt limit of approximately \$10,450,000 resulting in an unused legal debt margin of approximately \$9,445,000.

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 significant arbitrage liability at June 30, 2007.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

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

Interfund balances at June 30, 2007, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 975,894	\$ 10,576,515
Capital Projects Fund	3,586,389	-
Hospitality Tax Fund	2,120,168	-
St. John - Daniel Morgan TIF Fund	175,548	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	493,695
Parking Fund	-	110,037
Sanitary Sewer Fund	1,516,445	-
Airport Fund	117,513	-
<b><u>Non-Major Funds - In Aggregate by Type</u></b>		
Special Revenue Funds	365,531	372,163
Debt Service Funds	19,068	-
Internal Service Funds	2,675,854	-
Totals	<u>\$ 11,552,410</u>	<u>\$ 11,552,410</u>

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

Transfers between funds for the year ended June 30, 2007, consist of the following:

Fund	Transfers Out	Transfers In
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,582,016	\$ 911,199
Capital Projects Fund	-	1,117,159
Hospitality Tax Fund	2,446,248	-
St. John - Daniel Morgan TIF Fund	-	168,640
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	8,488	443,584
Parking Fund	27,008	590,000
Sanitary Sewer Fund	415,057	-
Airport Fund	157,596	135,024
<b><u>Non-Major Funds - In Aggregate By Type</u></b>		
Special Revenue Funds	445,871	331,903
Debt Service Funds	400,000	1,220,871
Internal Service Fund	-	563,904
Total	<u>\$ 5,482,284</u>	<u>\$ 5,482,284</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

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

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

General Fund

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

Capital Project Fund

Transfers into the Capital Project Fund were primarily to fund capital outlays and to cover project deficits.

Hospitality Tax Fund

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

St. John – Daniel Morgan TIF

Transfers in were to make debt payments.

Special Revenue Funds

Transfers in were primarily to fund grant match requirements. Transfers out were primarily to reimburse fleet charges, make debt payments, and to close out other funds.

Debt Service Funds

Transfers in and out were primarily for debt service payments.

Transit Fund

Transfers out were primarily for fleet charges. Transfer in was to cover operating costs.

Parking Fund

The transfer out was for overhead cost to the General Fund. Transfers in were primarily to make debt payments.

Sanitary Sewer Fund

Transfers out were primarily for fleet charges and reimbursement to the General Fund.

Airport Fund

Transfers out were for overhead cost to the General Fund, fleet charges, and airport grant matches. The transfer in was for property revenue due to the Airport.

Internal Service Funds

Transfers into the Medical Reimbursement Fund were to cover medical claims.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

**IV. OTHER INFORMATION**

**A. Agreements**

**Renaissance Park Project**

**Ground Lease Agreement**

In February 2002, the City entered into Ground Lease whereby the City leased 4.85 acres to Renaissance Park Hotel, LLC (the "Developer"), 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 (or any successor) has agreed to pay rent to the City for the leased premises of \$400,000 on December 1, 2003 (has been written off in 2007 as this amount was no longer deemed collectible) and \$200,000 annually thereafter until the expiration date of the lease (50 years from the lease commencement date). At the expiration or termination of the lease, the City will be granted full title and interest for all improvements and infrastructure built on the ground lease premises.

**Conference Center Lease Agreement**

In September 2002, the City entered into a Conference Center Lease Agreement whereby the City leased its Conference Center and improvements at the Renaissance Park Hotel to the Developer (or any successor). The lease is for a term of 50 years and requires the Developer to pay annual rent of \$1.00. The City's willingness to lease the conference center (which was constructed by the City via use of the 2002 COPS) for nominal rent was part of the overall consideration given by the City to encourage development in the Renaissance project.

**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, sanitary and storm sewers, 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.

**B. Commitments and Contingencies**

**Commitments**

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 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 district as a result of the public infrastructure improvements. Since these tax credits are predicated upon future growth and are not measurable, no amounts have been recorded in the City's basic financial statements.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies (Continued)

**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, 2007.

There are several outstanding lawsuits in which the City is involved arising out of the Renaissance Park Project. An unfavorable outcome that would materially impact the City is remote and not measurable and thus no amounts have been recorded in the basic financial statements of the City. The developer defaulted on his loan, and the property is now controlled by the lender, Bridgeview Bank. They are in the process of finding a suitable buyer for the hotel. The hotel operation continues to be a success and is in no danger of closing.

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

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, 2007, the City made premium payments totaling approximately \$1,000,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$16,798,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The City pays an annual premium to SCMIT. In the year ended June 30, 2007, the City made premium payments totaling approximately \$970,500. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$6,049,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

**IV. OTHER INFORMATION (CONTINUED)**

**C. Risk Management (Continued)**

*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 \$100,000 of claims per employee. An insurance provider pays claims that exceed \$100,000 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 \$444,588 (which includes unclaimed checks) reported in the medical insurance internal service fund at June 30, 2007 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
2004 - 2005	\$ 393,378	2,967,438	(3,087,161)	\$ 273,655
2005 - 2006	273,655	3,527,074	(3,456,081)	344,648
2006 - 2007	\$ 344,648	3,957,322	(3,857,382)	\$ 444,588

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.

**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, 2007, were approximately \$16,069,000 of which, \$8,437,000 and \$7,632,000 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, 2007, were \$679,157 and 8.05%; and \$547,430 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$816,588 and 10.7%; and \$496,059 and 6.5%, respectively.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

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:

Year Ended June 30	SCRS		SCPORS	
	Required *	% Contributed	Required *	% Contributed
2007	\$ 1,226,587	100%	\$ 1,312,647	100%
2006	1,108,033	100%	1,262,705	100%
2005	\$ 907,443	100%	\$ 1,235,215	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. The Pension Plan’s year-end is December 31. Pension Plan financial information can be obtained by writing to Dennis Locke, City of Spartanburg, P.O. Box 1749, Spartanburg, SC 29304.

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 124; vested inactive employees not yet receiving benefits – 6; and active employees – 21. Covered payroll for year ended December 31, 2006, was \$724,246; average pay was \$34,488; average age was 51.5; and average past service was 20.3 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 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.

The components of the Pension Plan’s net pension cost of \$629,024 for the current year consisted of (a) annual required contribution (employer) of \$584,837; (b) interest on the net pension obligation of (\$41,322); and (c) adjustments to annual required contributions of \$85,509 (reflects an amortization period equal to the present value of future earnings/current earnings for active participants under the age of 65).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

---

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

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

Actuarial Valuation Date:	January 1, 2007
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:	8%, compounded annually
Mortality Rate:	1994 GAM Static Mortality Table for healthy lives and the PBGC 1993 Disabled 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 - 25% 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 have been no significant changes in the actuarial assumptions or cost method from the prior year.

Please note that the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

*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 2007, of \$364,712 for the employer and \$52,252 for the employees were made in accordance with a City ordinance (as subsequently modified) requiring a minimum City contribution of 6.7% and an employee contribution of 6.5%.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

*Schedule of Employer Contributions*

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

**Schedule of Employer Contributions**

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)
2002	\$ 128,983	-	n/a	30,991	416.20%	\$ (903,294)
2003	87,478	-	n/a	68,217	128.23%	(922,555)
2004	81,214	-	n/a	71,755	113.18%	(932,014)
2005	404,338	328,965	122.91%	408,843	98.90%	(927,509)
2006	262,396	603,733	43.46%	673,374	38.97%	(516,531)
2007	\$ 364,712	584,837	62.36%	629,024	57.98%	\$ (252,219)

*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 six 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)
01/01/02	\$ 22,631,709	22,631,709	-	100.00%	\$ 1,444,492	0.00%
01/01/03	19,298,837	19,298,837	-	100.00%	1,298,686	0.00%
01/01/04	15,645,728	17,529,616	1,883,888	89.25%	1,205,846	156.23%
01/01/05	14,278,120	17,909,354	3,631,234	79.72%	948,281	382.93%
01/01/06	14,613,674	17,905,469	3,291,795	81.62%	912,257	360.84%
01/01/07	\$ 14,853,955	17,030,520	2,176,565	87.22%	\$ 749,594	290.37%

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

**IV. OTHER INFORMATION (CONTINUED)**

**E. Postretirement Benefits**

The City provides post-retirement medical benefits, in accordance with the City's Human Resources Policy, for employees who were employed by the City for at least 10 years and eligible for retirement through one of the City's retirement plans. Currently, 66 retirees meet these eligibility requirements. The City provides medical benefits for retirees until one of the following events:

1. The retiree reaches age 65
2. The retiree becomes eligible for other group health coverage
3. Non-payment of premium.

Retirees contribute \$100 per month toward the cost of their insurance with the City bearing the remaining costs. The cost for this benefit is financed on a pay-as-you-go basis. The current expenditures are included in the overall health care costs of the City. For the fiscal year ended June 30, 2007, the City had total expenditures of approximately \$932,000 for post-retirement medical benefits, which was net of approximately \$79,000 of retiree contributions.

In 2004 GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("Statement"). This Statement establishes standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City is required to adopt this Statement in fiscal year 2009 and is in the process of determining the impact of adopting this Statement will have on the City. Management is not able at this present time to quantify the City's OPEB liability under this Statement.

**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. That work is now complete.

As of June 30, 2007, the City has paid approximately \$1,200,000 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, but no estimated receivable has been recorded for such amounts.

Over the past three years, City officials have met with the EPA to discuss the status of the case and to expedite a final outcome. Based on recent discussions, it appears that the EPA will issue an amended Record of Decision ("ROD") for the Site in the near future. It is anticipated that the amended ROD will select the preferred alternative from the FS, which will involve capping the landfill area with enhanced bioremediation of groundwater.

Using EPA criteria, the projected present-value, thirty-year cost of the anticipated remedial action in the past was originally estimated at approximately \$6,030,000. Based on management's discussion with the EPA over the past couple of years, the total liability for the City and all PRPs was vastly overstated and is now estimated to be around \$3,000,000 before factoring in any other recoveries from PRPs or other cost saving ideas. In addition, it is anticipated that annual monitoring and maintenance costs be approximately \$100,000 per year following the capping of the landfill area with enhanced bioremediation of groundwater. Currently, the postclosure monitoring period required by state law is 30 years after the entire landfill receives final cover. Based on conversations with the EPA, the City expects a much shorter monitoring period since the landfill has been closed since the early 1970s.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

---

**IV. OTHER INFORMATION (CONTINUED)**

**F. Landfill Remediation and Post-Closure Care Cost (Continued)**

The City is not currently under any obligation to perform the anticipated remediation, but the City anticipates that it, along with other PRPs, will ultimately enter into an agreement with either the EPA or the State to perform this remedial action. The City's allocated portion of this remediation is uncertain at this point. In accordance with accounting guidance provided by GASB 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", the City's best estimate for its portion of the future liability was approximately \$2,500,000 (undiscounted) at June 30, 2007 for remediation (which factors in anticipated participation of other PRPs and other potential cost savings). This was an increase of \$500,000 over the prior year estimate for the landfill remediation liability.

The City believes its liability of \$500,000 for future monitoring and maintenance costs (undiscounted) to still be sufficient as this is management's best estimate for these costs as of June 30, 2007. The City believes that a very short monitoring period will be required due to the landfill's closure back in the 1970s and that natural remediation has occurred over time. The total landfill remediation and post-closure care liability of \$3,000,000 at June 30, 2007 has been recorded as a long-term obligation in the City's governmental activities in the government-wide basic financial statements.

**G. Prior Period Adjustments**

The City's fund balances/net assets were restated as follows:

Governmental activities net assets were restated to properly reflect capital assets (primarily land) of (\$635,083) that had been either (a) inadvertently left off of the City's records, (b) never removed from the City's records when disposed of, or (c) had been recorded twice, and airport grants of \$38,035 that had been inadvertently recorded in the capital projects fund when they should have been recognized in the airport enterprise fund.

The airport fund and the business-type activities net assets were restated to properly reflect land that had been inadvertently recorded in the governmental activities of the City of \$585,670 (some for grants related to capital assets) and airport grant expenses of (\$12,550).

**H. Subsequent Events**

The City's approved a 1.5 mill property tax increase for 2008.

