

*at this distance.*

# Comprehensive Annual FINANCIAL REPORT



CITY OF



SPARTANBURG  
SOUTH CAROLINA

Fiscal Year Ended  
**JUNE 30, 2008**

Cover illustration & design by the Graphics Design Staff, City of Spartanburg  
2008 photo of The Chapman cultural Center courtesy of Mark Olenki  
Architectural renderings courtesy of C. Shurbutt

# **Comprehensive Annual Financial Report**

**City of Spartanburg, South Carolina**

**For the Fiscal Year Ended June 30, 2008**

**Prepared by the City's Finance Division**



CITY OF SPARTANBURG, SOUTH CAROLINA

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www.cityofspartanburg.org

# CITY OF SPARTANBURG

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## FINANCE

Telephone: 864.596.2059

Fax: 864.596.2424

March 17, 2009

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, 2008. State law requires that all general-purpose local governments, at the close of each fiscal year, publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report ("CAFR") of the City of Spartanburg, South Carolina for the fiscal year ended June 30, 2008.

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

The City of Spartanburg's financial statements have been audited by Greene, Finney and Horton, 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, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the numbers and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Spartanburg's financial statements for the fiscal year ended June 30, 2008 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 39,000, which is part of a county of approximately 275,000, is conveniently situated at the junction of I-26 and I-85. Spartanburg is known for its beauty, quality of life and friendly people. The area of the City covers approximately 20 square miles. Although the City is restricted in its ability to expand, it draws on a population of nearly 750,000 within a 30-mile radius of its location.

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

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

## **Budget Process**

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

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

## **Factors Affecting Financial Conditions**

Over the last decade, the City of Spartanburg has benefited from a diverse economy and continues to benefit from growth and increasing strength. The City’s historic downtown is still the center of city & countywide activity. The downtown is home to well-known corporate headquarters such as Denny’s, Advance America, and JM Smith Corp. Additionally, the Spartanburg metro area continues to support manufacturing and other companies such as Milliken, Michelin Corporation, BMW, Invista, Benteler Automotive, and an 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 the new \$43-million Chapman Cultural Center downtown, the presence of six colleges in the metropolitan area, and a growing number of retailers, restaurants, and office buildings. The City's first downtown condominium project was completed in the last year.

More than \$2.3 billion was recorded in gross business sales for businesses located within the City limits for 2007-2008, and the valuation of building permits exceeded \$175 million. Late in the fiscal year, the City entered into agreement with the University of South Carolina system to facilitate construction of the USC Upstate's George Dean Johnson, Jr. College of Business and Economics, to be located in the City's Renaissance Park TIF district. The school will bring 850 business students and faculty into the City's downtown area, further supplementing 1,400 Wofford College and 1,750 Converse College students who live and study in the downtown area.

### **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 2007-2008, General Fund investments generated interest income of \$156,481, averaging 4.07% yield, compared to \$186,179 averaging 5.32% yield for FY 2006-2007. Interest earnings were affected by decreased interest rates and the decrease in fund balances.

### **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 achieve its goals and objectives. Risks include, but are not limited to, incurring unexpected liabilities, unintentional errors or misstatements, 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"). Most 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 on June 1, 1993 and who elected not to transfer to the South Carolina Retirement Systems. As of the fiscal year end, the plan had 18 active and 116 retiree/beneficiary participants. The plan's year-end is December 31<sup>st</sup>. The City's local retirement plan had a decrease of 13% in the value of assets as of June 30, 2008. The market value of plan assets on June 30, 2008 was \$13,416,349, as compared to \$15,288,340 on June 30, 2007. The Retirement Committee, which oversees this fund, made adjustments to the investment of pension plan assets during the year. The plan still faces challenges ahead. As of January 1, 2008, the ratio of actuarial value of assets to the present value of accrued benefits was 93.5%. In the valuation report received by City management after the end of the fiscal year, the actuary recommended the City contribute \$208,870 in calendar year 2008 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. Due to poor economic conditions, the stock market has experienced a significant decline in value since year end. The market value of the City's Pension Plan assets has declined significantly from year end and at February 28, 2009 (the most recent date available) was approximately \$8,752,000.

## Acknowledgements

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

The 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 for the fiscal year ended June 30, 2007. This was the 15<sup>th</sup> consecutive year that the City of Spartanburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,



Mark Scott  
City Manager



Dennis R. Locke, CGFO  
Finance Director



James T. Kennedy II, CPA, CGFO  
Budget & Audit Director



## **CITY COUNCIL**

**William Barnet, III, Mayor**

**Kenneth D. Smith, Mayor Pro Tem**

**Renee Cariveau, Councilmember**

**Linda Dogan, Councilmember**

**Robert Reeder, Councilmember**

**Joe D. Spigner, Councilmember**

**Junie White, Councilmember**

## **APPOINTED OFFICIALS**

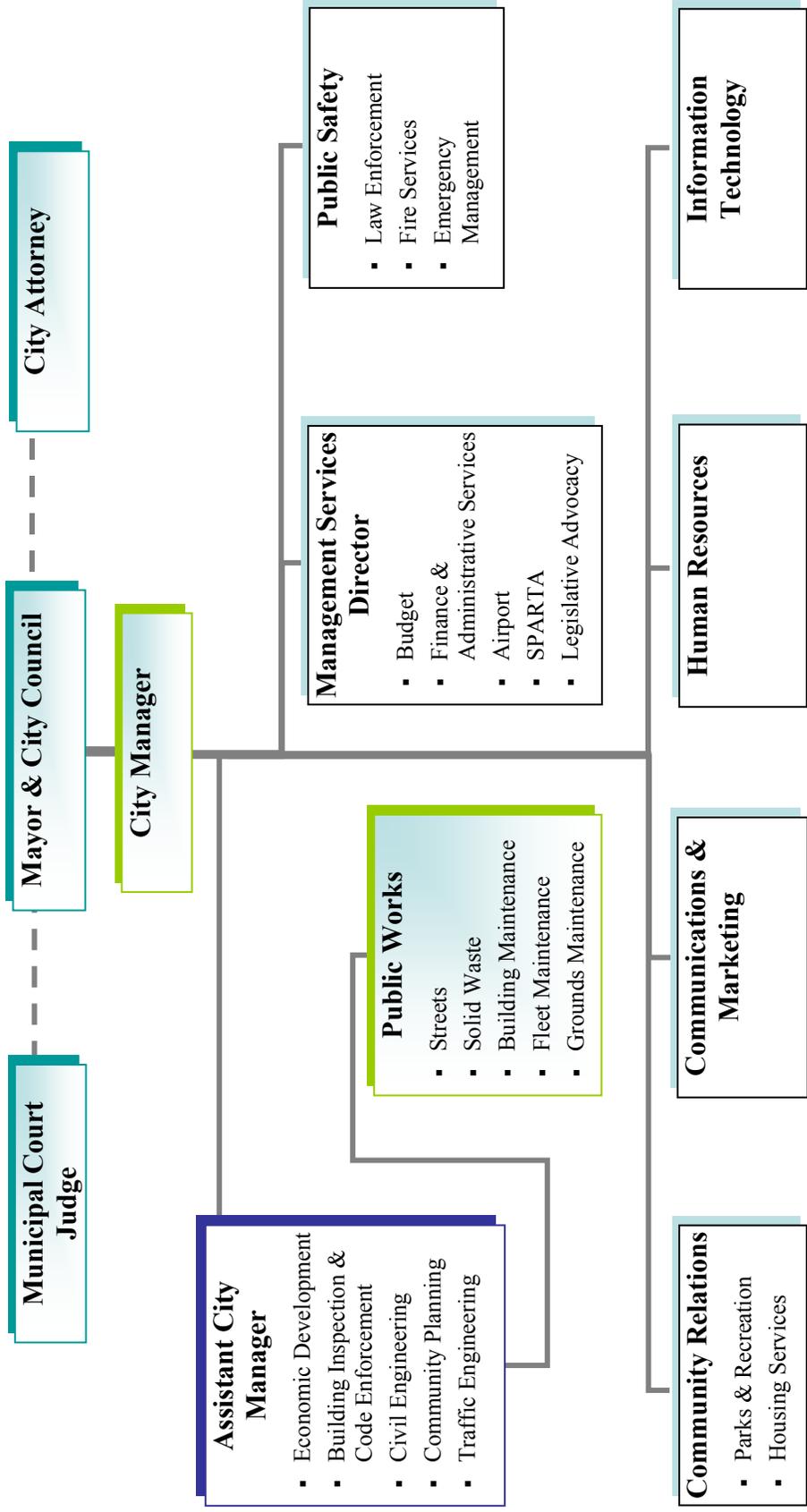
**Mark Scott**  
**City Manager**

**Cathy Hofer McCabe**  
**City Attorney**

**John J. Smith**  
**Municipal Judge**

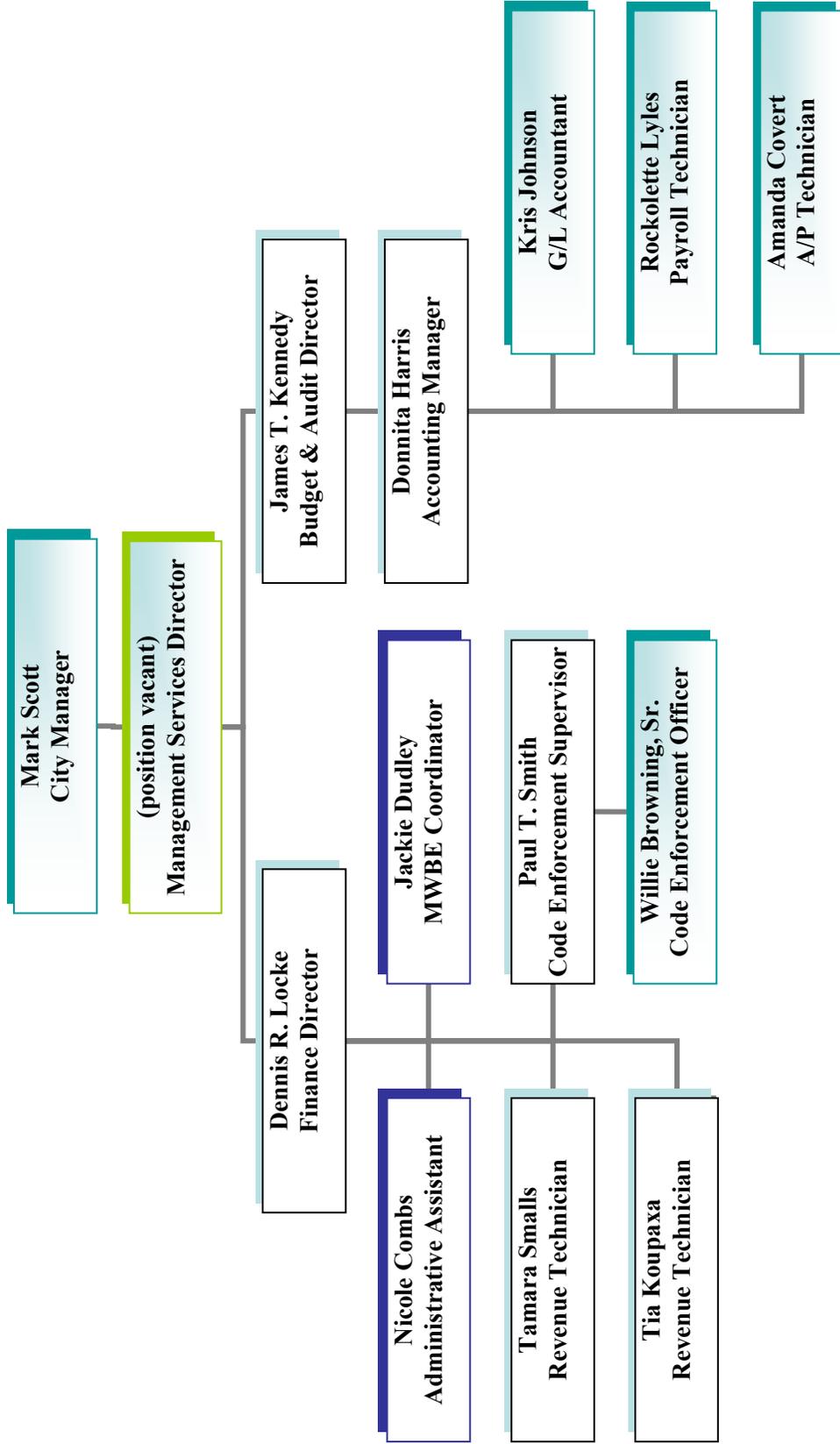


# City of Spartanburg Organizational Chart





# City of Spartanburg 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director





## 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, 2008, 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.

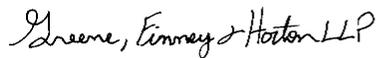
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, 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 March 17, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and 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  
March 17, 2009