The City has approved a multi-county industrial park ("Park") between Spartanburg County and Union County. The City will annex the Park into the City limits which will generate significant property tax revenue for the City in future years but will also require that a certain percentage of incremental property tax revenues will be made available to reimburse a portion of the developer's cost of public infrastructure improvements made in the Park.

A formal agreement has been entered into between the City and Spartanburg School District Seven ("District") to partner in renovating Duncan Park for use by student athletes and the public. The City and District have agreed to each provide \$750,000 with the remainder of the park renovations, which are estimated at \$3,000,000, being raised from public sources.

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<b>GENERAL FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Taxes	\$ 12,307,082	12,307,082	12,945,054	\$ 637,972
Fees, Licenses, and Permits	11,563,000	11,563,000	12,094,813	531,813
Fines and Forfeitures	492,000	492,000	552,608	60,608
Intergovernmental Revenues	4,066,464	4,066,464	3,731,577	(334,887)
Charges for Services	913,462	913,462	658,605	(254,857)
Other Revenues	308,700	308,700	418,648	109,948
<b>TOTAL REVENUES ALL SOURCES</b>	<b>29,650,708</b>	<b>29,650,708</b>	<b>30,401,305</b>	<b>750,597</b>
<b>EXPENDITURES</b>				
Policy Formulation and Administration	2,722,435	2,722,435	3,732,757	(1,010,322)
Public Safety	12,243,404	12,243,404	11,935,892	307,512
Parks, Recreation, and Special Events	1,841,506	1,841,506	1,739,341	102,165
Community Development	3,273,022	3,273,022	3,155,560	117,462
Public Works	6,692,011	6,692,011	6,782,270	(90,259)
Finance and Administrative Services	2,668,623	2,668,623	2,693,008	(24,385)
<b>TOTAL EXPENDITURES</b>	<b>29,441,001</b>	<b>29,441,001</b>	<b>30,038,828</b>	<b>(597,827)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>209,707</b>	<b>209,707</b>	<b>362,477</b>	<b>152,770</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	940,869	940,869	911,199	(29,670)
Transfers Out	(1,160,576)	(1,160,576)	(1,582,016)	(421,440)
Proceeds from Sale of Capital Assets	10,000	10,000	250,000	240,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(209,707)</b>	<b>(209,707)</b>	<b>(420,817)</b>	<b>(211,110)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(58,340)</b>	<b>(58,340)</b>
FUND BALANCES, Beginning of Year	5,000,678	5,000,678	5,000,678	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,000,678</b>	<b>5,000,678</b>	<b>4,942,338</b>	<b>\$ (58,340)</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 BALANCE -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<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	\$ 3,225,000	3,225,000	3,191,038	\$ (33,962)
Investment Earnings	70,000	70,000	209,336	139,336
Other Revenues	5,000	5,000	450	(4,550)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>3,300,000</b>	<b>3,300,000</b>	<b>3,400,824</b>	<b>100,824</b>
<b>EXPENDITURES</b>				
Operating	876,567	876,567	1,728,171	(851,604)
<b>TOTAL EXPENDITURES</b>	<b>876,567</b>	<b>876,567</b>	<b>1,728,171</b>	<b>(851,604)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,423,433</b>	<b>2,423,433</b>	<b>1,672,653</b>	<b>(750,780)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,423,433)	(2,423,433)	(2,446,248)	(22,815)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,423,433)</b>	<b>(2,423,433)</b>	<b>(2,446,248)</b>	<b>(22,815)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(773,595)</b>	<b>(773,595)</b>
FUND BALANCES, Beginning of Year	3,125,787	3,125,787	3,125,787	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 3,125,787</b>	<b>3,125,787</b>	<b>2,352,192</b>	<b>\$ (773,595)</b>

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

**THE GENERAL FUND**  
**SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE—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