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2008

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This discussion and analysis of the City of Spartanburg's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. 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 2008 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$77,458,000 (net assets). Of this amount, approximately \$2,891,000 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by approximately \$10,264,000 which consisted of a decrease in governmental activities and in business-type activities of approximately \$313,000 and \$9,951,000, respectively. The primary reason for the significant decrease in governmental activities net assets was due to an increase of approximately \$3,850,000 in the potential liability for the Arkwright landfill remediation and post-closure liability. For further information regarding this item, see note IV.F in the notes to the basic financial statements. The primary reason for the significant decrease in business-type activities net assets was due to the net transfer of sewer assets to the Spartanburg Sanitary Sewer District ("District"). For further information regarding this item, see note III.C in the notes to the basic financial statements.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$11,845,000, a decrease of approximately \$138,000 or approximately 1% in comparison with the prior year fund balance of approximately \$11,983,000. The fund balances for the General Fund decreased approximately \$71,000 (1%) to approximately \$4,871,000 at June 30, 2008 compared to the prior year fund balance of approximately \$4,942,000. Approximately \$95,000 of the General Fund balance at year end is reserved for inventories with the remainder unreserved and undesignated.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was approximately 15% of total General Fund expenditures (approximately \$32,046,000).
- The City's total capital assets decreased by approximately \$7,867,000 (7%) during the current fiscal year. The decrease was primarily due to the transfer of the sewer system and other capital assets to the District with a net book value of approximately \$10,390,000 and current year depreciation expense of approximately \$4,485,000, partially offset by capital asset additions of approximately \$7,069,000.
- The City's total debt decreased by approximately \$3,026,000 (8%) during the current fiscal year. The decrease in long-term debt was due to scheduled principal payments made during the year of approximately \$2,402,000 as well as the transfer of the City's sewer systems capital assets and liabilities (District assumed the City's liability under the South Carolina Water Pollution Control Revolving Fund Loan of approximately \$624,000).
- The City and District entered into an agreement whereby the City transferred its sewer system and other capital assets (total net book value of approximately \$10,390,000) to the District effective January 1, 2008. The District also assumed the City's liability under the South Carolina Water Pollution Control Revolving Fund Loan (outstanding balance of approximately \$624,000). The City has reported this loss on transfer of net sewer assets of approximately \$9,767,000 as a special item in the City's sanitary sewer enterprise fund's statement of revenues, expenses and changes in fund net assets as well as a special item in the City's government-wide statement of activities for its business-type activities.

#### 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.

# CITY OF SPARTANBURG, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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).

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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

**Proprietary Funds.** The City maintains two types of proprietary funds – Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide basic financial statements. The City uses enterprise funds to account for its Transit, Parking, 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.

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

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

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

Figure A-1				
Major Features of the City of Spartanburg’s Government-Wide and Fund Basic Financial Statements				
	Government-Wide Basic Financial Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component 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, 2008**

**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 \$77,458,000 at the close of the most recent fiscal year. Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007*	2008	2007*
<b>Assets</b>						
Current & Other Assets	\$ 24,230,742	24,866,418	1,880,710	1,953,492	26,111,452	\$ 26,819,910
Capital Assets, Net	80,731,400	77,713,836	21,592,372	32,477,130	102,323,772	110,190,966
<b>Total Assets</b>	<b>104,962,142</b>	<b>102,580,254</b>	<b>23,473,082</b>	<b>34,430,622</b>	<b>128,435,224</b>	<b>137,010,876</b>
<b>Liabilities</b>						
Long-Term Liabilities	42,044,801	39,986,240	4,401,576	5,486,620	46,446,377	45,472,860
Other Liabilities	4,189,617	3,553,353	341,385	262,655	4,531,002	3,816,008
<b>Total Liabilities</b>	<b>46,234,418</b>	<b>43,539,593</b>	<b>4,742,961</b>	<b>5,749,275</b>	<b>50,977,379</b>	<b>49,288,868</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	53,074,516	48,671,539	17,282,372	27,110,873	70,356,888	75,782,412
Restricted	4,209,971	3,710,337	-	-	4,209,971	3,710,337
Unrestricted	1,443,237	6,658,785	1,447,749	1,570,474	2,890,986	8,229,259
<b>Total Net Assets</b>	<b>\$ 58,727,724</b>	<b>59,040,661</b>	<b>18,730,121</b>	<b>28,681,347</b>	<b>77,457,845</b>	<b>\$ 87,722,008</b>

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

The net assets of the City's governmental activities decreased by approximately 1% (approximately \$58,728,000 compared to a restated balance of approximately \$59,041,000). 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 \$4,403,000 or approximately 9%, primarily due to principal payments on the City's capital related long-term debt of approximately \$1,610,000 and capital asset additions of approximately \$6,533,000, partially offset by depreciation expense and other miscellaneous changes of approximately \$3,740,000.
- Restricted net assets increased by approximately \$500,000 (13%) primarily due to higher delinquent tax collections in the St. John-Daniel Morgan T.I.F.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$6,659,000 at June 30, 2007 to approximately \$1,443,000 at June 30, 2008. The decrease in unrestricted net assets is primarily due to an increase of approximately \$3,850,000 in the landfill remediation and postclosure care liability, unrestricted funds used for projects in 2008, and other miscellaneous changes.

The net assets of business-type activities decreased by approximately 35% (approximately \$18,730,000 in the current year compared to approximately \$28,681,000 in the prior year) for the year ended June 30, 2008. This decrease was related to the Invested in Capital Assets, Net of Related Debt net asset class and was due to the City and District entering into an agreement whereby the City transferred its sewer system and other capital assets (total net book value of approximately \$10,390,000) to the District effective January 1, 2008. The District also assumed the City's liability under the South Carolina Water Pollution Control Revolving Fund Loan (outstanding balance of approximately \$624,000). The City reported this loss on transfer of net sewer assets of approximately \$9,767,000 as a special item in the City's statement of activities.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007*
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 16,404,616	15,361,583	3,340,566	3,851,059	19,745,182	\$ 19,212,642
Operating Grants	2,750,881	4,238,686	1,487,700	1,157,349	4,238,581	5,396,035
Capital Grants	3,426,293	5,312,210	-	-	3,426,293	5,312,210
<b>General Revenue:</b>						
Property Taxes	16,218,645	15,757,130	-	-	16,218,645	15,757,130
Other Taxes	4,324,413	4,115,641	-	-	4,324,413	4,115,641
Intergovernmental Revenue	1,273,314	1,140,963	-	-	1,273,314	1,140,963
Other	3,013,659	2,237,585	131,793	155,462	3,145,452	2,393,047
<b>Total Revenues</b>	<b>47,411,821</b>	<b>48,163,798</b>	<b>4,960,059</b>	<b>5,163,870</b>	<b>52,371,880</b>	<b>53,327,668</b>
<b>Program Expenses</b>						
Policy Formulation & Administration	9,011,543	4,383,247	-	-	9,011,543	4,383,247
Public Safety	13,118,630	12,198,601	-	-	13,118,630	12,198,601
Parks, Recreation, and Special Events	2,434,395	2,423,902	-	-	2,434,395	2,423,902
Community Development	1,677,517	2,441,514	-	-	1,677,517	2,441,514
Public Works	12,948,923	10,650,667	-	-	12,948,923	10,650,667
Finance and Administrative Services	2,441,508	3,539,901	-	-	2,441,508	3,539,901
Operating	4,246,284	5,578,284	-	-	4,246,284	5,578,284
Interest and Other Charges	1,641,700	1,707,435	-	-	1,641,700	1,707,435
Transit	-	-	1,806,189	1,755,525	1,806,189	1,755,525
Parking	-	-	985,169	992,650	985,169	992,650
Sanitary Sewer	-	-	621,073	1,031,238	621,073	1,031,238
Airport	-	-	1,936,607	1,669,122	1,936,607	1,669,122
<b>Total Expenses</b>	<b>47,520,500</b>	<b>42,923,551</b>	<b>5,349,038</b>	<b>5,448,535</b>	<b>52,869,538</b>	<b>48,372,086</b>
<b>Change in Net Assets</b>						
Before Special Item and Transfers	(108,679)	5,240,247	(388,979)	(284,665)	(497,658)	4,955,582
Special Loss on Transfer of Sewer Assets	-	-	(9,766,505)	-	(9,766,505)	-
Transfers In (Out)	(204,258)	(560,459)	204,258	560,459	-	-
<b>Change in Net Assets</b>	<b>(312,937)</b>	<b>4,679,788</b>	<b>(9,951,226)</b>	<b>275,794</b>	<b>(10,264,163)</b>	<b>4,955,582</b>
<b>Net Assets - Beginning of Year - Restated</b>	<b>59,040,661</b>	<b>54,360,873</b>	<b>28,681,347</b>	<b>28,405,553</b>	<b>87,722,008</b>	<b>82,766,426</b>
<b>Net Assets - End Year</b>	<b>\$ 58,727,724</b>	<b>59,040,661</b>	<b>18,730,121</b>	<b>28,681,347</b>	<b>77,457,845</b>	<b>\$ 87,722,008</b>

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

**Governmental Activities:**

Net assets decreased by approximately \$313,000 for fiscal year 2008 for governmental activities. Revenues decreased by approximately \$752,000 (2%) to approximately \$47,412,000 from the prior year. This decrease was primarily due to (a) lower operating grants of approximately \$1,488,000 in 2008 primarily due to completion of a major traffic signal grant in the prior year, (b) lower capital grants of approximately \$1,886,000 related to less donated infrastructure, partially offset by (c) increases in business license fees, franchise fees, and building permits of approximately \$1,043,000 in 2008 and (d) other increases in other revenues of approximately \$1,579,000.

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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

##### **Governmental Activities: (Continued)**

Expenses increased by approximately \$4,597,000 (11%) to approximately \$47,521,000 from the prior year. The increase in expenses was primarily due to an increase in the landfill remediation and postclosure care liability (a Policy Formulation and Administrative function expense) as well as increases in Public Safety and Public Works functions related to higher operating expenses.

**Business-Type Activities:** Net assets decreased by approximately \$9,951,000 for fiscal year 2008 for business-type activities. In aggregate, business-type revenues decreased approximately (4%) to approximately \$4,960,000 compared to approximately \$5,164,000 in the prior year. The decrease was primarily due to the City's transfer of its sewer operations to the District effective January 1, 2008 which ended its charges for these services. Total expenses were fairly constant for both years.

Since the District entered into an agreement to transfer its sewer system and other capital assets (total net book value of approximately \$10,390,000) to the District effective January 1, 2008. The District also assumed the City's liability under the South Carolina Water Pollution Control Revolving Fund Loan (outstanding balance of approximately \$624,000). The City reported a loss on the transfer of net sewer assets of approximately \$9,767,000 as a special item in the City's statement of activities.

#### 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, 2008, the City's governmental funds reported a combined ending fund balance of approximately \$11,845,000, a decrease of approximately \$138,000 in comparison with the prior year fund balance. Approximately 74% of this total amount (approximately \$8,767,000) 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 \$2,720,000), (2) to pay debt service (approximately \$262,000), 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 \$18,730,000. 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 for 2008 was approximately \$32,094,000, a 6% increase from the previous year. Property tax collections increased to approximately \$13,278,000 (3%) compared to approximately \$12,945,000 for the previous year. Business licenses and permit fees increased approximately 4% to approximately \$12,539,000 compared to approximately \$12,095,000 in 2007.

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 104.7 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 41% or approximately \$13,278,000 of total General Fund revenue for the fiscal year ending June 30, 2008.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

General Fund Revenues (Continued)

The City received approximately \$12,539,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$922,000, intergovernmental revenue of approximately \$4,296,000, fines and forfeitures of approximately \$567,000, and other revenues of approximately \$492,000.

General Fund Expenditures

General Fund expenditures at June 30, 2008 totaled approximately \$32,046,000, a 7% 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 \$12,493,000 for Public Safety and approximately \$6,867,000 for Public Works. The remaining 40% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$4,833,000, Parks, Recreation, and Special Events – approximately \$1,790,000, Community Development – approximately \$3,409,000, Finance and Administrative Services – approximately \$1,580,000, and total Capital Outlay of approximately \$1,076,000.

General Fund Balance

Total fund balance in the General Fund decreased by approximately \$71,000, from approximately \$4,942,000 at June 30, 2007 to approximately \$4,871,000 at June 30, 2008. The unreserved fund balance decreased by approximately \$72,000, from approximately \$4,848,000 to approximately \$4,776,000. Unreserved undesignated fund balance represents 15% 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 \$32,837,000 (including other financing sources/uses) wasn't adjusted during the fiscal year. More information about our budgetary process can be found in Note II.A of the notes to the basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the City had approximately \$102,324,000 in capital assets, net of depreciation. The total decrease in the City's capital assets was approximately \$7,867,000 (7%). The decrease was primarily due to capital asset disposals of approximately \$10,451,000 (which primarily related to the transfer/disposal of sewer assets to the District as previously noted) and depreciation expense of approximately \$4,485,000, partially offset by capital asset additions of approximately \$7,069,000. Table 3 shows fiscal 2008 Capital Asset balances (net of depreciation) compared to 2007:

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007 *</u>	<u>2008</u>	<u>2007 *</u>	<u>2008</u>	<u>2007 *</u>
Land	\$ 25,469,199	25,263,154	1,055,181	752,421	26,524,380	\$ 26,015,575
Construction in Progress	4,079,454	2,684,304	233,873	-	4,313,327	2,684,304
Building & Improvements	21,566,189	21,828,378	19,114,768	30,293,522	40,680,957	52,121,900
Infrastructure	23,450,361	21,961,101	-	-	23,450,361	21,961,101
Machinery & Equipment	1,271,472	1,325,194	384,036	452,890	1,655,508	1,778,084
Vehicles	4,894,725	4,651,705	804,514	978,297	5,699,239	5,630,002
Totals	<u>\$ 80,731,400</u>	<u>77,713,836</u>	<u>21,592,372</u>	<u>32,477,130</u>	<u>102,323,772</u>	<u>\$ 110,190,966</u>

\* Certain amounts have been restated. See Note IV.H 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, 2008**

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

**Long-Term Obligations**

At June 30, 2008, the City had long-term obligations of approximately \$46,446,000 versus approximately \$45,473,000 in the restated prior year, an increase of approximately \$974,000 or 2%. The increase in long-term obligations was primarily due to an increase of approximately \$3,850,000 in the landfill remediation and postclosure care liability and approximately \$224,000 in the compensate absence liability, partially offset by scheduled principal payments on debt and capital leases of approximately \$2,476,000 and the transfer of the Pollution Revolving Loan to the District for approximately \$624,000.

Table 4 shows fiscal 2008 balances compared to 2007:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007	2008	2007*
Debt:						
Tax Increment Bonds	\$ 13,810,000	14,825,000	-	-	13,810,000	\$ 14,825,000
Certificates of Participation	13,360,000	13,955,000	-	-	13,360,000	13,955,000
Revenue Bonds	-	-	3,490,000	3,715,000	3,490,000	3,715,000
General Obligation Bonds	-	-	820,000	1,005,000	820,000	1,005,000
Pollution Revolving Loan	-	-	-	646,257	-	646,257
Forest Park Redevelopment Loan	300,000	600,000	-	-	300,000	600,000
HUD 108 Loan	3,840,000	3,900,000	-	-	3,840,000	3,900,000
<b>Total Debt</b>	<b>31,310,000</b>	<b>33,280,000</b>	<b>4,310,000</b>	<b>5,366,257</b>	<b>35,620,000</b>	<b>38,646,257</b>
Capital Lease	650,426	724,800	-	-	650,426	724,800
Landfill Rem./Post-Closure Liability	6,850,408	3,000,000	-	-	6,850,408	3,000,000
Compensated Absences	3,233,967	2,981,440	91,576	120,363	3,325,543	3,101,803
<b>Total</b>	<b>\$ 42,044,801</b>	<b>39,986,240</b>	<b>4,401,576</b>	<b>5,486,620</b>	<b>46,446,377</b>	<b>\$ 45,472,860</b>

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

The State limits the amount of general obligation debt that cities can issue to eight percent of the assessed value of all taxable property within the City's corporate limits. The City is authorized by state statute to exceed the legal debt margin of eight percent, if citizens of the City approve such additional debt. The City's outstanding general obligation debt is below this state-imposed legal debt limit of approximately \$10,362,000. The current amount of outstanding general obligation debt at June 30, 2008 is \$820,000 which leaves an unused legal debt margin of approximately \$9,542,000.

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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

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

The primary goal of the City of Spartanburg's 2008-2009 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.

The 2008-2009 budget was developed with several challenges in mind (i.e. renovation of existing and construction of a new community center, an increase in the employer's retirement contribution rate, and implementation of GASB #45). In addition, we continue to be faced with the burden of increased fuel, utility, and insurance cost. Departments were asked to submit their funding request at the current year's level. For the third consecutive year, capital funding for equipment replacement was reduced. As for revenues the City was faced with a record number of delinquent taxes, slower growth in hospitality taxes due to a slow down in the economy, and lost revenue due to the transfer of the sewer operations to the Spartanburg Sanitary Sewer District.

The Spartanburg City Council adopted the 2008-2009 budget plan in the amount of \$49,732,865. Because 2008 is a year of reappraisal for Spartanburg County, the City Council adopted an estimated millage rate of 100.4 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 Director, City of Spartanburg, Finance Department, 145 W. Broad Street, Spartanburg, South Carolina, 29304.



CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2008

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,511,000	188,607	\$ 14,699,607
Restricted Cash and Cash Equivalents	529,324	-	529,324
Restricted Investments	163,542	-	163,542
Property Taxes Receivable, Net	927,711	-	927,711
Other Receivables, Net:			
Mortgage	229,238	-	229,238
Commercial Loan	146,058	-	146,058
Other	2,357,905	1,074,584	3,432,489
Internal Balances	(377,971)	377,971	-
Inventories and Prepaid Items	95,441	239,548	334,989
Note Receivable	3,794,765	-	3,794,765
Other Assets	1,853,729	-	1,853,729
Capital Assets:			
Non-Depreciable	29,548,653	1,289,054	30,837,707
Depreciable, Net	51,182,747	20,303,318	71,486,065
<b>TOTAL ASSETS</b>	<b>104,962,142</b>	<b>23,473,082</b>	<b>128,435,224</b>
<b>LIABILITIES</b>			
Accounts Payable	1,322,889	216,842	1,539,731
Accrued Interest Payable	419,250	59,735	478,985
Accrued Salaries and Benefits	1,340,657	28,886	1,369,543
Intergovernmental Payable	279,034	-	279,034
Customer Deposits	158,638	24,500	183,138
Unclaimed Checks	29,014	-	29,014
Accrued Claims/Premiums	419,906	-	419,906
Unearned Revenues	220,229	11,422	231,651
Non-Current Liabilities:			
Due Within One Year	3,952,631	510,338	4,462,969
Due in More Than One Year	38,092,170	3,891,238	41,983,408
<b>TOTAL LIABILITIES</b>	<b>46,234,418</b>	<b>4,742,961</b>	<b>50,977,379</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	53,074,516	17,282,372	70,356,888
Restricted For:			
Debt Service	771,509	-	771,509
Special Revenue	3,438,462	-	3,438,462
Unrestricted	1,443,237	1,447,749	2,890,986
<b>TOTAL NET ASSETS</b>	<b>\$ 58,727,724</b>	<b>18,730,121</b>	<b>\$ 77,457,845</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, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
Policy Formulation and Administration	\$ 9,011,543	-	-	-	(9,011,543)	-	\$ (9,011,543)
Public Safety	13,118,630	1,191,111	1,886,705	-	(10,040,814)	-	(10,040,814)
Parks, Recreation, and Special Events	2,434,395	219,537	-	-	(2,214,858)	-	(2,214,858)
Community Development	1,677,517	737,226	333,481	60,000	(546,810)	-	(546,810)
Public Works	12,948,923	2,230,552	530,695	3,366,293	(6,821,383)	-	(6,821,383)
Finance and Administrative Services	2,441,508	12,026,190	-	-	9,584,682	-	9,584,682
Operating	4,246,284	-	-	-	(4,246,284)	-	(4,246,284)
Interest and Other Charges	1,641,700	-	-	-	(1,641,700)	-	(1,641,700)
<b>Total Governmental Activities</b>	<b>47,520,500</b>	<b>16,404,616</b>	<b>2,750,881</b>	<b>3,426,293</b>	<b>(24,938,710)</b>	<b>-</b>	<b>(24,938,710)</b>
<b>Business-Type Activities:</b>							
Transit	1,806,189	314,853	880,601	-	-	(610,735)	(610,735)
Parking	985,169	278,605	-	-	-	(706,564)	(706,564)
Sanitary Sewer	621,073	1,019,003	-	-	-	397,930	397,930
Airport	1,936,607	1,728,105	607,099	-	-	398,597	398,597
<b>Total Business-Type Activities</b>	<b>5,349,038</b>	<b>3,340,566</b>	<b>1,487,700</b>	<b>-</b>	<b>-</b>	<b>(520,772)</b>	<b>(520,772)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 52,869,538</b>	<b>19,745,182</b>	<b>4,238,581</b>	<b>3,426,293</b>	<b>(24,938,710)</b>	<b>(520,772)</b>	<b>(25,459,482)</b>
General Revenues, Special Item, and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					12,776,753	-	12,776,753
Tax Increment					2,280,212	-	2,280,212
Motor Vehicle Taxes					1,161,680	-	1,161,680
Hospitality Taxes					3,497,438	-	3,497,438
Other Taxes					826,975	-	826,975
Intergovernmental Revenue - Unrestricted					1,273,314	-	1,273,314
Investment Income					322,073	131,693	453,766
Miscellaneous					2,200,286	-	2,200,286
Grants and Contributions Not Restricted to Specific Programs					426,450	-	426,450
Gain (Loss) on Sale of Assets					64,850	100	64,950
Special Item - Loss on Transfer of Net Sewer Assets					-	(9,766,505)	(9,766,505)
Transfers In (Out)					(204,258)	204,258	-
<b>Total General Revenues, Special Item, and Transfers</b>					<b>24,625,773</b>	<b>(9,430,454)</b>	<b>15,195,319</b>
<b>CHANGE IN NET ASSETS</b>					<b>(312,937)</b>	<b>(9,951,226)</b>	<b>(10,264,163)</b>
NET ASSETS, Beginning of Year, as Previously Reported					66,646,463	22,225,505	88,871,968
PRIOR PERIOD ADJUSTMENT					(7,605,802)	6,455,842	(1,149,960)
NET ASSETS, Beginning of Year, Restated					59,040,661	28,681,347	87,722,008
<b>NET ASSETS - End of Year</b>					<b>58,727,724</b>	<b>18,730,121</b>	<b>\$ 77,457,845</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, 2008