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current	\$ 11,707,082	12,201,755	\$ 494,673
Prior Years, Including Penalties and Execution Fees	600,000	743,299	143,299
<b>Total Taxes</b>	<b>12,307,082</b>	<b>12,945,054</b>	<b>637,972</b>
<b>Fees, Licenses, and Permits:</b>			
Business Licenses and Penalties	8,615,000	9,006,812	391,812
Utility Franchise Fees	2,352,000	2,427,313	75,313
Building Permits	450,000	420,561	(29,439)
Electrical Permits	40,000	52,105	12,105
Plumbing Permits	22,000	29,771	7,771
Heating & Air Conditioning Permits	30,000	32,659	2,659
Miscellaneous Inspections/License Fees	54,000	125,592	71,592
<b>Total Fees, Licenses, and Permits</b>	<b>11,563,000</b>	<b>12,094,813</b>	<b>531,813</b>
<b>Fines and Forfeitures:</b>			
Criminal Fines	80,000	81,532	1,532
Traffic Fines	352,000	399,415	47,415
Parking Tickets	60,000	71,661	11,661
<b>Total Fines and Forfeitures</b>	<b>492,000</b>	<b>552,608</b>	<b>60,608</b>
<b>Intergovernmental Revenues:</b>			
Local Government Funds	1,165,175	1,140,963	(24,212)
General Government Funds	662,372	257,164	(405,208)
Accommodations Tax	35,000	30,227	(4,773)
County Recreation Supplement	5,000	5,291	291
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	6,000	5,917	(83)
Payment in Lieu of Taxes (Housing Authority)	25,000	8,707	(16,293)
Sunday Alcohol Sales	70,000	85,650	15,650
Water System Payments	1,381,121	1,456,747	75,626
Worker's Compensation Recoveries	22,000	46,115	24,115
<b>Total Intergovernmental Revenues</b>	<b>\$ 4,066,464</b>	<b>3,731,577</b>	<b>\$ (334,887)</b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2007**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Charges for Services:</b>			
District 6 & 7 School Guards	\$ 204,762	169,501	\$ (35,261)
Dorman High School Security	60,000	60,841	841
Housing Authority Foot Patrol	68,000	68,540	540
Outside Sewer Charge in Lieu of Taxes	16,000	27,847	11,847
Parks and Recreation	175,100	165,832	(9,268)
Fleet Charges	40,000	39,780	(220)
Sanitation Service Charge	349,600	126,264	(223,336)
<b>Total Charges for Services</b>	<b>913,462</b>	<b>658,605</b>	<b>(254,857)</b>
<b>Other Revenues:</b>			
Fair Association	27,500	27,500	-
Interest	135,000	186,179	51,179
Miscellaneous	144,200	202,969	58,769
Rents	2,000	2,000	-
<b>Total Other Revenues</b>	<b>308,700</b>	<b>418,648</b>	<b>109,948</b>
<b>TOTAL REVENUES ALL SOURCES</b>	<b>29,650,708</b>	<b>30,401,305</b>	<b>750,597</b>
<b>EXPENDITURES</b>			
<b>Policy Formulation and Administration</b>			
Mayor and Council:			
Personnel Services	100,299	94,935	5,364
Operating Expenditures	94,180	81,271	12,909
	<u>194,479</u>	<u>176,206</u>	<u>18,273</u>
Boards and Commissions:			
Operating Expenditures	12,250	2,414	9,836
	<u>12,250</u>	<u>2,414</u>	<u>9,836</u>
City Attorney:			
Personnel Services	173,108	175,124	(2,016)
Operating Expenditures	18,652	165,646	(146,994)
	<u>191,760</u>	<u>340,770</u>	<u>(149,010)</u>
City Manager:			
Personnel Services	558,836	617,039	(58,203)
Operating Expenditures	55,941	50,123	5,818
Capital Outlay	5,452	5,452	-
	<u>\$ 620,229</u>	<u>672,614</u>	<u>\$ (52,385)</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Communication and Marketing:			
Personnel Services	\$ 275,106	270,976	\$ 4,130
Operating Expenditures	120,194	127,246	(7,052)
Capital Outlay	5,617	6,016	(399)
	<u>400,917</u>	<u>404,238</u>	<u>(3,321)</u>
Community Relations:			
Personnel Services	171,262	169,761	1,501
Operating Expenditures	46,681	43,229	3,452
Capital Outlay	6,138	5,259	879
	<u>224,081</u>	<u>218,249</u>	<u>5,832</u>
Municipal Court:			
Personnel Services	304,708	304,198	510
Operating Expenditures	60,987	41,573	19,414
Capital Outlay	8,532	8,532	-
	<u>374,227</u>	<u>354,303</u>	<u>19,924</u>
Non-Departmental Services:			
Operating Expenditures	(419,999)	396,525	(816,524)
	<u>(419,999)</u>	<u>396,525</u>	<u>(816,524)</u>
Human Resources:			
Personnel Services	178,247	227,535	(49,288)
Operating Expenditures	31,549	77,885	(46,336)
Capital Outlay	3,843	3,843	-
	<u>213,639</u>	<u>309,263</u>	<u>(95,624)</u>
Information Technology:			
Personnel Services	221,917	243,544	(21,627)
Operating Expenditures	365,519	371,402	(5,883)
Capital Outlay	151,350	40,786	110,564
	<u>738,786</u>	<u>655,732</u>	<u>83,054</u>
Employee Development:			
Personnel Services	86,000	86,000	-
Operating Expenditures	86,066	116,443	(30,377)
	<u>172,066</u>	<u>202,443</u>	<u>(30,377)</u>
<b>Total Policy Formulation and Administration</b>	<b><u>\$ 2,722,435</u></b>	<b><u>3,732,757</u></b>	<b><u>\$ (1,010,322)</u></b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2007**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Public Safety</b>			
Administration			
Director's Office:			
Personnel Services	\$ 447,203	447,195	\$ 8
Operating Expenditures	62,500	66,288	(3,788)
Capital Outlay	2,890	3,072	(182)
	<u>512,593</u>	<u>516,555</u>	<u>(3,962)</u>
Technical and Support Administration:			
Personnel Services	453,607	453,089	518
Operating Expenditures	198,795	238,876	(40,081)
Capital Outlay	53,567	48,462	5,105
	<u>705,969</u>	<u>740,427</u>	<u>(34,458)</u>
Total Administration	<u>1,218,562</u>	<u>1,256,982</u>	<u>(38,420)</u>
Law Enforcement			
Jail:			
Operating Expenditures	21,400	54,959	(33,559)
Capital Outlay	1,728	1,728	-
	<u>23,128</u>	<u>56,687</u>	<u>(33,559)</u>
Patrol:			
Personnel Services	4,033,935	3,956,704	77,231
Operating Expenditures	103,800	109,880	(6,080)
Capital Outlay	92,518	92,518	-
	<u>4,230,253</u>	<u>4,159,102</u>	<u>71,151</u>
Crime Prevention:			
Personnel Services	154,411	143,496	10,915
Operating Expenditures	9,000	4,513	4,487
	<u>163,411</u>	<u>148,009</u>	<u>15,402</u>
Investigations:			
Personnel Services	1,221,520	1,183,860	37,660
Operating Expenditures	109,875	104,721	5,154
Capital Outlay	19,047	19,047	-
	<u>1,350,442</u>	<u>1,307,628</u>	<u>42,814</u>
Records:			
Personnel Services	294,661	260,021	34,640
Operating Expenditures	26,144	22,428	3,716
	<u>\$ 320,805</u>	<u>282,449</u>	<u>\$ 38,356</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Animal Control:			
Personnel Services	\$ 64,652	52,186	\$ 12,466
Operating Expenditures	85,500	81,763	3,737
Capital Outlay	2,990	2,990	-
	<u>153,142</u>	<u>136,939</u>	<u>16,203</u>
Law Enforcement Administration:			
Personnel Services	323,254	291,847	31,407
Operating Expenditures	16,050	10,978	5,072
	<u>339,304</u>	<u>302,825</u>	<u>36,479</u>
School Crossing Guard:			
Personnel Services	209,065	154,050	55,015
Operating Expenditures	1,500	1,055	445
	<u>210,565</u>	<u>155,105</u>	<u>55,460</u>
Foot Patrol:			
Personnel Services	99,670	58,588	41,082
Operating Expenditures	-	-	-
	<u>99,670</u>	<u>58,588</u>	<u>41,082</u>
Total Law Enforcement	<u>6,890,720</u>	<u>6,607,332</u>	<u>283,388</u>
Fire			
Fire Administration:			
Personnel Services	389,940	468,320	(78,380)
Operating Expenditures	38,800	31,665	7,135
Capital Outlay	1,464	1,464	-
	<u>430,204</u>	<u>501,449</u>	<u>(71,245)</u>
Fire Suppression:			
Personnel Services	3,333,909	3,234,960	98,949
Operating Expenditures	230,135	195,295	34,840
Capital Outlay	139,874	139,874	-
	<u>3,703,918</u>	<u>3,570,129</u>	<u>133,789</u>
Total Fire	<u>4,134,122</u>	<u>4,071,578</u>	<u>62,544</u>
<b>Total Public Safety</b>	<b><u>\$ 12,243,404</u></b>	<b><u>11,935,892</u></b>	<b><u>\$ 307,512</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>Parks, Recreation, and Special Events</b>			
Parks, Recreation, and Special Events Administration:			
Personnel Services	\$ 271,802	244,254	\$ 27,548
Operating Expenditures	166,300	178,166	(11,866)
Capital Outlay	11,231	11,231	-
	<u>449,333</u>	<u>433,651</u>	<u>15,682</u>
Special Events:			
Personnel Services	198,510	203,739	(5,229)
Operating Expenditures	18,500	19,833	(1,333)
	<u>217,010</u>	<u>223,572</u>	<u>(6,562)</u>
Barnet Park:			
Personnel Services	108,383	83,936	24,447
Operating Expenditures	23,550	26,378	(2,828)
	<u>131,933</u>	<u>110,314</u>	<u>21,619</u>
Swim Center:			
Personnel Services	318,977	318,424	553
Operating Expenditures	31,913	33,591	(1,678)
	<u>350,890</u>	<u>352,015</u>	<u>(1,125)</u>
T.K. Gregg Center:			
Personnel Services	130,360	125,963	4,397
Operating Expenditures	14,500	10,970	3,530
Capital Outlay	356	356	-
	<u>145,216</u>	<u>137,289</u>	<u>7,927</u>
Northwest Center			
Personnel Services	141,397	129,478	11,919
Operating Expenditures	14,000	13,768	232
Capital Outlay	356	356	-
	<u>155,753</u>	<u>143,602</u>	<u>12,151</u>
Woodland Heights Center:			
Personnel Services	206,118	166,393	39,725
Operating Expenditures	31,600	32,791	(1,191)
Capital Outlay	356	356	-
	<u>238,074</u>	<u>199,540</u>	<u>38,534</u>
C.C. Woodson Center:			
Personnel Services	145,541	132,019	13,522
Operating Expenditures	7,400	6,983	417
Capital Outlay	356	356	-
	<u>153,297</u>	<u>139,358</u>	<u>13,939</u>
<b>Total Parks, Recreation, and Special Events</b>	<b>\$ 1,841,506</b>	<b>1,739,341</b>	<b>\$ 102,165</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>Community Development</b>			
Economic Development:			
Personnel Services	\$ 193,019	193,623	\$ (604)
Operating Expenditures	371,334	268,249	103,085
Capital Outlay	366	538	(172)
	<u>564,719</u>	<u>462,410</u>	<u>102,309</u>
Administration:			
Personnel Services	137,634	180,664	(43,030)
Operating Expenditures	86,800	87,150	(350)
Capital Outlay	1,400	1,400	-
	<u>225,834</u>	<u>269,214</u>	<u>(43,380)</u>
Code Enforcement:			
Personnel Services	131,493	114,200	17,293
Operating Expenditures	34,100	13,508	20,592
Capital Outlay	2,578	2,578	-
	<u>168,171</u>	<u>130,286</u>	<u>37,885</u>
Civil Engineering:			
Personnel Services	493,771	464,055	29,716
Operating Expenditures	46,106	40,445	5,661
Capital Outlay	33,690	32,296	1,394
	<u>573,567</u>	<u>536,796</u>	<u>36,771</u>
Community Enhancements:			
Personnel Services	269,024	243,695	25,329
Operating Expenditures	26,167	28,363	(2,196)
Capital Outlay	2,714	2,714	-
	<u>297,905</u>	<u>274,772</u>	<u>23,133</u>
Inspections:			
Personnel Services	390,280	387,069	3,211
Operating Expenditures	20,940	36,692	(15,752)
Capital Outlay	7,543	7,543	-
	<u>418,763</u>	<u>431,304</u>	<u>(12,541)</u>
Parking Enforcement:			
Personnel Services	62,907	75,917	(13,010)
Operating Expenditures	8,245	8,209	36
Capital Outlay	2,505	2,505	-
	<u>\$ 73,657</u>	<u>86,631</u>	<u>\$ (12,974)</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Traffic Engineering:			
Personnel Services	\$ 419,634	384,663	\$ 34,971
Operating Expenditures	466,822	492,584	(25,762)
Capital Outlay	63,950	86,900	(22,950)
	<u>950,406</u>	<u>964,147</u>	<u>(13,741)</u>
<b>Total Community Development</b>	<b><u>3,273,022</u></b>	<b><u>3,155,560</u></b>	<b><u>117,462</u></b>
<b>Public Works</b>			
Public Works Administration:			
Personnel Services	185,516	186,867	(1,351)
Operating Expenditures	1,407	1,304	103
Capital Outlay	3,637	3,637	-
	<u>190,560</u>	<u>191,808</u>	<u>(1,248)</u>
Street and Ground Maintenance:			
Personnel Services	1,521,278	1,550,273	(28,995)
Operating Expenditures	311,036	296,240	14,796
Capital Outlay	123,542	180,751	(57,209)
	<u>1,955,856</u>	<u>2,027,264</u>	<u>(71,408)</u>
Building Maintenance:			
Personnel Services	308,434	311,483	(3,049)
Operating Expenditures	466,625	697,168	(230,543)
Capital Outlay	30,948	60,949	(30,001)
	<u>806,007</u>	<u>1,069,600</u>	<u>(263,593)</u>
Fleet Maintenance:			
Personnel Services	606,841	547,991	58,850
Operating Expenditures	1,047,396	1,060,510	(13,114)
Capital Outlay	5,613	5,613	-
	<u>1,659,850</u>	<u>1,614,114</u>	<u>45,736</u>
Solid Waste:			
Personnel Services	1,717,599	1,540,965	176,634
Operating Expenditures	95,230	71,610	23,620
Capital Outlay	266,909	266,909	-
	<u>2,079,738</u>	<u>1,879,484</u>	<u>200,254</u>
<b>Total Public Works</b>	<b><u>\$ 6,692,011</u></b>	<b><u>6,782,270</u></b>	<b><u>\$ (90,259)</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Finance and Administrative Services</b>			
Administrative/Risk:			
Personnel Services	\$ 50,402	28,535	\$ 21,867
Operating Expenditures	1,863,423	1,910,564	(47,141)
Capital Outlay	682	682	-
	<u>1,914,507</u>	<u>1,939,781</u>	<u>(25,274)</u>
Finance Administration:			
Personnel Services	397,787	397,252	535
Operating Expenditures	105,466	102,284	3,182
Capital Outlay	3,940	3,940	-
	<u>507,193</u>	<u>503,476</u>	<u>3,717</u>
Business License Code Enforcement:			
Personnel Services	101,843	108,367	(6,524)
Operating Expenditures	4,750	5,537	(787)
Capital Outlay	1,476	1,476	-
	<u>108,069</u>	<u>115,380</u>	<u>(7,311)</u>
Procurement and Property:			
Personnel Services	118,522	118,054	468
Operating Expenditures	14,115	10,100	4,015
Capital Outlay	6,217	6,217	-
	<u>138,854</u>	<u>134,371</u>	<u>4,483</u>
<b>Total Finance and Administrative Services</b>	<b><u>2,668,623</u></b>	<b><u>2,693,008</u></b>	<b><u>(24,385)</u></b>
<b>TOTAL EXPENDITURES</b>	<b>29,441,001</b>	<b>30,038,828</b>	<b>(597,827)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>209,707</u></b>	<b><u>362,477</u></b>	<b><u>152,770</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	940,869	911,199	(29,670)
Transfers Out	(1,160,576)	(1,582,016)	(421,440)
Proceeds from Sale of Capital Assets	10,000	250,000	240,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(209,707)</u></b>	<b><u>(420,817)</u></b>	<b><u>(211,110)</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>(58,340)</b>	<b>(58,340)</b>
FUND BALANCE, Beginning of Year	5,000,678	5,000,678	-
<b>FUND BALANCE, End of Year</b>	<b><u>\$ 5,000,678</u></b>	<b><u>4,942,338</u></b>	<b><u>\$ (58,340)</u></b>

(This page intentionally left blank.)

## **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.

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.

Hillcrest Mall 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.

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.

LLEBG Fund 830 – to account for funds received to underwrite projects and to reduce crime and improve public safety.

Community Relations Projects Fund 900 – to account for funds received for activities that promote respect, appreciation, and understanding of diversity among all people in the City.

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2007

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,300	-	\$ 3,300
Restricted Cash and Cash Equivalents	-	260	260
Property Taxes Receivable, Net	-	22,140	22,140
Accounts Receivable	16,544	-	16,544
Commercial Loan Receivables	155,558	-	155,558
Intergovernmental Receivables	529,100	-	529,100
Mortgages Receivable:			
Home Loans	146,458	-	146,458
Deferred Loans	29,993	-	29,993
SRDC	64,580	-	64,580
Due From Other Funds	365,531	19,068	384,599
<b>TOTAL ASSETS</b>	<b>1,311,064</b>	<b>41,468</b>	<b>1,352,532</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable	186,700	-	186,700
Accrued Salaries and Benefits	107,756	-	107,756
Due To Other Funds	372,163	-	372,163
Deferred Revenue	396,589	-	396,589
<b>TOTAL LIABILITIES</b>	<b>1,063,208</b>	<b>-</b>	<b>1,063,208</b>
<b>FUND BALANCES</b>			
Reserved For:			
Debt Service	-	41,468	41,468
Unreserved, Undesignated	247,856	-	247,856
<b>TOTAL FUND BALANCES</b>	<b>247,856</b>	<b>41,468</b>	<b>289,324</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,311,064</b>	<b>41,468</b>	<b>\$ 1,352,532</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2007

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Federal Government Contributions	\$ 2,324,035	-	\$ 2,324,035
State Government Contributions	837,966	-	837,966
Taxes	1,044,532	1,532,016	2,576,548
Investment Earnings	23,282	4,090	27,372
Confiscated Drug Funds	90,732	-	90,732
Other	592,238	-	592,238
<b>TOTAL REVENUES ALL SOURCES</b>	<b>4,912,785</b>	<b>1,536,106</b>	<b>6,448,891</b>
<b>EXPENDITURES:</b>			
Current:			
Finance and Administrative Services	813,852	-	813,852
Operating	3,850,113	-	3,850,113
Capital Outlay	663,115	20,601	683,716
Debt Service			
Principal Retirement	-	1,270,000	1,270,000
Interest	-	1,048,006	1,048,006
Other	-	14,284	14,284
<b>TOTAL EXPENDITURES</b>	<b>5,327,080</b>	<b>2,352,891</b>	<b>7,679,971</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(414,295)</b>	<b>(816,785)</b>	<b>(1,231,080)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	331,903	1,220,871	1,552,774
Transfers Out	(445,871)	(400,000)	(845,871)
Proceeds from Sale of Capital Assets	275,000	-	275,000
<b>Total Other Financing Sources (Uses)</b>	<b>161,032</b>	<b>820,871</b>	<b>981,903</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(253,263)</b>	<b>4,086</b>	<b>(249,177)</b>
FUND BALANCES, Beginning of Year	501,119	37,382	538,501
<b>FUND BALANCES, End of Year</b>	<b>\$ 247,856</b>	<b>41,468</b>	<b>\$ 289,324</b>

(This page intentionally left blank.)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2007