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 14,507,601	-	-	99	3,300	\$ 14,511,000
Restricted Cash and Cash Equivalents	-	-	-	287,991	-	287,991
Restricted Investments	-	163,542	-	-	-	163,542
Property Taxes Receivable, Net	629,407	-	-	46,728	251,576	927,711
Accounts Receivable, Net	1,584,740	93,000	291,923	-	-	1,969,663
Commercial Loan Receivables	-	-	-	-	146,058	146,058
Intergovernmental Receivables	-	60,000	-	-	328,242	388,242
Due From Other Funds	1,590,395	3,123,106	2,140,140	639,031	595,892	8,088,564
Inventories	95,441	-	-	-	-	95,441
Note Receivable	-	-	-	3,794,765	-	3,794,765
Mortgages Receivable:						
Home Loans	-	-	-	-	143,275	143,275
Deferred Loans	-	-	-	-	21,383	21,383
SRDC	-	-	-	-	64,580	64,580
<b>TOTAL ASSETS</b>	<b>18,407,584</b>	<b>3,439,648</b>	<b>2,432,063</b>	<b>4,768,614</b>	<b>1,554,306</b>	<b>30,602,215</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts Payable	430,530	719,898	600	-	114,867	1,265,895
Accrued Salaries and Benefits	1,289,674	-	-	-	50,983	1,340,657
Customer Deposits	158,638	-	-	-	-	158,638
Unclaimed Checks	27,859	-	-	-	-	27,859
Intergovernmental Payable	279,034	-	-	-	-	279,034
Due To Other Funds	10,660,356	-	-	-	115,977	10,776,333
Unearned/Deferred Revenues:						
Taxes	473,632	-	-	45,086	-	518,718
Other	216,894	-	-	3,794,765	378,631	4,390,290
<b>TOTAL LIABILITIES</b>	<b>13,536,617</b>	<b>719,898</b>	<b>600</b>	<b>3,839,851</b>	<b>660,458</b>	<b>18,757,424</b>
<b>FUND BALANCES</b>						
Reserved:						
Inventories	95,441	-	-	-	-	95,441
Debt Service	-	-	-	-	262,145	262,145
Capital Projects	-	163,542	-	-	-	163,542
Unreserved, Designated For, Reported In:						
Capital Projects	-	2,556,208	-	-	-	2,556,208
Unreserved, Undesignated Reported In:						
General Fund	4,775,526	-	-	-	-	4,775,526
Special Revenue	-	-	2,431,463	-	631,703	3,063,166
Debt Service	-	-	-	928,763	-	928,763
<b>TOTAL FUND BALANCES</b>	<b>4,870,967</b>	<b>2,719,750</b>	<b>2,431,463</b>	<b>928,763</b>	<b>893,848</b>	<b>11,844,791</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,407,584</b>	<b>3,439,648</b>	<b>2,432,063</b>	<b>4,768,614</b>	<b>1,554,306</b>	<b>\$ 30,602,215</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, 2008

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>11,844,791</b>
<p>Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:</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 \$102,688,518 and the accumulated depreciation was \$26,550,831.		76,137,687
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.		518,718
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.		4,170,061
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		1,680,926
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.		(419,250)
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		172,803
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.		6,016,363
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:		
Bonds Payable	(31,310,000)	
Landfill Remediation Liability	(6,850,408)	
Compensated Absences (Sick Pay and Vacations)	(3,233,967)	(41,394,375)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>58,727,724</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, 2008

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$ 13,278,464	-	3,397,795	1,116,518	2,716,911	\$ 20,509,688
Fees, Licenses, and Permits	12,538,972	-	-	-	-	12,538,972
Fines and Forfeitures	566,601	-	-	-	-	566,601
State Government Contributions	-	202,709	-	-	1,332,303	1,535,012
Federal Government Contributions	-	-	-	-	1,569,560	1,569,560
Intergovernmental Revenues	4,296,385	-	-	-	-	4,296,385
Charges for Services	921,596	-	-	-	-	921,596
Investment Earnings	-	15,167	128,759	607	23,017	167,550
Confiscated Drug Funds	-	-	-	-	74,020	74,020
Donations	-	393,000	-	-	-	393,000
Ground Lease Rent	-	-	-	400,000	-	400,000
Other	491,932	480,000	3,900	696,273	545,135	2,217,240
<b>TOTAL REVENUES ALL SOURCES</b>	<b>32,093,950</b>	<b>1,090,876</b>	<b>3,530,454</b>	<b>2,213,398</b>	<b>6,260,946</b>	<b>45,189,624</b>
<b>EXPENDITURES:</b>						
Current:						
Policy Formulation and Administration	4,833,176	-	-	259,500	-	5,092,676
Public Safety	12,492,637	-	-	-	-	12,492,637
Parks, Recreation, and Special Events	1,789,556	-	-	-	-	1,789,556
Community Development	3,408,697	-	-	-	-	3,408,697
Public Works	6,866,608	-	-	-	-	6,866,608
Finance and Administrative Services	1,580,177	-	-	-	840,152	2,420,329
Operating	-	-	938,594	-	3,307,690	4,246,284
Capital Outlay	1,075,517	3,968,266	-	-	159,380	5,203,163
Debt Service:						
Principal Retirement	-	-	-	340,000	1,630,000	1,970,000
Interest	-	-	-	594,256	992,004	1,586,260
Other	-	-	-	6,230	43,886	50,116
<b>TOTAL EXPENDITURES</b>	<b>32,046,368</b>	<b>3,968,266</b>	<b>938,594</b>	<b>1,199,986</b>	<b>6,973,112</b>	<b>45,126,326</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>47,582</b>	<b>(2,877,390)</b>	<b>2,591,860</b>	<b>1,013,412</b>	<b>(712,166)</b>	<b>63,298</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	1,333,902	1,800,556	251,213	-	1,852,654	5,238,325
Transfers Out	(1,454,875)	(409,577)	(2,763,802)	(277,277)	(537,052)	(5,442,583)
Proceeds from Sale of Capital Assets	2,020	-	-	-	1,088	3,108
Total Other Financing Sources (Uses)	(118,953)	1,390,979	(2,512,589)	(277,277)	1,316,690	(201,150)
<b>NET CHANGES IN FUND BALANCES</b>	<b>(71,371)</b>	<b>(1,486,411)</b>	<b>79,271</b>	<b>736,135</b>	<b>604,524</b>	<b>(137,852)</b>
FUND BALANCES, Beginning of Year	4,942,338	4,206,161	2,352,192	192,628	289,324	11,982,643
<b>FUND BALANCES, End of Year</b>	<b>\$ 4,870,967</b>	<b>2,719,750</b>	<b>2,431,463</b>	<b>928,763</b>	<b>893,848</b>	<b>\$ 11,844,791</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, 2008

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (137,852)</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	(519,557)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,970,000
Changes in the estimates for landfill remediation obligations do not affect current financial resources and thus are not reported in the governmental funds. These changes are reflected in the Statement of Activities.	(3,850,408)
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.	19,951
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.	(79,416)
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.	(46,004)
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.	(252,527)
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.	(551,599)
In the Statement of Activities the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(15,977)
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.	238,028
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 asset additions (\$2,353,664) and donated infrastructure (\$3,223,584) exceeded depreciation expense (\$2,664,824) in the current period.	2,912,424
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (312,937)</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, 2008

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 20,723	-	167,884	-	188,607	\$ -
Restricted Cash and Cash Equivalents	-	-	-	-	-	241,333
Accounts Receivable, Net	755,507	32,955	-	286,122	1,074,584	-
Due From Other Funds	-	-	1,780,191	65,863	1,846,054	2,316,133
Inventories	60,967	-	-	178,581	239,548	-
Total Current Assets	<u>837,197</u>	<u>32,955</u>	<u>1,948,075</u>	<u>530,566</u>	<u>3,348,793</u>	<u>2,557,466</u>
Non-Current Assets:						
Capital Assets:						
Non-Depreciable	179,840	-	-	1,109,214	1,289,054	9,764
Depreciable, Net	4,876,719	13,779,075	322,069	1,325,455	20,303,318	4,583,949
Total Non-Current Assets	<u>5,056,559</u>	<u>13,779,075</u>	<u>322,069</u>	<u>2,434,669</u>	<u>21,592,372</u>	<u>4,593,713</u>
<b>TOTAL ASSETS</b>	<b><u>5,893,756</u></b>	<b><u>13,812,030</u></b>	<b><u>2,270,144</u></b>	<b><u>2,965,235</u></b>	<b><u>24,941,165</u></b>	<b><u>7,151,179</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable/Deposits Payable	82,195	2,491	9,030	123,126	216,842	56,994
Accrued Interest Payable	-	59,735	-	-	59,735	-
Accrued Salaries and Benefits	-	3,805	-	25,081	28,886	-
Customer Deposits	-	24,500	-	-	24,500	-
Due To Other Funds	1,102,242	365,841	-	-	1,468,083	6,335
Unearned Revenue	-	11,422	-	-	11,422	-
Unclaimed Checks	-	-	-	-	-	1,155
Accrued Claims/Premiums	-	-	-	-	-	419,906
Current Portion of Compensated Absences	-	-	-	50,338	50,338	-
Current Portion of Debt/Capital Leases	-	460,000	-	-	460,000	77,059
Total Current Liabilities	<u>1,184,437</u>	<u>927,794</u>	<u>9,030</u>	<u>198,545</u>	<u>2,319,806</u>	<u>561,449</u>
Long-Term Liabilities:						
Compensated Absences, Less Current Portion	-	-	-	41,238	41,238	-
Debt/Capital Leases, Less Current Portion	-	3,850,000	-	-	3,850,000	573,367
Total Long-Term Liabilities	<u>-</u>	<u>3,850,000</u>	<u>-</u>	<u>41,238</u>	<u>3,891,238</u>	<u>573,367</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,184,437</u></b>	<b><u>4,777,794</u></b>	<b><u>9,030</u></b>	<b><u>239,783</u></b>	<b><u>6,211,044</u></b>	<b><u>1,134,816</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	5,056,559	9,469,075	322,069	2,434,669	17,282,372	3,943,287
Restricted for Improvements to Beaumont Mills Sewer System	-	-	1,100,000	-	1,100,000	-
Unrestricted	(347,240)	(434,839)	839,045	290,783	347,749	2,073,076
TOTAL NET ASSETS	<u>4,709,319</u>	<u>9,034,236</u>	<u>2,261,114</u>	<u>2,725,452</u>	<u>18,730,121</u>	<u>6,016,363</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,893,756</u></b>	<b><u>13,812,030</u></b>	<b><u>2,270,144</u></b>	<b><u>2,965,235</u></b>	<b><u>24,941,165</u></b>	<b><u>\$ 7,151,179</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, 2008

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 260,393	278,605	1,019,003	256,938	1,814,939	\$ 800,000
Contributions	-	-	-	-	-	3,696,899
Other Revenues	54,460	-	-	-	54,460	-
Sale of Inventory	-	-	-	1,471,167	1,471,167	-
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b>314,853</b>	<b>278,605</b>	<b>1,019,003</b>	<b>1,728,105</b>	<b>3,340,566</b>	<b>4,496,899</b>
<b>OPERATING EXPENSES</b>						
Personal Services	-	97,383	207,647	511,716	816,746	-
Depreciation	356,236	462,940	127,880	84,192	1,031,248	788,489
Other Services and Charges	1,449,953	151,320	261,529	217,454	2,080,256	276,693
Claims/Premiums	-	-	-	-	-	3,535,084
Cost of Goods Sold	-	-	-	1,102,375	1,102,375	-
Maintenance	-	26,670	-	20,870	47,540	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,806,189</b>	<b>738,313</b>	<b>597,056</b>	<b>1,936,607</b>	<b>5,078,165</b>	<b>4,600,266</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,491,336)</b>	<b>(459,708)</b>	<b>421,947</b>	<b>(208,502)</b>	<b>(1,737,599)</b>	<b>(103,367)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Gain (Loss) on Sale of Assets	100	-	-	-	100	78,807
Federal and State Contributions	880,601	-	-	607,099	1,487,700	-
Interest Expense	-	(246,856)	(10,959)	-	(257,815)	(25,275)
Investment Earnings	-	2,417	121,872	7,404	131,693	3,831
Other Income (Expense)	-	-	(13,058)	-	(13,058)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>880,701</b>	<b>(244,439)</b>	<b>97,855</b>	<b>614,503</b>	<b>1,348,620</b>	<b>57,363</b>
<b>INCOME (LOSS) BEFORE SPECIAL ITEM AND TRANSFERS</b>	<b>(610,635)</b>	<b>(704,147)</b>	<b>519,802</b>	<b>406,001</b>	<b>(388,979)</b>	<b>(46,004)</b>
Special Item - Loss on Transfer of Net Sewer Assets	-	-	(9,766,505)	-	(9,766,505)	-
Transfers In	400,000	440,000	-	135,025	975,025	-
Transfers Out	(150,075)	(27,454)	(432,714)	(160,524)	(770,767)	-
<b>CHANGE IN NET ASSETS</b>	<b>(360,710)</b>	<b>(291,601)</b>	<b>(9,679,417)</b>	<b>380,502</b>	<b>(9,951,226)</b>	<b>(46,004)</b>
NET ASSETS, Beginning of Year, as Previously Reported	5,070,029	9,325,837	5,484,689	2,344,950	22,225,505	6,062,367
PRIOR PERIOD ADJUSTMENT	-	-	6,455,842	-	6,455,842	-
NET ASSETS, Beginning of Year, Restated	5,070,029	9,325,837	11,940,531	2,344,950	28,681,347	6,062,367
<b>NET ASSETS, End of Year</b>	<b>\$ 4,709,319</b>	<b>9,034,236</b>	<b>2,261,114</b>	<b>2,725,452</b>	<b>18,730,121</b>	<b>\$ 6,016,363</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, 2008

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	TOTALS	TOTAL INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Charges for Services	\$ (385,811)	269,087	1,167,792	144,994	1,196,062	\$ 800,000
Receipts from Contributions	-	-	-	-	-	3,696,899
Receipts from Sale of Inventory	-	-	-	1,471,167	1,471,167	-
Receipts from Other Revenues	54,460	-	-	-	54,460	359,721
Payments for Personal Services	-	(97,383)	(247,619)	(500,533)	(845,535)	-
Payments for Services and Charges	(1,410,589)	(174,046)	(292,667)	(158,991)	(2,036,293)	(247,715)
Payments for Cost of Goods Sold	(8,903)	-	-	(1,060,658)	(1,069,561)	-
Payments for Claims/Premiums	-	-	-	-	-	(3,565,921)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,750,843)	(2,342)	627,506	(104,021)	(1,229,700)	1,042,984
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Transfers to Other Funds	(150,075)	(27,454)	(696,460)	(160,524)	(1,034,513)	-
Transfers from Other Funds	1,008,547	695,804	-	186,675	1,891,026	-
Non-Operating State and Federal Grants	880,601	-	-	607,099	1,487,700	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	1,739,073	668,350	(696,460)	633,250	2,344,213	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	-	-	-	(536,633)	(536,633)	(920,434)
Proceeds on Sale/Transfer of Assets	100	-	-	-	100	89,635
Bond, Note, and Capital Lease Principal Payments	-	(410,000)	(22,619)	-	(432,619)	(74,374)
Bond, Note, and Capital Lease Interest Payments	-	(258,425)	(10,957)	-	(269,382)	(25,275)
Other Receipts (Payments)	-	-	(13,058)	-	(13,058)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	100	(668,425)	(46,634)	(536,633)	(1,251,592)	(930,448)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment Earnings	-	2,417	121,872	7,404	131,693	3,831
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	2,417	121,872	7,404	131,693	3,831
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,670)</b>	<b>-</b>	<b>6,284</b>	<b>-</b>	<b>(5,386)</b>	<b>116,367</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	32,393	-	161,600	-	193,993	124,966
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 20,723</b>	<b>-</b>	<b>167,884</b>	<b>-</b>	<b>188,607</b>	<b>\$ 241,333</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating Income (Loss)	\$ (1,491,336)	(459,708)	421,947	(208,502)	(1,737,599)	\$ (103,367)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used in) Operating Activities						
Depreciation Expense	356,236	462,940	127,880	84,192	1,031,248	788,489
Change in Account Representing Operating Activities:						
Accounts Receivable	(646,204)	(9,518)	148,789	(111,944)	(618,877)	359,721
Other Assets	-	-	-	1,206	1,206	-
Inventory	(8,903)	-	-	41,717	32,814	-
Accounts Payable/Deposits Payable	39,364	(7,315)	(18,856)	69,931	83,124	21,668
Accrued Salaries and Benefits	-	(114)	(12,282)	8,196	(4,200)	-
Customer Deposits	-	1,855	-	-	1,855	-
Compensated Absences	-	-	(39,972)	11,183	(28,789)	-
Claims/Premiums	-	-	-	-	-	(23,527)
Deferred Revenue	-	9,518	-	-	9,518	-
Net Cash Provided by (Used in) Operating Activities	\$ (1,750,843)	(2,342)	627,506	(104,021)	(1,229,700)	\$ 1,042,984

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, 2008**

	<u>PENSION TRUST</u>	<u>AGENCY</u>
	General Employees'	Donation Fund
<b>ASSETS</b>		
Restricted Investments:		
Commingled Bond Funds	\$ 4,681,196	\$ -
Commingled Common-Stock Funds	8,672,115	-
Accounts Receivable:		
Interest	63,038	-
Other	-	44,801
<b>TOTAL ASSETS</b>	<b><u>13,416,349</u></b>	<b><u>44,801</u></b>
<b>LIABILITIES</b>		
Accounts Payable	-	4,778
Due to Others	-	40,023
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>44,801</u></b>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	<u>13,416,349</u>	<u>-</u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b><u>\$ 13,416,349</u></b>	<b><u>\$ 44,801</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 CHANGES IN NET ASSETS -  
FIDUCIARY FUND

YEAR ENDED JUNE 30, 2008

	<b>PENSION TRUST</b>
	<u>General Employees'</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 358,381
Member	41,885
Total Contributions	<u>400,266</u>
Investment Earnings:	
Interest	422,692
Realized and Unrealized Appreciation in Fair Value of Investments	(911,936)
Total Investment Earnings	<u>(489,244)</u>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<b><u>(88,978)</u></b>
<b>DEDUCTIONS</b>	
Pension Benefits	1,719,195
Administrative Expenses	63,818
TOTAL DEDUCTIONS	<u>1,783,013</u>
<b>NET DECREASE IN ADDITIONS OVER DEDUCTIONS</b>	<b>(1,871,991)</b>
NET ASSETS, Beginning of Year	<u>15,288,340</u>
<b>NET ASSETS, End of Year</b>	<b><u>\$ 13,416,349</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, 2008

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The City of Spartanburg, South Carolina (the "City") embraces an area of approximately 20 square miles. Chartered as a town in 1831, the City has grown into a cultural, educational, recreational, and transportation center for the upstate of South Carolina. It serves approximately 39,000 city residents and over 275,000 residents in the Greater Spartanburg area. The governing body of the City is a council-manager form of government. The mayor and six members of council ("City Council") establish policy for the City. Administrative functions are directed by the City Manager.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

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

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide basic financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has 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, 2008

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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  
Spartanburg 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, 2008, 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Governmental **fund basic financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the government.

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

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

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

**Governmental fund types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

*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, 2008

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

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

The City has 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, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (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, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as 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, 2008

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, 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund 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, 2008**

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**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 2008. 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, 2008

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, 2008, none of the City’s non-pension trust fund bank balances of \$3,870,605 (book balance of \$3,510,734) were exposed to custodial credit risk.

*Investments*

As of June 30, 2008, the City’s non-pension trust fund investment portfolio consisted of:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
State Local Government Investment Pool	*	\$ 11,481,864	~
U.S. Treasury Bills	*	163,542	0.02
Money Market Mutual Fund	A,NR	236,333	0.11
Total Primary Government		\$ 11,881,739	

^ 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, 2008, none of City’s investments were exposed to custodial credit risk.

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

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

*Pension Trust Fund Cash, Cash Equivalents and Investments*

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

A. Deposits and Investments (Continued)

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

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

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

The Pension Plan trust portfolio at June 30, 2008 is as shown in the following table. The trust reports its investments at fair value.

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
<b><u>Fiduciary - Pension Trust Fund</u></b>			
Mutual Fund Equities	NR	\$ 8,672,115	N/A
Mutual Funds Fixed Income	NR	4,681,196	6.91
Total Pension Trust		\$ 13,353,311	

NR – Not rated.

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

**Custodial Credit Risk for Pension Trust Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Plan does not have an investment policy for custodial credit risk. As of June 30, 2008, none of Pension Plan’s investments were exposed to custodial credit risk.

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

**Concentration of Credit Risk for Pension Trust Investments:** The Pension Plan places no limit on the amount it may invest in any one issuer. There were no investments in any one corporate issuer that exceeded 5% of the total portfolio at June 30, 2008. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds are excluded from this disclosure requirement.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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

**B. Receivables and Deferred Revenue**

**Property Taxes Receivables and Loan Receivables**

Property tax for the City is levied 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 2007 tax levy was assessed at \$94,244,700. 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 2007 assessed value was \$19,827,485. Assessed value for privately-owned public utilities is established by the South Carolina Department of Revenue and was assessed at \$10,943,596 for 2007. The City's operating tax rate is currently 104.7 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$629,407 and \$298,304 (which is net of an allowance for uncollectibles of \$629,407 and \$45,086, respectively) for general operations and for its tax increment districts, respectively, at June 30, 2008.

The City has outstanding mortgage and commercial loans receivables of \$375,296 (which are net of an allowance for uncollectibles of approximately \$1,009,271) at June 30, 2008.

**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 at June 30, 2008 was \$3,794,765, for which all has been deferred at June 30, 2008 (as it was not available).

**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, 2008, 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	\$	518,718
Note Receivable and Interest Receivable (Debt Service Funds) - Deferred		3,794,765
Mortgage and Loan Receivables (Special Revenue Funds) - Deferred		375,296
Other Unearned Revenue (General Fund, Capital Projects Fund, and Special Revenue Funds) - Unearned		220,229
Total Deferred/Unearned Revenue for Governmental Funds	\$	<u>4,909,008</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

C. Capital Asset

Capital asset activity for the City’s governmental activities for the year ended June 30, 2008, was as follows:

<b>Governmental Activities:</b>	Restated Beginning Balance *	Increases	Decreases	Ending Balance
<b>Capital Assets, Non-Depreciable</b>				
Land	\$ 25,263,154	206,045	-	\$ 25,469,199
Construction In Progress	2,684,304	1,395,150	-	4,079,454
<b>Total Capital Assets, Non-Depreciable</b>	<b>27,947,458</b>	<b>1,601,195</b>	<b>-</b>	<b>29,548,653</b>
<b>Capital Assets, Depreciable</b>				
Buildings and Improvements	28,774,104	329,705	-	29,103,809
Infrastructure	37,079,746	3,223,584	-	40,303,330
Machinery and Equipment	5,080,776	347,091	536,396	4,891,471
Vehicles	10,366,680	1,031,107	894,196	10,503,591
Furniture and Fixtures	26,353	-	-	26,353
<b>Total Capital Assets, Depreciable</b>	<b>81,327,659</b>	<b>4,931,487</b>	<b>1,430,592</b>	<b>84,828,554</b>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	6,945,726	591,894	-	7,537,620
Infrastructure	15,118,645	1,734,324	-	16,852,969
Machinery and Equipment	3,755,582	374,285	509,868	3,619,999
Vehicles	5,714,975	752,810	858,919	5,608,866
Furniture and Fixtures	26,353	-	-	26,353
<b>Total Accumulated Depreciation</b>	<b>31,561,281</b>	<b>3,453,313</b>	<b>1,368,787</b>	<b>33,645,807</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>49,766,378</b>	<b>1,478,174</b>	<b>61,805</b>	<b>51,182,747</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 77,713,836</b>	<b>3,079,369</b>	<b>61,805</b>	<b>\$ 80,731,400</b>