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Accounts Receivable	-	-
Intergovernmental Receivables	-	320,571
Commercial Loan Receivables	-	-
Mortgages Receivable-Home Loans	146,458	-
Mortgages Receivable-Deferred	-	-
Mortgages Receivable-SRDC Loans	-	-
Due From Other Funds	40,405	-
<b>TOTAL ASSETS</b>	<b>186,863</b>	<b>320,571</b>
<b>LIABILITIES</b>		
Accounts Payable	-	83,541
Accrued Salaries and Benefits	-	26,237
Due To Other Funds	2	178,746
Deferred Revenue	146,458	-
<b>TOTAL LIABILITIES</b>	<b>146,460</b>	<b>288,524</b>
<b>FUND BALANCES</b>		
Unreserved - Undesignated	40,403	32,047
<b>TOTAL FUND BALANCES</b>	<b>40,403</b>	<b>32,047</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 186,863</b>	<b>320,571</b>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	3,300	-	-
-	1,544	-	-
-	-	168,554	-
-	-	-	-
-	-	-	-
-	-	-	-
156,180	11,193	-	-
<b>156,180</b>	<b>16,037</b>	<b>168,554</b>	-
228	11,089	24,303	6,427
-	1,390	-	-
-	-	139,900	7,409
-	-	-	-
228	12,479	164,203	13,836
155,952	3,558	4,351	(13,836)
155,952	3,558	4,351	(13,836)
<b>156,180</b>	<b>16,037</b>	<b>168,554</b>	<b>\$ -</b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2007**

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Accounts Receivable	-	15,000
Intergovernmental Receivables	34,058	5,917
Commercial Loan Receivables	-	155,558
Mortgages Receivable-Home Loans	-	-
Mortgages Receivable-Deferred	-	29,993
Mortgages Receivable-SRDC Loans	-	64,580
Due From Other Funds	47,831	-
<b>TOTAL ASSETS</b>	<b>81,889</b>	<b>271,048</b>
<b>LIABILITIES</b>		
Accounts Payable	10,755	41,337
Accrued Salaries and Benefits	-	80,129
Due To Other Funds	-	46,106
Deferred Revenue	-	250,131
<b>TOTAL LIABILITIES</b>	<b>10,755</b>	<b>417,703</b>
<b>FUND BALANCES</b>		
Unreserved - Undesignated	71,134	(146,655)
<b>TOTAL FUND BALANCES</b>	<b>71,134</b>	<b>(146,655)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 81,889</b>	<b>271,048</b>

Fund 803	Fund 804	Fund 830	Fund 900	Combined Funds
Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	LLEBG Fund	Community Relations Projects Fund	
-	-	-	-	\$ 3,300
-	-	-	-	16,544
-	-	-	-	529,100
-	-	-	-	155,558
-	-	-	-	146,458
-	-	-	-	29,993
-	-	-	-	64,580
46,570	47,293	-	16,059	365,531
<b>46,570</b>	<b>47,293</b>	<b>-</b>	<b>16,059</b>	<b>1,311,064</b>
-	9,020	-	-	186,700
-	-	-	-	107,756
-	-	-	-	372,163
-	-	-	-	396,589
-	9,020	-	-	1,063,208
46,570	38,273	-	16,059	247,856
46,570	38,273	-	16,059	247,856
<b>46,570</b>	<b>47,293</b>	<b>-</b>	<b>16,059</b>	<b>\$ 1,311,064</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, 2007

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ 319,106	1,093,185
State Government Contributions	-	417,160
Property Taxes	-	-
Hospitality Taxes	-	-
Accommodations Taxes	-	-
Investment Earnings	3,423	-
Miscellaneous	-	171,327
Confiscated Drug Funds	-	-
Total Revenues	<u>322,529</u>	<u>1,681,672</u>
<b>EXPENDITURES</b>		
Administration	-	501,267
Operating	262,089	722,159
Capital Outlay	52,428	609,773
Total Expenditures	<u>314,517</u>	<u>1,833,199</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>8,012</u></b>	<b><u>(151,527)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	117,236
Transfers Out	-	-
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>117,236</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>8,012</b>	<b>(34,291)</b>
FUND BALANCES, Beginning of Year	<u>32,391</u>	<u>66,338</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 40,403</u></b>	<b><u>32,047</u></b>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	-	-	\$ -
-	-	420,806	-
-	-	329,010	616,216
-	-	-	-
-	-	-	-
-	-	-	7,685
71,737	306,033	-	-
-	-	-	-
<b>71,737</b>	<b>306,033</b>	<b>749,816</b>	<b>623,901</b>
3,246	43,389	-	-
31,791	481,367	758,937	531,657
-	-	-	-
<b>35,037</b>	<b>524,756</b>	<b>758,937</b>	<b>531,657</b>
<b>36,700</b>	<b>(218,723)</b>	<b>(9,121)</b>	<b>92,244</b>
-	214,667	-	-
(27,576)	-	-	(225,000)
-	-	-	-
<b>(27,576)</b>	<b>214,667</b>	<b>-</b>	<b>(225,000)</b>
<b>9,124</b>	<b>(4,056)</b>	<b>(9,121)</b>	<b>(132,756)</b>
146,828	7,614	13,472	118,920
<b>155,952</b>	<b>3,558</b>	<b>4,351</b>	<b>\$ (13,836)</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, 2007**

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ -	911,744
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	99,306	-
Investment Earnings	3,962	3,497
Miscellaneous	-	43,141
Confiscated Drug Funds	-	-
Total Revenues	103,268	958,382
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	265,950
Operating	84,290	910,790
Capital Outlay	-	-
Total Expenditures	84,290	1,176,740
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>18,978</b>	<b>(218,358)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	(15,200)	(173,443)
Proceeds from Sale of Capital Assets	-	275,000
Total Other Financing Sources (Uses)	(15,200)	101,557
<b>NET CHANGES IN FUND BALANCES</b>	<b>3,778</b>	<b>(116,801)</b>
FUND BALANCES, Beginning of Year	67,356	(29,854)
<b>FUND BALANCES, End of Year</b>	<b>\$ 71,134</b>	<b>(146,655)</b>

Fund 803	Fund 804	Fund 830	Fund 900	Combined Funds
Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	LLEBG Fund	Community Relations Projects Fund	
-	-	-	-	\$ 2,324,035
-	-	-	-	837,966
-	-	-	-	945,226
-	-	-	-	99,306
2,550	1,067	1,098	-	23,282
-	-	-	-	592,238
42,464	48,268	-	-	90,732
<u>45,014</u>	<u>49,335</u>	<u>1,098</u>	<u>-</u>	<u>4,912,785</u>
-	-	-	-	813,852
189	24,282	42,562	-	3,850,113
-	-	914	-	663,115
<u>189</u>	<u>24,282</u>	<u>43,476</u>	<u>-</u>	<u>5,327,080</u>
<b>44,825</b>	<b>25,053</b>	<b>(42,378)</b>	<b>-</b>	<b>(414,295)</b>
-	-	-	-	331,903
-	-	-	(4,652)	(445,871)
-	-	-	-	275,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,652)</u>	<u>161,032</u>
<b>44,825</b>	<b>25,053</b>	<b>(42,378)</b>	<b>(4,652)</b>	<b>(253,263)</b>
<u>1,745</u>	<u>13,220</u>	<u>42,378</u>	<u>20,711</u>	<u>501,119</u>
<b>46,570</b>	<b>38,273</b>	<b>-</b>	<b>16,059</b>	<b>\$ 247,856</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2007

	<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	\$ 72,000	72,000	71,737	\$ (263)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>72,000</b>	<b>72,000</b>	<b>71,737</b>	<b>(263)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	50,684	50,684	3,246	47,438
Operating	10,772	10,772	31,791	(21,019)
<b>TOTAL EXPENDITURES</b>	<b>61,456</b>	<b>61,456</b>	<b>35,037</b>	<b>26,419</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,544</b>	<b>10,544</b>	<b>36,700</b>	<b>26,156</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(10,544)	(10,544)	(27,576)	(17,032)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,544)</b>	<b>(10,544)</b>	<b>(27,576)</b>	<b>(17,032)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>9,124</b>	<b>9,124</b>
FUND BALANCES, Beginning of Year	146,828	146,828	146,828	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 146,828</b>	<b>146,828</b>	<b>155,952</b>	<b>\$ 9,124</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

FEDERAL HOME PROGRAM FUND

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

YEAR ENDED JUNE 30, 2007

	<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	\$ 578,906	578,906	319,106	\$ (259,800)
Investment Earnings	-	-	3,423	3,423
<b>TOTAL REVENUES ALL SOURCES</b>	<b>578,906</b>	<b>578,906</b>	<b>322,529</b>	<b>(256,377)</b>
<b>EXPENDITURES</b>				
Operating	526,478	526,478	262,089	264,389
Capital Outlay	52,428	52,428	52,428	-
<b>TOTAL EXPENDITURES</b>	<b>578,906</b>	<b>578,906</b>	<b>314,517</b>	<b>264,389</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>8,012</b>	<b>8,012</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>8,012</b>	<b>8,012</b>
FUND BALANCES, Beginning of Year	32,391	32,391	32,391	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 32,391</b>	<b>32,391</b>	<b>40,403</b>	<b>\$ 8,012</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2007

<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	\$ 1,560,184	1,560,184	911,744	\$ (648,440)
Investment Earnings	5,000	5,000	3,497	(1,503)
Other Revenues	-	-	43,141	43,141
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,565,184</b>	<b>1,565,184</b>	<b>958,382</b>	<b>(606,802)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	268,849	268,849	265,950	2,899
Operating	1,398,195	1,398,195	910,790	487,405
<b>TOTAL EXPENDITURES</b>	<b>1,667,044</b>	<b>1,667,044</b>	<b>1,176,740</b>	<b>490,304</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(101,860)</b>	<b>(101,860)</b>	<b>(218,358)</b>	<b>(116,498)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(173,140)	(173,140)	(173,443)	(303)
Sale of Assets	275,000	275,000	275,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>101,860</b>	<b>101,860</b>	<b>101,557</b>	<b>(303)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(116,801)</b>	<b>(116,801)</b>
FUND BALANCES, Beginning of Year	(29,854)	(29,854)	(29,854)	-
<b>FUND BALANCES, End of Year</b>	<b>\$ (29,854)</b>	<b>(29,854)</b>	<b>(146,655)</b>	<b>\$ (116,801)</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, SOUTH CAROLINA**

**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**

**YEAR ENDED JUNE 30, 2007**

	<u>Fund 540</u>	<u>Fund 545</u>	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Restricted Cash and Cash Equivalents	\$ 260	-	\$ 260
Property Taxes Receivable, Net	-	22,140	22,140
Due From Other Funds	-	19,068	19,068
<b>TOTAL ASSETS</b>	<b>260</b>	<b>41,208</b>	<b>41,468</b>
<b>LIABILITIES</b>			
TOTAL LIABILITIES	-	-	-
<b>FUND BALANCE</b>			
Reserved for Debt Service	260	41,208	41,468
<b>TOTAL FUND BALANCES</b>	<b>260</b>	<b>41,208</b>	<b>41,468</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 260</b>	<b>41,208</b>	<b>\$ 41,468</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, 2007

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>REVENUES</b>			
Tax Increment	\$ -	1,532,016	\$ 1,532,016
Investment Earnings	2,204	1,886	4,090
<b>TOTAL REVENUES ALL SOURCES</b>	<b>2,204</b>	<b>1,533,902</b>	<b>1,536,106</b>
<b>EXPENDITURES</b>			
Capital Outlay	-	20,601	20,601
Debt Service:			
Principal	570,000	700,000	1,270,000
Interest	649,433	398,573	1,048,006
Other	3,575	10,709	14,284
<b>TOTAL EXPENDITURES</b>	<b>1,223,008</b>	<b>1,129,883</b>	<b>2,352,891</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,220,804)</b>	<b>404,019</b>	<b>(816,785)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,220,871	-	1,220,871
Transfers Out	-	(400,000)	(400,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,220,871</b>	<b>(400,000)</b>	<b>820,871</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>67</b>	<b>4,019</b>	<b>4,086</b>
FUND BALANCES, Beginning of Year	193	37,189	37,382
<b>FUND BALANCES, End of Year</b>	<b>\$ 260</b>	<b>41,208</b>	<b>\$ 41,468</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.**



CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF NET ASSETS - ALL INTERNAL SERVICE FUNDS

JUNE 30, 2007

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ -	124,966	\$ 124,966
Due From Other Funds	2,675,854	-	2,675,854
Total Current Assets	<u>2,675,854</u>	<u>124,966</u>	<u>2,800,820</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	4,472,596	-	4,472,596
Total Non-Current Assets	<u>4,472,596</u>	<u>-</u>	<u>4,472,596</u>
<b>TOTAL ASSETS</b>	<b><u>7,148,450</u></b>	<b><u>124,966</u></b>	<b><u>7,273,416</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	27,608	14,053	41,661
Claims/Premiums	-	443,433	443,433
Unclaimed Checks	-	1,155	1,155
Current Portion of Capital Lease Payable	74,374	-	74,374
Total Current Liabilities	<u>101,982</u>	<u>458,641</u>	<u>560,623</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	650,426	-	650,426
Total Long-Term Liabilities	<u>650,426</u>	<u>-</u>	<u>650,426</u>
<b>TOTAL LIABILITIES</b>	<b><u>752,408</u></b>	<b><u>458,641</u></b>	<b><u>1,211,049</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,747,796	-	3,747,796
Unrestricted	2,648,246	(333,675)	2,314,571
TOTAL NET ASSETS	<u>6,396,042</u>	<u>(333,675)</u>	<u>6,062,367</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,148,450</u></b>	<b><u>124,966</u></b>	<b><u>\$ 7,273,416</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, 2007

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>OPERATING REVENUES</b>			
Contributions	\$ -	3,424,667	\$ 3,424,667
Charges for Services	800,000	-	800,000
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b><u>800,000</u></b>	<b><u>3,424,667</u></b>	<b><u>4,224,667</u></b>
<b>OPERATING EXPENSES</b>			
Services and Charges	169,637	14,250	183,887
Claims/Premiums	-	3,843,132	3,843,132
Depreciation	791,847	-	791,847
<b>TOTAL OPERATING EXPENSES</b>	<b><u>961,484</u></b>	<b><u>3,857,382</u></b>	<b><u>4,818,866</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(161,484)</u></b>	<b><u>(432,715)</u></b>	<b><u>(594,199)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	15,231	-	15,231
Interest Expense	(27,867)	-	(27,867)
Investment Earnings	-	1,245	1,245
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(12,636)</u></b>	<b><u>1,245</u></b>	<b><u>(11,391)</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b><u>(174,120)</u></b>	<b><u>(431,470)</u></b>	<b><u>(605,590)</u></b>
Transfers In	-	563,904	563,904
<b>CHANGE IN NET ASSETS</b>	<b><u>(174,120)</u></b>	<b><u>132,434</u></b>	<b><u>(41,686)</u></b>
NET ASSETS, Beginning of Year	<u>6,570,162</u>	<u>(466,109)</u>	<u>6,104,053</u>
<b>TOTAL NET ASSETS, End of Year</b>	<b><u>\$ 6,396,042</u></b>	<b><u>(333,675)</u></b>	<b><u>\$ 6,062,367</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2007

	<b>EQUIPMENT REPLACEMENT</b>	<b>MEDICAL INSURANCE TRUST</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 800,000	-	\$ 800,000
Receipts from Contributions	-	3,424,667	3,424,667
Receipts from Other Revenues	270,374	-	270,374
Payments for Services and Charges	(151,813)	(14,250)	(166,063)
Payments for Claims/Premiums	-	(3,895,424)	(3,895,424)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>918,561</u>	<u>(485,007)</u>	<u>433,554</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(834,143)	-	(834,143)
Proceeds on Sale/Transfer of Capital Assets	15,231	-	15,231
Capital Lease Payments	(71,782)	-	(71,782)
Interest Paid	(27,867)	-	(27,867)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(918,561)</u>	<u>-</u>	<u>(918,561)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers In (Out)	-	563,904	563,904
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>563,904</u>	<u>563,904</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	-	1,245	1,245
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>1,245</u>	<u>1,245</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>80,142</b>	<b>80,142</b>
<b>RESTRICTED AND UNRESTRICTED</b>			
CASH AND CASH EQUIVALENTS - Beginning of Year	-	44,824	44,824
<b>RESTRICTED AND UNRESTRICTED</b>			
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u><u>\$ -</u></u>	<u><u>124,966</u></u>	<u><u>\$ 124,966</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities:			
Net Operating Loss	\$ (161,484)	(432,715)	\$ (594,199)
Adjustments to Reconcile Operating Loss to Cash Provided by (Used in) Operating Activities			
Depreciation Expense	791,847	-	791,847
Change in:			
Accounts Receivable	270,374	-	270,374
Accounts Payable	17,824	(152,232)	(134,408)
Claims/Premiums	-	99,940	99,940
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 918,561</u></u>	<u><u>(485,007)</u></u>	<u><u>\$ 433,554</u></u>

(This page intentionally left blank.)

## **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 SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2007

---

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2007</u>
<b>ASSETS</b>				
Other Receivables	\$ 38,598	72,978	55,969	\$ 55,607
<b>TOTAL ASSETS</b>	<u>38,598</u>	<u>72,978</u>	<u>55,969</u>	<u>55,607</u>
<b>LIABILITIES</b>				
Accounts Payable	84	38	122	-
Amounts Held for Custody for Others	38,514	72,940	55,847	55,607
<b>TOTAL LIABILITIES</b>	<u>\$ 38,598</u>	<u>72,978</u>	<u>55,969</u>	<u>\$ 55,607</u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2007**

---

Court Fines:

Court Fines Collected	\$ 1,226,775
Court Fines Retained by City	(552,210)
Court Fines Remitted to the State Treasurer	<u>674,565</u>

Court Assessments:

Court Assessments Collected	745,829
Court Assessments Retained by City	(71,263)
Court Assessments Remitted to the State Treasurer	<u>674,566</u>

Court Assessments:

Court Surcharges Remitted to State Treasurer	239,522
Court Surcharges Remitted to State Treasurer	<u>239,522</u>

Victims Services:

Court Assessments Allocated to Victims Services	54,750
Court Surcharges Allocated to Victim Services	16,987
Funds Allocated to Victims Services	<u>71,737</u>
Victim Services Expenditures	(62,613)
Funds Available for Carryforward	<u>9,124</u>

Beginning of the Year	146,828
End of the Year	<u>\$ 155,952</u>

## 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>	113
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	120
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>	124
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>	133
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>	136

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



**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NET ASSETS BY COMPONENT**

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

**UNAUDITED**

	Fiscal Year					
	2002 (A)	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 11,380,518	24,040,173	36,111,112	50,983,377	51,634,856	\$ 55,677,341
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337
Unrestricted	6,610,786	7,579,737	1,983,423	3,714,981	5,544,430	7,258,785
<b>Total Governmental Activities Net Assets</b>	<b>38,432,588</b>	<b>41,064,573</b>	<b>42,045,694</b>	<b>58,659,536</b>	<b>61,966,675</b>	<b>66,646,463</b>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	10,322,974	21,122,491	20,667,619	20,814,506	20,887,730	20,655,031
Unrestricted	3,087,700	2,301,864	2,156,531	957,532	1,074,531	1,570,474
<b>Total Business-Type Activities Net Assets</b>	<b>13,410,674</b>	<b>23,424,355</b>	<b>22,824,150</b>	<b>21,772,038</b>	<b>21,962,261</b>	<b>22,225,505</b>
Primary Government						
Invested in Capital Assets, Net of Related Debt	21,703,492	45,162,664	56,778,731	71,797,883	72,522,586	76,332,372
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337
Unrestricted	9,698,486	9,881,601	4,139,954	4,672,513	6,618,961	8,829,259
<b>Total Primary Government Net Assets</b>	<b>\$ 51,843,262</b>	<b>64,488,928</b>	<b>64,869,844</b>	<b>80,431,574</b>	<b>83,928,936</b>	<b>\$ 88,871,968</b>

(A) GASB 34 was not implemented until the 2003 fiscal year; net asset information is not available prior to fiscal year 2002.

Note: Governmental Activities Unrestricted Net Assets was restated for FY 2006.

**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
<b>Expenses</b>					
Governmental Activities:					
Policy Formulation and Administration	\$ 3,658,130	3,659,975	2,147,426	3,376,444	\$ 4,383,247
Public Safety	12,537,589	12,268,358	12,364,117	12,704,299	12,198,601
Parks, Recreation, and Special Events	1,601,841	1,566,061	1,652,550	2,326,567	2,423,902
Community Development	1,321,263	3,348,220	6,019,523	5,063,632	2,441,514
Public Works	4,775,331	9,348,159	10,036,742	11,404,120	10,650,667
Finance and Administrative Services	3,175,722	5,874,750	249,930	225,424	3,539,901
Operating	2,937,139	1,878,675	1,124,743	1,035,138	5,578,284
Interest and Other Charges	2,307,463	1,645,958	1,738,012	1,724,908	1,707,435
Total Governmental Activities Expenses	<u>32,314,478</u>	<u>39,590,156</u>	<u>35,333,043</u>	<u>37,860,532</u>	<u>42,923,551</u>
Business-Type Activities:					
Transit	1,199,328	1,484,837	1,773,856	1,759,885	1,755,525
Parking	478,165	995,967	1,060,901	1,063,605	992,650
Sanitary Sewer	970,103	1,006,352	1,046,756	983,794	1,031,238
Airport	1,416,294	1,621,998	1,609,275	1,540,616	1,669,122
Total Business-Type Activities Expenses	<u>4,063,890</u>	<u>5,109,154</u>	<u>5,490,788</u>	<u>5,347,900</u>	<u>5,448,535</u>
Total Primary Government Expenses	<u>36,378,368</u>	<u>44,699,310</u>	<u>40,823,831</u>	<u>43,208,432</u>	<u>48,372,086</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
Public Safety	1,037,617	792,734	856,813	854,356	1,037,145
Parks, Recreation, and Special Events	96,334	85,147	498,030	250,129	244,783
Community Development	446,396	479,680	418,235	505,902	666,295
Public Works	1,101,491	1,095,882	1,143,193	1,195,221	1,760,990
Finance and Administrative Services	9,582,841	9,974,226	10,125,533	10,588,927	11,652,370
Operating Grants and Contributions					
Public Safety	1,080,513	869,155	979,847	955,071	1,510,345
Community Development	1,763,284	2,450,901	1,374,662	1,859,746	1,978,525
Public Works	514,137	236,464	302,031	52,181	749,816
Capital Grants and Contributions					
Parks, Recreation, and Special Events	-	-	13,648,798	-	-
Community Development	499,971	341,346	259,417	482,744	187,500
Public Works	-	8,103,100	843,151	3,664,155	5,124,710
Total Governmental Activities Program Revenues	<u>16,122,584</u>	<u>24,428,635</u>	<u>30,449,710</u>	<u>20,408,432</u>	<u>24,912,479</u>
Business-Type Activities:					
Charges for Services:					
Transit	221,788	216,120	270,214	261,968	273,133
Parking	208,659	258,378	248,297	266,147	263,264
Sanitary Sewer	1,611,304	1,642,691	1,710,176	1,801,254	1,820,404
Airport	\$ 1,340,709	1,476,377	1,400,469	1,478,539	\$ 1,494,258