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

Capital asset additions and depreciation expense for governmental activities (which includes internal service fund additions and depreciation expense of \$955,434 and \$788,489, respectively) was charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Policy Formulation and Administration	\$ 49,760	\$ 46,624
Public Safety	684,178	487,476
Parks, Recreation, and Special Events	-	662,194
Community Development	1,824,831	109,540
Public Works	3,937,383	2,138,694
Finance and Administrative Services	36,530	8,785
<b>Totals - Governmental Activities</b>	<b>\$ 6,532,682</b>	<b>\$ 3,453,313</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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 approximately \$3,224,000 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 \$838,000. Accumulated amortization was approximately \$187,000 June 30, 2008. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Capital asset activity for the City’s business-type activities for the year ended June 30, 2008, was as follows:

<b>Business-Type Activities:</b>	Restated Beginning Balance *	Increases	Decreases	Ending Balance
<b>Capital Assets, Non-Depreciable:</b>				
Land	\$ 752,421	302,760	-	\$ 1,055,181
Construction In Progress	-	233,873	-	233,873
Total Capital Assets, Non-Depreciable	<u>752,421</u>	<u>536,633</u>	<u>-</u>	<u>1,289,054</u>
<b>Capital Assets, Depreciable:</b>				
Buildings and Improvements	32,782,546	-	5,043,485	27,739,061
Infrastructure	7,471,865	-	7,471,865	-
Machinery and Equipment	1,256,842	-	53,938	1,202,904
Vehicles	3,022,709	-	-	3,022,709
Total Capital Assets, Depreciable	<u>44,533,962</u>	<u>-</u>	<u>12,569,288</u>	<u>31,964,674</u>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	8,944,866	740,956	1,061,529	8,624,293
Infrastructure	1,016,023	49,688	1,065,711	-
Machinery and Equipment	803,952	66,821	51,905	818,868
Vehicles	2,044,412	173,783	-	2,218,195
Total Accumulated Depreciation	<u>12,809,253</u>	<u>1,031,248</u>	<u>2,179,145</u>	<u>11,661,356</u>
Total Capital Assets, Depreciable, Net	<u>31,724,709</u>	<u>(1,031,248)</u>	<u>10,390,143</u>	<u>20,303,318</u>
Business-Type Activities Capital Assets, Net	<u>\$ 32,477,130</u>	<u>(494,615)</u>	<u>10,390,143</u>	<u>\$ 21,592,372</u>

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

The City and Spartanburg Sanitary Sewer District (“District”) entered into an agreement whereby the City transferred its sewer system and other capital assets (total net book value of \$10,390,143) to the District effective January 1, 2008. The District also assumed the City’s liability under the South Carolina Water Pollution Control Revolving Fund Loan (outstanding balance of \$623,638). The City has reported this \$9,766,505 loss on transfer of net sewer assets as a special item in the City’s sanitary sewer enterprise fund’s statement of revenues, expenses and changes in fund net assets as well as a special item in the City’s government-wide statement of activities for its business-type activities.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

C. Capital Assets (Continued)

Capital asset additions and depreciation expense for business-type activities was charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Transit	\$ -	\$ 356,236
Parking	-	462,940
Sanitary Sewer	-	127,880
Airport	536,633	84,192
Totals - Business-Type Activities	\$ 536,633	\$ 1,031,248

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, 2008, are as follows:

Principal Outstanding  
at Year End

***Tax Increment Bonds***

\$6,310,000 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.

\$6,925,000 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Certificates of Participation (“COPS”)*

\$575,000 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.

\$10,550,000 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.

\$2,810,000 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*

\$3,840,000 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, 2008

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

**Redevelopment Loan**

\$300,000 The loan was consummated in March 2006 with the Spartanburg Housing Authority. The loan proceeds were received in two installments of \$150,000 in March 2006 and \$450,000 in April 2006. The loan has a maturity date in July 2007. The loan was interest free and had scheduled principal payments of \$300,000 in June 2006 and July 2007. The proceeds of the loan were to help with redevelopment efforts in Forest Park neighborhood ("Forest Park Redevelopment Loan").

**Capital Lease**

\$650,426 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**

\$820,000 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**

\$3,490,000 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**

\$0 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.

Principal payments of \$22,619 were made prior to Spartanburg Sanitary Sewer District's assumption of the liability on this loan (outstanding balance of \$623,638) in the net transfer of sewer assets it received from the City. See Note III.C for more details.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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, 2008:

Long-Term Obligations	*Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
Tax Increment Bonds:					
2000 Series	\$ 7,045,000	-	735,000	6,310,000	\$ 775,000
2002 Series A	7,035,000	-	110,000	6,925,000	115,000
2002 Series B	745,000	-	170,000	575,000	180,000
Total Tax Increment Bonds	14,825,000	-	1,015,000	13,810,000	1,070,000
Certificates of Participation					
2002 COPS	10,960,000	-	410,000	10,550,000	425,000
2005 COPS	2,995,000	-	185,000	2,810,000	195,000
Total Certificates of Participation	13,955,000	-	595,000	13,360,000	620,000
HUD Section 108 Loan	3,900,000	-	60,000	3,840,000	70,000
Forest Park Redevelopment Loan	600,000	-	300,000	300,000	300,000
Total Debt	33,280,000	-	1,970,000	31,310,000	2,060,000
Capital Leases:					
2005 Capital Lease	724,800	-	74,374	650,426	77,059
Total Capital Leases	724,800	-	74,374	650,426	77,059
Landfill Rem. and Post-Closure Care Liability	3,000,000	3,850,408	-	6,850,408	-
Compensated Absences	2,981,440	2,008,993	1,756,466	3,233,967	1,815,572
Total Governmental Activities	\$ 39,986,240	5,859,401	3,800,840	42,044,801	\$ 3,952,631
<b>Business-Type Activities:</b>					
Debt:					
2002 Series G.O. Bonds	\$ 1,005,000	-	185,000	820,000	\$ 190,000
2002 Revenue Bonds	3,715,000	-	225,000	3,490,000	270,000
Pollution Revolving Loan	646,257	-	646,257	-	-
Total Debt	5,366,257	-	1,056,257	4,310,000	460,000
Compensated Absences	120,363	24,388	53,175	91,576	50,338
Total Business-Type Activities	\$ 5,486,620	24,388	1,109,432	4,401,576	\$ 510,338

\* See Note IV.H for details regarding the prior period adjustments that impacted long-term obligations.

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, 2008

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>					
2009	\$ 2,060,000	1,510,319	77,059	22,590	\$ 3,669,968
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	2,270,000	1,143,217	88,804	10,845	3,512,866
2014-2018	9,675,000	4,117,494	236,289	12,832	14,041,615
2019-2023	8,315,000	1,948,373	-	-	10,263,373
2024-2025	2,965,000	227,532	-	-	3,192,532
Totals	\$ 31,310,000	12,956,964	650,426	96,940	\$ 45,014,330
<b>Business-Type Activities</b>					
2009	\$ 460,000	238,941	-	-	\$ 698,941
2010	505,000	216,323	-	-	721,323
2011	555,000	191,499	-	-	746,499
2012	585,000	163,663	-	-	748,663
2013	390,000	134,285	-	-	524,285
2014-2018	1,815,000	284,404	-	-	2,099,404
Totals	\$ 4,310,000	1,229,115	-	-	\$ 5,539,115

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, 2008, the City had \$820,000 of bonded debt subject to the 8% legal debt limit of approximately \$10,362,000 resulting in an unused legal debt margin of approximately \$9,542,000.

Interest paid on the debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2008.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

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

Interfund balances at June 30, 2008, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,590,395	\$ 10,660,356
Capital Projects Fund	3,123,106	-
Hospitality Tax Fund	2,140,140	-
St. John - Daniel Morgan TIF Fund	639,031	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	1,102,242
Parking Fund	-	365,841
Sanitary Sewer Fund	1,780,191	-
Airport Fund	65,863	-
<b><u>Non-Major Funds - In Aggregate by Type</u></b>		
Special Revenue Funds	574,283	115,977
Debt Service Funds	21,609	-
Internal Service Funds	2,316,133	6,335
Totals	<u>\$ 12,250,751</u>	<u>\$ 12,250,751</u>

The above receivables reflect cash being held by the General Fund for other funds such as Capital Projects, Hospitality Tax, Debt Service, Internal 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, 2008, consist of the following:

Fund	Transfers Out	Transfers In
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,454,875	\$ 1,333,902
Capital Projects Fund	409,577	1,800,556
Hospitality Tax Fund	2,763,802	251,213
St. John - Daniel Morgan TIF Fund	277,277	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	150,075	400,000
Parking Fund	27,454	440,000
Sanitary Sewer Fund	432,714	-
Airport Fund	160,524	135,025
<b><u>Non-Major Funds - In Aggregate By Type</u></b>		
Special Revenue Funds	287,052	631,852
Debt Service Funds	250,000	1,220,802
Total	<u>\$ 6,213,350</u>	<u>\$ 6,213,350</u>

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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

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

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 debt 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 and record program income. 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 and fleet charges. The transfer in was for property revenue due to the Airport.

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”) or its successor, to construct, manage, and operate an approximately 250 room hotel, a portion of an approximately 38,000 square foot conference center and a parking garage of approximately 313 spaces to serve the public, including without limitation, patrons of the Hotel and Conference Center. The Developer (or any successor) agreed to pay an initial rent to the City for the leased premises of \$400,000 on December 1, 2003 (has been written off in 2008 as this amount was no longer deemed collectible) and an ongoing rent of \$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.

The Developer defaulted on its loan, and the property is now controlled by the lender, Bridgeview Capital Solutions LLC (“Bridgeview”). Bridgeview is current on all the amounts owed to the City (i.e. garage loan, ground lease, etc.) and is 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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IV. OTHER INFORMATION (CONTINUED)

A. Agreements (Continued)

Renaissance Park Project (Continued)

*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

*Infrastructure Tax Credits*

From time to time, the City enters into incentive arrangements for new developments and projects. These incentive arrangements generally provide developers infrastructure tax credits to reimburse them for a portion of the costs of 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.

*Development Project*

From time to time, the City has formed public-private partnerships to promote redevelopment, stimulate private investment, create jobs, and improve the quality of live for its citizens. In December 2006, the City entered into a development project with the Spartanburg Development Corporation ("SDC") and Southside Retail Partners, LLC for an approximately 45,000 square foot commercial retail development. Along with other one-time funding, the City has committed to provide the SDC with an annual operating grant of \$114,500 for the 12 years beginning December 1, 2007.

Contingencies

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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Commitments and Contingencies (Continued)**

**Contingencies (Continued)**

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, 2008.

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, 2008, the City made premium payments totaling approximately \$759,000. 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, 2007, totaled approximately \$19,426,000. 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, 2008, the City made premium payments totaling approximately \$1,096,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2007, totaled approximately \$15,342,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

***Self-Insurance Health Plan***

The City maintains a partial self-insurance program for medical insurance coverage for City employees. The City pays the first covered \$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 \$421,061 (which includes unclaimed checks of \$1,155) reported in the medical insurance internal service fund at June 30, 2008 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

*Self-Insurance Health Plan (Continued)*

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
2005 - 2006	\$ 273,655	3,527,074	(3,456,081)	\$ 344,648
2006 - 2007	344,648	3,957,322	(3,857,382)	444,588
2007 - 2008	\$ 444,588	3,529,999	(3,553,526)	\$ 421,061

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, 2008, were approximately \$17,164,000 which, \$9,074,000 and \$8,090,000 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, 2008, were \$822,104 and 9.06%; and \$589,810 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$865,630 and 10.7%; and \$525,850 and 6.5%, respectively. Total required employee and employer contributions and percentages of amounts contributed for the current year and each of the two preceding years are as follows:

Year Ended June 30	SCRS		SCPORS	
	Required *	% Contributed	Required *	% Contributed
2006	\$ 1,108,033	100%	\$ 1,262,705	100%
2007	1,226,587	100%	1,312,647	100%
2008	\$ 1,411,914	100%	\$ 1,391,480	100%

\* Required employer and employee contribution.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

*Plan Description*

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

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 111; vested inactive employees not yet receiving benefits – 5; and active employees – 18. Covered payroll for year ended December 31, 2007, was approximately \$625,000; average pay was \$33,520; average age was 52.6; and average past service was 21.1 years.