(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
Operating Grants and Contributions					
Transit	\$ 359,154	848,151	712,806	803,453	\$ 783,505
Airport	30,730	32,715	-	3,291	373,844
Total Business-Type Activities Program Revenues	<u>3,772,344</u>	<u>4,474,432</u>	<u>4,341,962</u>	<u>4,614,652</u>	<u>5,008,408</u>
Total Primary Government Program Revenues	<u>19,894,928</u>	<u>28,903,067</u>	<u>34,791,672</u>	<u>25,023,084</u>	<u>29,920,887</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(16,191,894)	(15,161,521)	(4,883,333)	(17,452,100)	(18,011,072)
Business-Type Activities	(291,546)	(634,722)	(1,148,826)	(733,248)	(440,127)
Total Primary Government Net (Expense)/Revenue	<u>(16,483,440)</u>	<u>(15,796,243)</u>	<u>(6,032,159)</u>	<u>(18,185,348)</u>	<u>(18,451,199)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes by Source:					
Property Taxes Levied for General Purposes	11,313,272	8,597,110	10,273,227	11,615,207	12,389,702
Property Taxes Levied for Debt Service	59,286	-	-	-	-
Tax Increment	581,628	819,316	2,006,125	2,129,608	2,183,246
Motor Vehicle Taxes	1,306,156	1,252,501	1,377,475	1,161,207	1,184,182
Hospitality Taxes	2,423,027	2,554,822	2,885,187	3,011,080	3,290,344
Other Taxes	760,947	825,301	821,351	830,608	825,297
Intergovernmental Revenue	1,277,357	1,053,447	1,064,374	1,217,526	1,140,963
Unrestricted Investment Earnings	432,012	178,864	160,281	379,126	441,941
Grants and Contributions Not Restricted to Specific Programs	221,360	841,005	1,047,194	377,552	504,731
Miscellaneous	76,738	167,648	886,101	894,831	375,682
Gains on Disposal/Sale of Capital Assets	225,844	21,504	89,124	37,826	915,231
Transfers	(500,305)	(15,476)	(40,773)	(324,821)	(560,459)
Total Governmental Activities	<u>18,177,322</u>	<u>16,296,042</u>	<u>20,569,666</u>	<u>21,329,750</u>	<u>22,690,860</u>
Business-Type Activities:					
Investment Income	20,219	27,609	30,941	59,808	127,121
Miscellaneous	4,392	-	-	-	-
Gains on Disposal/Sale of Capital Assets	(34,746)	(8,568)	25,000	10,155	28,341
Transfers	9,366	15,476	40,773	324,821	560,459
Contributed Capital	13,236,856	-	-	-	-
Total Business-Type Activities	<u>13,236,087</u>	<u>34,517</u>	<u>96,714</u>	<u>394,784</u>	<u>715,921</u>
Total Primary Government	<u>31,413,409</u>	<u>16,330,559</u>	<u>20,666,380</u>	<u>21,724,534</u>	<u>23,406,781</u>
<b>Change in Net Assets:</b>					
Governmental Activities	1,985,428	1,134,521	15,686,333	3,877,650	4,679,788
Business-Type Activities	12,944,541	(600,205)	(1,052,112)	(338,464)	275,794
Total Primary Government	<u>\$ 14,929,969</u>	<u>534,316</u>	<u>14,634,221</u>	<u>3,539,186</u>	<u>\$ 4,955,582</u>

(A) GASB #34 was not implemented until the 2003 fiscal year; change in net asset information is not available prior to that fiscal year.

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 259,147	267,132	239,111	260,900	-	-	74,844	77,267	97,446	\$ 94,826
Unreserved	5,578,447	5,297,884	4,625,153	5,612,217	5,910,918	5,667,326	5,474,559	5,595,358	4,903,232	4,847,512
Total General Fund	5,837,594	5,565,016	4,864,264	5,873,117	5,910,918	5,667,326	5,549,403	5,672,625	5,000,678	4,942,338
All Other Governmental Funds										
Reserved, Reported In:										
Special Revenue Funds	3,928	-	-	-	-	-	-	-	-	-
Capital Projects Funds	975,914	910,205	-	(8,754,853)	-	-	-	-	470,675	462,243
Debt Service Funds	-	-	-	-	-	-	-	15,668	37,382	41,468
Unreserved, Reported In:										
Special Revenue Funds	987,883	769,488	274,795	683,994	2,302,718	2,202,189	2,028,440	2,825,537	3,626,906	2,600,048
Capital Projects Funds	1,790,381	(466,041)	(345,064)	2,029,150	17,733,568	6,515,749	1,349,394	2,973,812	2,536,144	3,743,918
Debt Service Funds	-	-	(1,700,970)	-	802,014	506,992	(47,159)	476,049	826,517	192,628
Total All Other Governmental Funds	\$ 3,758,106	1,213,652	(1,771,239)	(6,041,709)	20,838,300	9,224,930	3,330,675	6,291,066	7,497,624	\$ 7,040,305

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$9,802,467	10,665,473	10,700,801	11,390,086	12,507,237	13,651,628	14,600,556	16,524,585	18,155,144	\$ 18,870,136
Fees, Licenses and Permits	7,180,316	7,610,367	9,004,606	9,221,620	9,142,747	9,891,068	10,297,700	10,342,733	10,873,097	12,094,813
Fines and Forfeitures	623,005	705,726	743,012	698,163	577,438	571,785	477,550	470,104	469,367	552,608
State Government Contributions	425,917	1,006,176	899,688	997,043	11,392,171	1,015,135	396,125	796,914	3,402,406	2,510,496
Federal Government Contributions	3,226,310	2,057,692	3,787,341	2,159,192	1,799,257	2,680,233	3,379,930	2,092,420	2,953,786	2,324,035
Intergovernmental Revenue	2,398,745	2,495,626	4,230,833	2,569,099	2,695,342	3,071,084	2,906,613	3,333,521	3,301,817	3,731,577
Charges for Services	1,178,917	1,183,752	1,134,864	1,161,767	971,968	617,498	452,869	557,621	650,044	658,605
Investment Earnings	557,058	478,595	333,145	607,004	250,527	367,779	146,081	91,581	227,427	261,269
Confiscated Drug Funds	60,648	22,482	31,563	-	18,191	17,225	2,443	24,358	41,265	90,732
Donations	-	-	150,000	1,222,608	19,443	38,720	155,431	833,473	275,000	438,482
Ground Lease Rent	-	-	-	-	-	-	-	200,000	200,000	-
Other	1,257,554	1,289,629	5,075,168	820,656	858,160	629,619	842,361	1,313,054	1,373,497	1,011,336
<b>Total Revenues</b>	<b>26,710,937</b>	<b>27,515,518</b>	<b>36,091,021</b>	<b>30,847,238</b>	<b>40,232,481</b>	<b>32,551,774</b>	<b>33,657,659</b>	<b>36,580,364</b>	<b>41,922,850</b>	<b>42,544,089</b>

**Expenditures**

Current:

Policy Formulation and Administration	1,864,041	1,834,022	2,022,543	1,806,513	3,370,727	3,425,128	3,396,405	3,254,253	3,224,091	3,662,869
Public Safety	10,462,737	11,088,407	12,054,736	11,833,594	12,044,976	11,741,515	11,521,237	11,674,737	11,617,218	11,626,737
Parks, Recreation, and Special Events	-	-	-	-	1,668,547	1,504,759	1,440,749	912,648	1,666,874	1,726,686
Community Development	1,532,908	1,711,412	1,919,731	1,979,582	1,174,689	1,236,365	1,240,340	2,883,704	2,912,455	3,019,086
Public Works	4,940,430	5,127,777	5,388,117	5,394,320	4,966,276	4,546,067	3,820,463	5,937,159	6,444,504	6,264,411
Finance and Administrative Services	2,186,294	2,636,934	3,158,212	3,168,467	4,264,553	2,748,555	2,809,161	1,546,632	1,671,699	3,494,545
Operating	2,456,246	2,142,694	3,621,007	2,417,880	-	3,434,581	4,968,699	3,084,983	3,322,576	5,578,284
Capital Outlay	2,870,636	4,826,450	10,423,365	13,377,056	12,520,145	16,233,317	7,889,683	4,606,732	8,435,170	3,886,888
Debt Service:										
Principal Retirement	647,913	691,164	535,210	779,642	2,330,000	785,000	1,015,000	1,060,000	1,480,000	1,595,000
Interest	136,575	92,774	248,842	984,603	765,625	1,767,601	1,698,039	1,654,964	1,694,429	1,657,096
Other	1,465	66	40,620	60,005	12,304	11,440	26,181	10,266	22,621	41,143
<b>Total Expenditures</b>	<b>27,099,245</b>	<b>30,151,700</b>	<b>39,412,383</b>	<b>41,801,662</b>	<b>43,117,842</b>	<b>47,434,328</b>	<b>39,825,957</b>	<b>36,626,078</b>	<b>42,491,637</b>	<b>42,552,745</b>

Excess of Revenues Over (Under) Expenditures \$ (388,308) (2,636,182) (3,321,362) (10,954,424) (2,885,361) (14,882,554) (6,168,298) (45,714) (568,787) \$ (8,656)

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)**

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

**UNAUDITED**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 800,641	2,142,478	4,779,429	8,208,459	5,867,994	4,259,356	2,801,065	2,738,703	4,312,304	\$ 3,749,772
Transfers Out	(1,065,635)	(2,100,148)	(4,973,755)	(8,032,852)	(5,907,767)	(4,759,661)	(3,155,016)	(2,779,476)	(4,637,125)	(4,874,135)
2005 COPS Issued	-	-	-	-	-	-	-	3,310,000	-	-
Proceeds from Bond Issue	-	-	-	9,723,824	27,642,978	3,498,604	-	-	-	-
Others	-	-	-	(2,074,848)	2,000,000	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	4,964	-	-	-	216,695	24,660	13,500	957,544	1,050,000
Total Other Financing Sources (Uses)	(264,994)	47,294	(194,326)	7,824,583	29,603,205	3,214,994	(329,291)	3,282,727	632,723	(74,363)
Net Change in Fund Balances	(653,302)	(2,588,888)	(3,515,688)	(3,129,841)	26,717,844	(11,667,560)	(6,497,589)	3,237,013	63,936	(83,019)
Capital Asset Expenditures	\$2,870,636	4,826,450	10,423,365	13,377,056	12,520,145	16,233,317	7,889,683	4,606,732	8,435,170	\$ 3,886,888
Debt Service as a										
Percentage of Noncapital Expenditures	3.2%	3.1%	2.8%	6.4%	10.2%	8.2%	8.6%	8.5%	9.4%	8.5%

Notes: Community Development and Development Services were separate departments that were combined into Community Development in 2004.

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					
1998	N/A	N/A	N/A	N/A	N/A	91,734,942	108.5	\$ 1,474,292,484	6.2%
1999	N/A	N/A	N/A	N/A	N/A	109,226,876	97.0	1,484,560,104	7.4%
2000	\$ 71,120,226	15,639,278	15,260,682	10,742,860	1,075,830	111,687,216	97.0	1,544,795,176	7.2%
2001	72,361,898	13,542,750	14,600,737	9,740,860	602,280	109,643,965	97.0	1,605,542,184	6.8%
2002	72,798,350	14,011,487	12,706,200	9,599,640	580,150	108,535,527	97.0	1,673,507,851	6.5%
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%

Source: Spartanburg County Auditor & Assessor's Office

Notes: Property in the City was last reassessed for fiscal year 2003. Tax rates are per \$1,000 of assessed value.

Beginning in fiscal year 2003, the state legislature decreased the vehicle tax assessment rate by .75% per year until the rate is lowered to 6% in fiscal year 2008.

N/A: Not Available.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>City Direct Rates:</b>										
Basic Rate	\$ 106.30	94.80	94.80	97.00	97.00	97.00	93.30	93.30	103.20	\$ 103.20
Debt Service	2.20	2.20	2.20	-	-	-	-	-	-	-
Total Direct Rate	108.50	97.00	97.00	97.00	97.00	97.00	93.30	93.30	103.20	103.20
<b>County Rates:</b>										
Spartanburg County	73.30	69.30	69.20	69.80	69.80	69.40	66.20	68.70	65.10	64.80
<b>School District Rates:</b>										
School District #7	214.70	211.10	213.60	213.60	215.10	215.20	214.70	214.90	215.50	215.50
<b>Sewer District Rates:</b>										
Spartanburg Sewer District	\$ 5.50	5.20	5.20	5.20	5.20	8.00	7.70	8.20	8.20	\$ 8.20

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).