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

Actuarial Valuation Date:	January 1, 2008
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. The annual pension cost recognized by the City in its financial statements is the Pension Plan’s normal cost assuming no future cost of living adjustments (“COLA”) plus interest on the net pension obligation and an amortization charge.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

The components of the Pension Plan’s net pension cost of \$437,797 for the current year consisted of (a) annual required contribution (employer) of \$412,957; (b) interest on the net pension obligation of (\$20,178); and (c) adjustments to annual required contributions of \$45,018 (reflects an amortization period equal to the present value of future earnings/current earnings for active participants under the age of 65).

*Actuarially Determined Contribution Requirements and Contributions Made*

The Pension Plan’s funding policy provides for actuarially determined rates deemed sufficient to pay benefits as due. The assumptions used to compute the contribution requirement are the same as those used to compute pension benefits earned as previously described under funding status and progress. Contributions to the Pension Plan for 2008, of \$358,381 for the employer and \$41,885 for the employees were made in accordance with a City ordinance (as subsequently modified) requiring a minimum City contribution of 9.06% and an employee contribution of 6.5%.

*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)
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)
2008	\$ 358,381	412,957	86.78%	437,797	81.86%	\$ (172,803)

*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)
01/01/03	\$ 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%
01/01/08	\$ 14,814,108	15,846,372	1,032,264	93.49%	\$ 624,469	165.30%

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**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.

The City contributes \$100 per month toward the cost of their insurance with the Retiree 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, 2008, the City had total expenditures of approximately \$600,000 for post-retirement medical benefits, which was net of approximately \$244,000 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 Statement No. 45 in fiscal year 2009 and has already engaged an actuary to determine the impact of adopting this Statement will have on the City. The actuary has not completed its final actuarial valuation (only a preliminary report has been provided) as of this date and thus management is not able at this present time to fully quantify the City's final 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. Based on the results of the RI, in September 2002 the EPA issued a record of decision ("ROD") for the site which included installation of an engineered cap for water and contaminated soils, in-situ groundwater treatment for contaminated groundwater, institutional controls, and groundwater monitoring. In October 2007, the City entered into a consent agreement with the South Carolina Department of Health and Environmental Control ("SCDHEC") and has agreed to conduct the work described in the ROD with respect to remediation of the Site.

As of June 30, 2008, the City has paid approximately \$1,345,000 in response costs associated with the RI/FS work. The EPA has issued General Notice and Demand letters to twenty other potential responsible parties ("PRPs") related to the Site. Both the EPA and the City have potential claims against the PRPs for response costs, but neither has initiated action against the PRPs to date. The City anticipates recovery of at least \$500,000 of its response costs paid to date from other PRPs, of which the City has have received approximately \$200,000 as of June 30, 2008.

In accordance with accounting guidance provided by GASB 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", the City is required to record its best estimate for its portion of the future liability associated with the Site each year (based upon the facts and circumstances available in preparation of the financial statements).

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**IV. OTHER INFORMATION (CONTINUED)**

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

The City hired an environmental consultant in 2008 to determine the remedial costs in accordance with the terms of the consent agreement and ROD. Based on the environmental consultant's work, estimated costs range from approximately \$6,850,000 to \$10,882,000 (which include ongoing monitoring). Currently, the environmental consultant does not believe that any one cost estimate is preferable, but that each cost estimate is as likely to occur as the other. As required by generally accepted accounting principles, the City has recorded the lowest cost estimate of approximately \$6,850,000, thus increasing its landfill remediation and post-closure care liability during 2008 by approximately \$3,850,000 (from \$3,000,000 at June 30, 2007). The total landfill remediation and post-closure care liability of \$6,850,000 at June 30, 2008 has been recorded as a long-term obligation in the City's governmental activities in the government-wide basic financial statements.

Included in the total landfill remediation and post-closure care liability at June 30, 2008 is annual monitoring and maintenance costs anticipated of approximately \$25,600 per year following the capping of the landfill area with enhanced bioremediation of groundwater. Currently, the post closure monitoring period required by state law is 30 years after the entire landfill receives final cover. Based on conversations with the EPA, SCDEC, and the environmental consultant, a much shorter monitoring period is expected since the landfill has been closed since the early 1970s and that natural remediation has occurred over time. The City believes its liability of \$128,000 (five years of monitoring), which is included in the City's landfill remediation and post-closure care liability at June 30, 2008 of \$6,850,000, to be its' best estimate for these costs as of June 30, 2008.

The City believes that it's required funding of the landfill remediation and post-closure care cost associated with the Site will be limited to approximately \$3.5 million – as this is consistent with cost estimates provided to the City from the regulatory agencies when it entered into agreements regarding the Site. The City intends to continue cooperative efforts with SCDHEC, EPA, and ReGenesis (global leader in the development and supply of advanced remediation technologies) but must obtain grant and or other funding for project expenses in excess of \$3.5 million for the City to properly close the landfill in accordance with the consent agreement.

**G. Conduit Debt**

The Spartanburg Water System ("Water System") has issued the following Revenue Bonds in the name of the City: \$25,050,000 in November 1998; \$14,925,000 in March 2002; \$81,445,000 in February 2007; and \$31,200,000 in March 2007. The purpose of these bonds was to fund capital improvements. At June 30, 2008, the outstanding balances on these bonds were approximately \$121,370,000 (excluding deferred amounts). The bonds are payable solely from the gross revenues derived from the operation of the Water System after first paying operation and maintenance of the Water System. The bonds are secured by a statutory lien upon the Water System assets granted by the bond ordinances. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**H. Prior Period Adjustments**

The City's net assets were restated as follows:

Governmental Activities net assets were restated to properly reflect long term debt related to a \$600,000 advance from the Spartanburg Housing Authority that was inadvertently left off of the City's records.

Governmental Activities net assets were restated to properly reflect land of approximately \$550,000 that was donated to the Spartanburg Development Corporation that had inadvertently not been removed from the City's records.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**IV. OTHER INFORMATION (CONTINUED)**

**H. Prior Period Adjustments (Continued)**

Governmental Activities, Business-Type Activities, and Sanitary Sewer Fund net assets were restated to properly reflect infrastructure capital assets related to sewer systems of approximately \$6,456,000 that were inadvertently shown in the Governmental Activities capital assets (when they should have been included in the Sanitary Sewer Fund and Business-Type Activities net assets in prior years). These capital assets were subsequently written off during 2008 in the net transfer of sewer assets to the Spartanburg Sanitary Sewer District. See Note III.C for more details.

**I. Subsequent Events**

**Pension Plan**

Due to poor economic conditions, the stock market has experienced a significant decline in value since year end. The market value of the City's Pension Plan assets has declined significantly from year end and at February 28, 2009 (the most recent date available) was approximately \$8,752,000.

**Refunding of Revenue Bonds**

The City refunded its old 2002 Revenue Bonds for its Parking Fund in October 2008. The new 2008 Refunding Revenue Bonds were in an original amount of \$3,565,000 and are secured by revenue from the City of Spartanburg Parking System. The bonds mature April 1, 2017. The rate of interest is 3.92%. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Principal payments are due annually on April 1<sup>st</sup>. Principal payments begin April 1, 2009, at \$295,000 and increase in amounts annually until the annual payment reaches \$471,000 on April 1, 2017.

**Construction Projects**

In January and February 2009, the City entered into various agreements in order to fund or assist with construction projects associated with the CC Woodson/NW Center Recreational facilities and the St. John Parking Garage, respectively. Various legal entities were created related to these projects to facilitate the use of New Market Tax Credits.

**Donated Capital Assets**

In February 2009, the Palmetto Conservation Trust donated the Mary Black Foundation Rail Trail (urban paved trail) to the City that had an estimated fair market value of approximately \$3,420,000.

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, 2008

	<b>GENERAL FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Taxes	\$ 13,228,883	13,228,883	13,278,464	\$ 49,581
Fees, Licenses, and Permits	12,574,531	12,574,531	12,538,972	(35,559)
Fines and Forfeitures	512,500	512,500	566,601	54,101
Intergovernmental Revenues	4,186,643	4,186,643	4,296,385	109,742
Charges for Services	827,963	827,963	921,596	93,633
Other Revenues	379,700	379,700	491,932	112,232
<b>TOTAL REVENUES ALL SOURCES</b>	<b>31,710,220</b>	<b>31,710,220</b>	<b>32,093,950</b>	<b>383,730</b>
<b>EXPENDITURES</b>				
Policy Formulation and Administration	4,186,971	4,186,971	4,923,185	(736,214)
Public Safety	12,791,898	12,791,898	12,979,007	(187,109)
Parks, Recreation, and Special Events	2,051,049	2,051,049	1,795,874	255,175
Community Development	3,641,529	3,641,529	3,469,528	172,001
Public Works	7,105,319	7,105,319	7,273,624	(168,305)
Finance and Administrative Services	1,762,530	1,762,530	1,605,150	157,380
<b>TOTAL EXPENDITURES</b>	<b>31,539,296</b>	<b>31,539,296</b>	<b>32,046,368</b>	<b>(507,072)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>170,924</b>	<b>170,924</b>	<b>47,582</b>	<b>(123,342)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,126,691	1,126,691	1,333,902	207,211
Transfers Out	(1,297,615)	(1,297,615)	(1,454,875)	(157,260)
Proceeds from Sale of Capital Assets	-	-	2,020	2,020
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(170,924)</b>	<b>(170,924)</b>	<b>(118,953)</b>	<b>51,971</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(71,371)</b>	<b>(71,371)</b>
FUND BALANCES, Beginning of Year	4,942,338	4,942,338	4,942,338	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 4,942,338</b>	<b>4,942,338</b>	<b>4,870,967</b>	<b>\$ (71,371)</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, 2008