Correction: The County Rates for Spartanburg County were incorrectly noted as 58.60 in the 2006 CAFR.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT AND NINE YEARS AGO**

**UNAUDITED**

<b>Taxpayer</b>	<b>2007</b>			<b>1998</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Charles L. Yeomans	\$ 3,553,530	1	2.8%	\$ 2,116,389	3	2.3%
Duke Energy Corp	3,291,090	2	2.6%	3,287,650	1	3.6%
Bellsouth Telecommunications	2,976,590	3	2.4%	2,739,520	2	3.0%
Inland Western Spartanburg	2,549,550	4	2.0%	-		
Renaissance Park Hotel	1,418,320	5	1.1%	-		
Hillcrest Shopping Complex	1,413,600	6	1.1%	-		
J M Smith Corporation	1,285,150	7	1.0%	-		
Susan E Yeomans	1,015,770	8	0.8%	-		
Wal-Mart Real Estate Business	900,720	9	0.7%	-		
Idaho Associates LLC	896,470	10	0.7%	-		
TCI, Inc.	-			1,207,240	4	1.3%
Piedmont Natural Gas	724,210		0.6%	1,061,590	5	1.2%
Spartan Mills	-			1,055,220	6	1.2%
MFDC Equipment Corp.	-			577,500	7	0.6%
Margaret H. Yeomans	-			499,720	8	0.5%
Spartanburg Market Square	639,240		0.5%	469,395	9	0.5%
Sears, Roebuck, & Co.	-			459,939	10	0.5%
<b>Totals</b>	<b>\$ 20,664,240</b>		<b>16.4%</b>	<b>\$ 13,474,163</b>		<b>14.7%</b>

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
1998	\$ 9,965,134		11,893		9,953,241	9,078,315	91.2%	302,061	\$ 9,380,376	94.2%
1999	10,230,823		(364,183)		10,595,006	9,965,548	94.1%	233,093	10,198,641	96.3%
2000	10,682,892		(1,940)		10,684,832	9,398,202	88.0%	334,873	9,733,075	91.1%
2001	10,473,886		(161,578)		10,635,464	10,068,546	94.7%	668,404	10,736,950	101.0%
2002	10,444,861		(83,085)		10,527,946	9,963,046	94.6%	496,898	10,459,944	99.4%
2003	10,457,511		8,767		10,448,744	9,438,485	90.3%	927,318	10,365,803	99.2%
2004	11,028,793		34,846		10,993,947	10,214,132	92.9%	548,313	10,762,445	97.9%
2005	11,161,502		(186,400)		11,347,902	10,457,793	92.2%	759,022	11,216,815	98.8%
2006	12,919,126		57,310		12,861,816	11,636,964	90.5%	781,004	12,417,968	96.5%
2007	\$ 13,020,361		4,997		13,015,364	12,201,755	93.7%	743,299	\$ 12,945,054	99.5%

Source: Spartanburg County Auditor's Office

Correction: the Amount Collected within the Fiscal Year of the Levy for 1998 was adjusted.

**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	Capital Leases	General Obligation Bonds	Other Bonds			
1998	\$ -	2,162,163	383,415	-	1,081,030	3,626,608	0.5%	\$ 79
1999	-	1,470,972	339,940	-	733,574	2,544,486	0.4%	63
2000	-	935,762	294,318	-	566,406	1,796,486	0.2%	44
2001	-	10,305,000	246,443	-	616,762	11,168,205	1.5%	281
2002	-	33,646,000	196,203	-	5,018,550	38,860,753	5.4%	984
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	\$ -	32,680,000	724,800	1,005,000	4,361,257	38,771,057	5.5%	\$ 1,005

Notes: Details regarding the City of Spartanburg'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.  
 Percentage of Personal Income and Per Capita figures have been restated due to changes in sources for the schedule of Demographic and Economic Statistics.

**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>
1998	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A
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

Notes: Details regarding the City of Spartanburg's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. See the Schedule of Demographic and Economic Statistics for population data. Per Capita figures have been restated due to changes in sources for the schedule of Demographic and Economic Statistics.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**AS OF JUNE 30, 2007**

**UNAUDITED**

<b>Governmental Unit</b>	<b>Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>County:</b>			
General County Purpose	\$ 34,005,000	13.0%	\$ 4,420,650
<b>School District:</b>			
School District 7	58,827,000	83.0%	48,826,410
School District 6	5,500,000	17.0%	935,000
<b>Sewer District:</b>			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 30,795,000	45.0%	13,857,750
Subtotal, Overlapping Debt			<u>68,039,810</u>
City of Spartanburg Direct Debt (1)			<u>32,680,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 100,719,810</u></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 City of Spartanburg'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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 7,338,795	8,738,150	8,812,232	8,771,517	8,682,842	8,977,820	9,787,524	10,091,027	10,331,180	\$ 10,450,209
Total Net Debt Applicable to Debt Limit	-	-	4,000,000	8,500,000	-	1,675,000	1,515,000	1,350,000	1,180,000	1,005,000
Legal Debt Margin	\$ 7,338,795	8,738,150	12,812,232	17,271,517	8,682,842	10,652,820	11,302,524	11,441,027	11,511,180	\$ 9,445,209
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	0.0%	0.0%	45.4%	96.9%	0.0%	18.7%	15.5%	13.4%	11.4%	10.3%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value*	\$ 126,117,876
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	<u>130,627,616</u>
Debt Limit (8% of Total Assessed Value)	10,450,209
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	1,005,000
Less: Debt Service Fund Balance	-
Less: Debt Issued Through Referendum	-
Total Amount of Debt Applicable to Debt Limit	<u>1,005,000</u>
Legal Debt Margin	<u>\$ 9,445,209</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**

**SECURITY FOR THE SERIES 2000 BONDS**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

---

<u>Fiscal Year</u>	<u>Franchise Fees</u>	<u>CPW Payments</u>	<u>Totals</u>
1998	\$ 2,227,962	479,012	\$ 2,706,974
1999	2,356,279	530,008	2,886,287
2000	2,828,843	508,536	3,337,379
2001	2,470,130	547,249	3,017,379
2002	2,456,413	517,168	2,973,581
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

**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>
1998	\$ 1,176,988	2,226,964	1,049,976	402	422,090	2,706,974	\$ 3,129,064
1999	1,176,988	2,331,500	1,154,512	383	464,743	2,886,287	3,351,030
2000	1,176,988	2,306,690	1,129,702	385	543,327	3,337,379	3,880,706
2001	1,176,988	2,432,110	1,255,122	386	479,507	3,017,377	3,496,884
2002	1,176,988	2,530,150	1,353,162	387	468,703	3,003,662	3,472,365
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

(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>
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	\$ 657,060	556,850	-	387	-	3,003,662	\$ 3,003,662
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

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 T.I.F. were collected after the 60 day property tax accrual had passed.

N/A: Not Applicable.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REVENUE BOND COVERAGE**

**PUBLIC IMPROVEMENTS AND CAPITAL APPRECIATION**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Gross</b>		<b>Net Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
	<b>Revenue*</b>	<b>Expenses**</b>					
1998	\$ 1,524,001	639,615	884,386	610,000	95,835	\$ 705,835	1.25
1999	1,581,791	628,806	952,985	655,000	49,780	704,780	1.35
2000	1,963,523	925,733	1,037,790	315,368	389,632	705,000	1.47
2001	1,321,997	834,962	487,035	31,484	14,597	46,081	10.57
2002	1,646,866	834,532	812,334	31,581	29,375	60,956	13.33
2003	1,615,468	829,538	785,930	32,808	28,355	61,163	12.85
2004	1,647,684	851,231	796,453	33,972	27,191	61,163	13.02
2005	1,728,917	883,330	845,587	35,177	25,987	61,164	13.82
2006	1,843,353	831,157	1,012,196	36,425	24,739	61,164	16.55
2007	\$ 1,927,129	880,710	1,046,419	37,716	23,448	\$ 61,164	17.11

Notes: \* Revenue (Sewer Fund only) includes operating revenue, interest earned, contributed capital amortization, and tax increment funds, plus total bond interest expense through 2000. Effective 2001, amounts include only sewer operating revenue and interest earned.

\*\* Expenses (Sewer Fund only) includes operating expenses less depreciation. 2005 Expenses have been restated.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>(1) Population</b>	<b>(1) 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>
1998	45,933	\$ 767,081,100	\$ 16,700	34.1	12,671	3.6%
1999	40,704	683,867,904	16,801	34.8	12,840	3.5%
2000	40,704	738,207,744	18,136	34.7	12,790	2.7%
2001	39,795	721,722,120	18,136	34.7	12,118	4.5%
2002	39,479	715,991,144	18,136	34.7	9,518	4.5%
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%

Data Sources:

- (1) 1998 - 1999 Information provided by City Economic Development Department  
2000 - 2007 Information provided by U. S. Census Bureau
- (2) 1998 - 1999 Information provided by City Economic Development Department  
2000 - 2007 Information provided by U. S. Census Bureau; most current figure is from 1999 calendar year
- (3) 1998 - 1999 Information provided by City Economic Development Department  
2000 - 2007 Information provided by U. S. Census Bureau; most current figure is from 1999 calendar year
- (4) Spartanburg County School Districts 6 and 7
- (5) SC Employment Commission; figures for Spartanburg County.

Note: 2006 School Enrollment figures were adjusted.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2007</b>			<b>1998 (A)</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	4,607	1	11.95%			
Spartanburg County	1,379	2	3.58%			
Spartanburg School District #7	1,300	3	3.37%			
City of Spartanburg	480	4	1.24%			
Denny's	439	5	1.14%			
QSI Data Systems	350	6	0.91%			
Wofford College	347	7	0.90%			
Converse College	300	8	0.78%			
Advance America	250	9	0.65%			
Vic Bailey Auto	225	10	0.58%			
<b>Totals</b>	<b>9,677</b>		<b>25.10%</b>	<b>-</b>		<b>-</b>

Source: SC Employment Security Commission

Note A: Detailed information was not available for 1998.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

---

<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>
1998	15	\$ 15,819,637	44	18,226,459	534,776,842	\$ 497,458,658
1999	26	12,236,710	26	3,103,919	743,760,395	669,793,259
2000	20	22,267,295	139	4,330,210	730,346,511	680,651,113
2001	42	34,302,016	19	2,278,848	752,478,463	679,582,810
2002	68	80,556,903	37	2,634,747	757,350,805	684,594,348
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

Sources: City of Spartanburg 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.

Correction: The residential value for 2006 was incorrectly noted as 785,761,690 in the 2006 CAFR.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities										
Finance and Administrative Services	16	17	15	15	14	14	14	14	13	12
Community Development	37	37	39	34	40	43	42	40	41	43
Parks, Recreation, and Special Events	-	-	-	4	4	8	8	22	20	23
Policy Formulation and Administration	32	35	36	35	34	36	36	36	39	40
Public Safety	219	232	228	219	216	233	231	213	214	217
Public Works	94	99	106	93	105	106	96	108	104	103
Business-Type Activities										
Parking Enterprise	-	-	-	-	-	1	1	1	1	3
Airport	8	9	9	9	9	9	9	9	9	9
Sewer	10	12	12	15	13	13	12	11	12	10
<b>Total</b>	<b>416</b>	<b>441</b>	<b>445</b>	<b>424</b>	<b>435</b>	<b>463</b>	<b>449</b>	<b>454</b>	<b>453</b>	<b>460</b>

Source: City of Spartanburg Payroll

Notes: Full-time employee information not available before 1998.

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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**OPERATING INDICATORS BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Function/Program</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Finance and Administrative Services							
Business Licenses Issued*	4,539	4,587	4,594	4,800	5,481	5,530	5,954
Courtesy Summons Issued	601	621	522	790	1,206	1,023	976
Community Development							
Building Permits Issued	2,913	2,841	2,841	4,505	3,921	4,061	4,220
Building Inspections Conducted	8,557	7,302	6,020	7,936	7,636	7,475	7,513
Policy Formulation and Management							
Judicial Cases	15,328	14,673	14,526	13,202	12,223	14,334	14,683
Public Safety - Police							
Calls for Service	71,890	72,837	72,424	76,938	75,218	76,766	76,312
Physical Arrests	5,530	4,992	4,262	4,476	4,801	4,615	5,645
Traffic Violations	10,769	9,672	11,278	9,370	9,742	12,004	12,082
Public Safety - Fire							
Emergency Responses	2,024	2,155	2,210	2,107	2,140	2,242	2,172
Fires Extinguished	370	411	319	371	323	345	301
Inspections	2,171	2,361	2,864	3,574	3,140	3,325	2,556
Public Works							
Roads Maintained	160	162	168	170	171	171	173
Refuse Collected (Tons per Year)	30,032	29,322	19,415	11,971	12,795	11,100	11,260
Transit							
Passengers per Year	534,535	517,678	475,610	481,530	500,942	542,000	547,418
Parking							
Garages	1	2	3	3	3	3	3
Parking Lots	4	4	4	4	4	5	5
Total Public Spaces	919	1,577	2,131	2,131	2,131	2,261	2,261
Airport							
Fuel Gallons Sold	163,528	283,073	259,325	243,100	236,560	258,302	246,987
Hours of Aircraft Maintenance	1,218	2,377	2,012	2,609	2,306	1,784	1,659
Sewer							
Lines Cleaned (Linear Feet)	N/A	N/A	N/A	373,167	217,887	381,457	522,250

Source: These statistics came from various City of Spartanburg Departments.

Note: Business License information is based on calendar year.

Corrections: The figures for Building Permits Issued and Building Inspections Conducted were transposed in prior printings of the CAFR.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**CAPITAL ASSET STATISTICS BY FUNCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Function</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Community Development							
Traffic Signals	100	100	100	100	102	107	123
Public Safety - Police							
Police Stations	1	1	1	1	1	1	1
Patrol Units	84	84	84	84	84	84	86
Public Safety - Fire							
Fire Station	5	5	5	5	5	5	5
Fire Trucks	12	12	12	12	12	12	12
Public Works							
Streets (in Miles)	160	162	168	170	170	171	173
Collection/Refuse Trucks	39	39	39	39	39	39	38
Parks and Recreation*							
Parks Acreage	-	-	-	-	336	300	300
Parks	-	-	-	-	44	24	24
Ball fields	-	-	-	-	10	10	10
Swimming Pools	-	-	-	-	3	2	2
Community Centers	-	-	-	-	4	4	4
Solid Waste							
Collection/Refuse Trucks	39	39	39	39	39	39	38
Transit							
Passenger Buses	11	11	11	11	11	11	11
Parking							
Garages	1	2	3	3	3	3	3
Airport							
Community Hangars	4	4	4	4	4	4	4
Maintenance Hangars	1	1	1	1	1	1	1
T-Hangars	30	30	30	30	30	30	30

Sources: Various City of Spartanburg departments.

Note: Parks and Recreation was a function of Spartanburg County until the City of Spartanburg regained this function in FY 2005. The number of parks decreased due to consolidation of some mini-parks combined at the same location. During the FY 2006 the acreage of the parks was adjusted to exclude property that didn't belong to the city as previously reported.

(This page intentionally left blank.)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			
Direct:			
CDBG Entitlement Grant, 30th	14.218	B-04-MC-45-0004	\$ 238,595
CDBG Entitlement Grant, 31st	14.218	B-05-MC-45-0004	577,076
CDBG Entitlement Grant, 32st	14.218	B-05-MC-45-0004	77,774
		Subtotal 14.218	<u>893,445</u>
Home Program Year 2002	14.239	MC-02-45-0207	5,140
Home Program Year 2005	14.239	MC-05-45-0207	109,644
Home Program Year 2006	14.239	MC-05-45-0207	204,323
		Subtotal 14.239	<u>319,107</u>
<b>Total Department of Housing / Urban Development</b>			<b><u>1,212,552</u></b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Direct:			
FEMA	83.554	EMW-2005-FG-15962	40,338
Pass Through SLED:			
Supplemental Homeland Security	97.004	2003-MU-T3-0017	40,826
2005 Buffer Zone Protection Program	97.078	2005-GR-T5-0080	50,000
		Subtotal 16.540	<u>90,826</u>
<b>Total Department of Homeland Security</b>			<b><u>131,164</u></b>
<b>DEPARTMENT OF JUSTICE</b>			
Direct:			
Secure Our Schools	16.710	2004-CK-WX-0495	104
Secure Our Schools	16.710	2005-CK-WX-0492	3,722
Secure Our Schools	16.710	2006-CK-WX-0652	5,598
Cops More Extension	16.710	1999-CM-WS-2390	109,103
		Subtotal 16.710	<u>118,527</u>
Solving Cold Cases with DNA	16.560	2005-DN-BX-K001	11,231
Justice Assistance Grant	16.738	2005-DJ-BX-0340	37,670
VAWA / Supplement	16.590	2000-WE-VW-0004	36,214
VAWA / Supplement	16.590	2000-WE-AX-0046	147,935
		Subtotal 16.590	<u>\$ 184,149</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF JUSTICE (CONTINUED)</b>			
Direct (Continued):			
Bulletproof Vest Partnership	16.607	3016139	\$ 8,532
Weed & Seed	16.595	2004-WS-Q4-0117	46,099
Weed & Seed	16.595	2005-WS-Q5-0149	93,930
Weed & Seed	16.595	2005-WS-Q5-0185	64,712
Weed & Seed	16.595	2006-WS-Q5-0155	90,669
		Subtotal 16.595	<u>295,410</u>
Pass Through SC Department of Public Safety:			
Law Enforcement to Assist Victims	16.588	1V06096	43,484
Spartanburg Alternatives to Detention	16.540	1J004019	20,691
Spartanburg Alternatives to Detention	16.540	1J06002	28,525
Southside Prevention & Intervention	16.540	1J03010	11,244
		Subtotal 16.540	<u>60,460</u>
School Resource Officer	16.579	1G06038	69,348
SDPS, Court Information to Enhance Services	16.579	1F01067	14,465
		Subtotal 16.579	<u>83,813</u>
SDPS, Forensic Lab Enhancement	16.742	1NF06003	10,422
SPSD Traffic Enforcement	20.600	2H07020	17,813
SPSD Traffic Enforcement	20.600	2H05020	8,450
		Subtotal 20.600	<u>26,263</u>
Total U.S. Department of Justice			<u>879,961</u>
Direct:			
Bureau of Alcohol, Tobacco and Firearms:			
Gang Resistance Education and Training	16.737	2006-JV-FX-0041	21,447
<b>Total Department of Justice</b>			<b><u>901,408</u></b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Drug-Free Communities	93.276	2SP12354-02	26,941
Drug-Free Communities	93.276	5H79SP12354-04	36,440
		Subtotal 93.276	<u>63,381</u>
<b>Total Department of Health and Human Services</b>			<b><u>\$ 63,381</u></b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2007**

<b>Program</b>	<b>CFDA Number</b>	<b>Grant / Contract Number</b>	<b>Expenditures</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)	20.106	3-45-0051-10	\$ 30,092
Airport Improvement Program (AIP)	20.106	3-45-0051-12	361,000
		Subtotal 20.106	<u>391,092</u>
Federal Transit Administration:			
Operating Assistance	20.507	SC-90-X188-00	67,503
Operating Assistance	20.507	SC-90-X188-00	600,000
Operating Assistance	20.507	SC-90-X188-00	23,955
		Subtotal 20.507	<u>691,458</u>
Pass Through FHWA and SC Department of Highways:			
Urban Youth Corps - Summer 2006 Project	20.205	STP-URYC	23,378
Urban Youth Corps - Summer 2007 Project	20.205	STP-URYC	17,199
		Subtotal 20.205	<u>40,577</u>
<b>Total Department of Transportation</b>			<b><u>1,123,127</u></b>
<b>GRAND TOTALS</b>			<b><u>\$ 3,431,632</u></b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2007**

---

**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, 2007. 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.

**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, 2007, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider items 2007-1 and 2007-2 described in the accompanying schedule of findings and questioned costs to be a significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2007-2 described in the accompanying schedule of findings and questioned cost 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*.

We noted certain matters that we reported to the management of the City in a separate letter dated December 3, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Greene, Finney & Horton, LLP  
December 3, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO 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 compliance of the City of Spartanburg, South Carolina (the “City”) with the types of compliance requirements described in the *US Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-3.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2007-4 to be a material weakness.

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

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
December 3, 2007

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

---

**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?     X     Yes          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?     X     Yes          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     X     Yes          No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant - Entitlement Grant
20.106	Federal Aviation Administration - Airport Improvement Program

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, 2007

---

Section II – Findings – Current Year Financial Statements Audit

**2007-1: DISBURSEMENTS**

- Condition:** We noted that the City did not have the necessary documentation of approvals for some disbursements. Often the only approval for disbursements under \$5,000 was the departments' administrative assistants. The City's procurement policy does not allow for this and requires department heads approval for all disbursements.
- Criteria:** The City needs to follow its policies and procedures regarding disbursements.
- Cause:** Multiple department heads incorrectly delegated approval authority to their administrative assistants.
- Effect:** The City was not in compliance with its own procurement policy.
- Recommendation:** The City needs to be more diligent in following its policies and procedures to ensure that disbursements are only made once properly approved.
- Response:** The City will modify the procurement policy to ensure that staff is following the written policy approved by management.

**2007-2: FINANCIAL REPORTING**

- Condition:** The City had not recorded certain assets (i.e. a note receivable, land, road pavements, grants, etc.) in the governmental funds and/or government-wide financial statements in the correct period.
- Criteria:** The City should have in place adequate internal controls to ensure all assets are properly recorded in the appropriate period.
- Cause:** The City's various departments had not provided the finance department with the necessary information and/or the finance department had inadvertently failed to record certain assets.
- Effect:** The City's prior year financial statements were misstated.
- Recommendation:** We recommend the City put in place adequate internal controls to ensure all assets are properly recorded in the appropriate period.
- Response:** Staff has modified procedures regarding capital assets to complete a more detail review of capital assets on a periodic basis.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

---

Section II – Findings – Current Year Financial Statements Audit (Continued)

**2007-3: DAVIS-BACON ACT REQUIREMENTS**

- Condition:** The City did not obtain copies of payroll from its contractors and subcontractors for some federally financed construction projects in excess of \$2,000 as required by the Davis-Bacon Act. As a result the City was not able to determine all laborers and mechanics employed by contractors or subcontractors were paid U.S. Department of Labor designated prevailing wage rates.
- Criteria:** The City needs to follow federal requirements when receiving federal grants.
- Cause:** A department that was not experienced in complying with federal compliance requirements received a major grant and failed to fully comply with one of the applicable compliance requirements.
- Effect:** The City violated an OMB Circular A-133 compliance requirement.
- Recommendation:** The City needs to be more diligent in following OMB Circular A-133 compliance requirements. We would ask the City to consider either (a) centralizing the administration of grants rather than rely on all department heads to understand and comply with complicated federal requirements or (b) to periodically review departmental compliance related to federal requirements.
- Response:** The Finance Department will take the lead role in developing a checklist to review the various departments to ensure that we are in compliance with OMB Circular A-133.

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

**Major Program**

**QUESTIONED COSTS**

**Federal Agency: US Department of Transportation / Federal Aviation Administration**  
**Direct Program**  
**Airport Improvement Program – CFDA # 20.106**

**2007-4: SIGNIFICANT DEFICIENCY RELATED TO DAVIS-BACON ACT COMPLIANCE REQUIREMENT**

**\$ - 0 -**

- Condition:** The City did not obtain copies of payroll from its contractors and subcontractors for some federally financed construction projects in excess of \$2,000 as required by the Davis-Bacon Act. As a result the City was not able to determine all laborers and mechanics employed by contractors or subcontractors were paid U.S. Department of Labor designated prevailing wage rates.
- Criteria:** The City needs to follow federal requirements when receiving federal funds.
- Cause:** A department that was not experienced in complying with federal compliance requirements received a significant grant and failed to comply completely.
- Effect:** The City violated an OMB Circular A-133 compliance requirement.
- Recommendation:** The City needs to be more diligent in following OMB Circular A-133 requirements. We would ask the City to consider either (a) centralizing the administration of grants rather than rely on all department heads to understand and comply with complicated federal requirements or (b) to periodically review departmental compliance related to federal requirements.
- Response:** The Finance Department will take the lead role in developing a checklist to review the various departments to ensure that we are in compliance with OMB Circular A-133.