	<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	\$ 3,547,500	3,547,500	3,397,795	\$ (149,705)
Investment Earnings	140,000	140,000	128,759	(11,241)
Other Revenues	1,000	1,000	3,900	2,900
<b>TOTAL REVENUES ALL SOURCES</b>	<b>3,688,500</b>	<b>3,688,500</b>	<b>3,530,454</b>	<b>(158,046)</b>
<b>EXPENDITURES</b>				
Operating	902,769	902,769	938,594	(35,825)
<b>TOTAL EXPENDITURES</b>	<b>902,769</b>	<b>902,769</b>	<b>938,594</b>	<b>(35,825)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,785,731</b>	<b>2,785,731</b>	<b>2,591,860</b>	<b>(193,871)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	251,213	251,213
Transfers Out	(2,785,731)	(2,785,731)	(2,763,802)	21,929
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,785,731)</b>	<b>(2,785,731)</b>	<b>(2,512,589)</b>	<b>273,142</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>79,271</b>	<b>79,271</b>
FUND BALANCES, Beginning of Year	2,352,192	2,352,192	2,352,192	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 2,352,192</b>	<b>2,352,192</b>	<b>2,431,463</b>	<b>\$ 79,271</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current	\$ 12,628,883	12,205,015	\$ (423,868)
Prior Years, Including Penalties and Execution Fees	600,000	1,073,449	473,449
<b>Total Taxes</b>	<b>13,228,883</b>	<b>13,278,464</b>	<b>49,581</b>
<b>Fees, Licenses, and Permits:</b>			
Business Licenses and Penalties	9,500,000	9,243,067	(256,933)
Utility Franchise Fees	2,456,831	2,563,668	106,837
Building Permits	400,000	435,130	35,130
Electrical Permits	50,000	55,517	5,517
Plumbing Permits	30,000	32,466	2,466
Heating & Air Conditioning Permits	35,000	37,649	2,649
Miscellaneous Inspections/License Fees	102,700	171,475	68,775
<b>Total Fees, Licenses, and Permits</b>	<b>12,574,531</b>	<b>12,538,972</b>	<b>(35,559)</b>
<b>Fines and Forfeitures:</b>			
Criminal Fines	80,000	83,374	3,374
Traffic Fines	372,500	402,328	29,828
Parking Tickets	60,000	80,899	20,899
<b>Total Fines and Forfeitures</b>	<b>512,500</b>	<b>566,601</b>	<b>54,101</b>
<b>Intergovernmental Revenues:</b>			
Local Government Funds	1,292,046	1,273,314	(18,732)
General Government Funds	451,160	483,241	32,081
Accommodations Tax	40,000	30,244	(9,756)
County Recreation Supplement	6,000	4,725	(1,275)
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	6,000	5,763	(237)
Payment in Lieu of Taxes (Housing Authority)	25,000	22,671	(2,329)
Sunday Alcohol Sales	90,000	73,500	(16,500)
Water System Payments	1,549,641	1,669,153	119,512
Worker's Compensation Recoveries	32,000	38,978	6,978
<b>Total Intergovernmental Revenues</b>	<b>\$ 4,186,643</b>	<b>4,296,385</b>	<b>\$ 109,742</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Charges for Services:</b>			
District 6 & 7 School Guards	\$ 150,000	244,474	\$ 94,474
Dorman High School Security	57,363	61,906	4,543
Housing Authority Foot Patrol	65,000	9,312	(55,688)
Outside Sewer Charge in Lieu of Taxes	25,000	-	(25,000)
Parks and Recreation	161,000	131,771	(29,229)
False Burglar Alarm Charges	35,000	90,365	55,365
Sanitation Service Charge	334,600	383,768	49,168
<b>Total Charges for Services</b>	<b>827,963</b>	<b>921,596</b>	<b>93,633</b>
<b>Other Revenues:</b>			
Fair Association	27,500	27,500	-
Interest	170,000	156,481	(13,519)
Miscellaneous	180,200	305,951	125,751
Rents	2,000	2,000	-
<b>Total Other Revenues</b>	<b>379,700</b>	<b>491,932</b>	<b>112,232</b>
<b>TOTAL REVENUES ALL SOURCES</b>	<b>31,710,220</b>	<b>32,093,950</b>	<b>383,730</b>
<b>EXPENDITURES</b>			
<b>Policy Formulation and Administration</b>			
Mayor and Council:			
Personnel Services	97,486	98,031	(545)
Operating Expenditures	104,316	75,222	29,094
	<u>201,802</u>	<u>173,253</u>	<u>28,549</u>
Boards and Commissions:			
Operating Expenditures	12,250	1,851	10,399
	<u>12,250</u>	<u>1,851</u>	<u>10,399</u>
City Attorney:			
Personnel Services	175,408	181,176	(5,768)
Operating Expenditures	186,054	115,485	70,569
	<u>361,462</u>	<u>296,661</u>	<u>64,801</u>
City Manager:			
Personnel Services	500,774	501,525	(751)
Operating Expenditures	105,668	53,421	52,247
Capital Outlay	2,269	2,269	-
	<u>\$ 608,711</u>	<u>557,215</u>	<u>\$ 51,496</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Communication and Marketing:			
Personnel Services	\$ 297,649	312,913	\$ (15,264)
Operating Expenditures	240,958	210,364	30,594
Capital Outlay	1,864	2,240	(376)
	<u>540,471</u>	<u>525,517</u>	<u>14,954</u>
Community Relations:			
Personnel Services	181,886	238,141	(56,255)
Operating Expenditures	52,185	49,585	2,600
Capital Outlay	3,187	2,948	239
	<u>237,258</u>	<u>290,674</u>	<u>(53,416)</u>
Municipal Court:			
Personnel Services	325,919	338,571	(12,652)
Operating Expenditures	67,087	61,923	5,164
Capital Outlay	2,787	2,787	-
	<u>395,793</u>	<u>403,281</u>	<u>(7,488)</u>
Non-Departmental Services:			
Operating Expenditures	(691,310)	350,833	(1,042,143)
	<u>(691,310)</u>	<u>350,833</u>	<u>(1,042,143)</u>
Human Resources:			
Personnel Services	262,098	266,641	(4,543)
Operating Expenditures	1,220,195	1,193,720	26,475
Capital Outlay	324	324	-
	<u>1,482,617</u>	<u>1,460,685</u>	<u>21,932</u>
Information Technology:			
Personnel Services	232,764	243,083	(10,319)
Operating Expenditures	493,558	305,386	188,172
Capital Outlay	83,895	79,441	4,454
	<u>810,217</u>	<u>627,910</u>	<u>182,307</u>
Employee Development:			
Personnel Services	86,000	86,000	-
Operating Expenditures	141,700	149,305	(7,605)
	<u>227,700</u>	<u>235,305</u>	<u>(7,605)</u>
<b>Total Policy Formulation and Administration</b>	<b><u>4,186,971</u></b>	<b><u>4,923,185</u></b>	<b><u>(736,214)</u></b>
<b>Public Safety</b>			
Administration			
Director's Office:			
Personnel Services	494,700	518,210	(23,510)
Operating Expenditures	110,728	84,477	26,251
Capital Outlay	24,929	21,398	3,531
	<u>\$ 630,357</u>	<u>624,085</u>	<u>\$ 6,272</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Technical and Support Administration:			
Personnel Services	\$ 465,826	475,671	\$ (9,845)
Operating Expenditures	235,950	245,421	(9,471)
Capital Outlay	63,557	61,996	1,561
	<u>765,333</u>	<u>783,088</u>	<u>(17,755)</u>
Total Administration	<u>1,395,690</u>	<u>1,407,173</u>	<u>(11,483)</u>
Law Enforcement			
Jail:			
Personnel Services	-	2,735	(2,735)
Operating Expenditures	31,400	51,583	(20,183)
Capital Outlay	1,751	1,751	-
	<u>33,151</u>	<u>56,069</u>	<u>(22,918)</u>
Patrol:			
Personnel Services	4,320,061	4,431,055	(110,994)
Operating Expenditures	123,400	110,967	12,433
Capital Outlay	155,250	158,003	(2,753)
	<u>4,598,711</u>	<u>4,700,025</u>	<u>(101,314)</u>
Crime Prevention:			
Personnel Services	159,610	285,698	(126,088)
Operating Expenditures	8,750	4,453	4,297
	<u>168,360</u>	<u>290,151</u>	<u>(121,791)</u>
Investigations:			
Personnel Services	1,215,771	1,210,784	4,987
Operating Expenditures	131,165	122,030	9,135
Capital Outlay	60,552	61,664	(1,112)
	<u>1,407,488</u>	<u>1,394,478</u>	<u>13,010</u>
Records:			
Personnel Services	259,372	261,425	(2,053)
Operating Expenditures	30,044	18,054	11,990
	<u>289,416</u>	<u>279,479</u>	<u>9,937</u>
Animal Control:			
Personnel Services	65,258	75,235	(9,977)
Operating Expenditures	85,000	88,093	(3,093)
Capital Outlay	3,030	3,030	-
	<u>153,288</u>	<u>166,358</u>	<u>(13,070)</u>
Law Enforcement Administration:			
Personnel Services	275,963	265,439	10,524
Operating Expenditures	15,550	11,368	4,182
	<u>\$ 291,513</u>	<u>\$ 276,807</u>	<u>\$ 14,706</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
School Crossing Guard:			
Personnel Services	\$ 151,745	135,402	\$ 16,343
Operating Expenditures	1,500	163	1,337
	<u>153,245</u>	<u>135,565</u>	<u>17,680</u>
Foot Patrol:			
Personnel Services	59,499	9,241	50,258
	<u>59,499</u>	<u>9,241</u>	<u>50,258</u>
Total Law Enforcement	<u>7,154,671</u>	<u>7,308,173</u>	<u>(153,502)</u>
Fire			
Fire Administration:			
Personnel Services	394,851	433,109	(38,258)
Operating Expenditures	57,850	44,676	13,174
Capital Outlay	1,663	1,663	-
	<u>454,364</u>	<u>479,448</u>	<u>(25,084)</u>
Fire Suppression:			
Personnel Services	3,395,105	3,431,595	(36,490)
Operating Expenditures	214,311	175,753	38,558
Capital Outlay	177,757	176,865	892
	<u>3,787,173</u>	<u>3,784,213</u>	<u>2,960</u>
Total Fire	<u>4,241,537</u>	<u>4,263,661</u>	<u>(22,124)</u>
<b>Total Public Safety</b>	<b><u>12,791,898</u></b>	<b><u>12,979,007</u></b>	<b><u>(187,109)</u></b>
<b>Parks, Recreation, and Special Events</b>			
Parks, Recreation, and Special Events Administration:			
Personnel Services	286,737	161,846	124,891
Operating Expenditures	226,300	183,643	42,657
Capital Outlay	4,813	4,866	(53)
	<u>517,850</u>	<u>350,355</u>	<u>167,495</u>
Special Events:			
Personnel Services	219,814	238,420	(18,606)
Operating Expenditures	18,500	15,286	3,214
	<u>238,314</u>	<u>253,706</u>	<u>(15,392)</u>
Barnet Park:			
Personnel Services	124,059	96,483	27,576
Operating Expenditures	36,050	29,443	6,607
	<u>160,109</u>	<u>125,926</u>	<u>34,183</u>
Swim Center:			
Personnel Services	353,782	362,184	(8,402)
Operating Expenditures	31,631	35,963	(4,332)
	<u>\$ 385,413</u>	<u>\$ 398,147</u>	<u>\$ (12,734)</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
T.K. Gregg Center:			
Personnel Services	\$ 167,975	109,392	\$ 58,583
Operating Expenditures	14,500	13,598	902
Capital Outlay	361	361	-
	<u>182,836</u>	<u>123,351</u>	<u>59,485</u>
Northwest Center			
Personnel Services	163,566	176,468	(12,902)
Operating Expenditures	14,000	13,583	417
Capital Outlay	361	369	(8)
	<u>177,927</u>	<u>190,420</u>	<u>(12,493)</u>
Woodland Heights Center:			
Personnel Services	176,636	162,693	13,943
Operating Expenditures	20,600	33,400	(12,800)
Capital Outlay	361	361	-
	<u>197,597</u>	<u>196,454</u>	<u>1,143</u>
C.C. Woodson Center:			
Personnel Services	183,242	152,036	31,206
Operating Expenditures	7,400	5,118	2,282
Capital Outlay	361	361	-
	<u>191,003</u>	<u>157,515</u>	<u>33,488</u>
<b>Total Parks, Recreation, and Special Events</b>	<b><u>2,051,049</u></b>	<b><u>1,795,874</u></b>	<b><u>255,175</u></b>
<b>Community Development</b>			
Economic Development:			
Personnel Services	202,189	200,724	1,465
Operating Expenditures	358,800	265,737	93,063
Capital Outlay	1,505	1,505	-
	<u>562,494</u>	<u>467,966</u>	<u>94,528</u>
Administration:			
Personnel Services	146,595	147,708	(1,113)
Operating Expenditures	86,800	215,932	(129,132)
Capital Outlay	371	371	-
	<u>233,766</u>	<u>364,011</u>	<u>(130,245)</u>
Code Enforcement:			
Personnel Services	232,027	165,134	66,893
Operating Expenditures	38,300	22,265	16,035
Capital Outlay	2,612	2,612	-
	<u>\$ 272,939</u>	<u>190,011</u>	<u>\$ 82,928</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Civil Engineering:			
Personnel Services	\$ 518,626	440,870	\$ 77,756
Operating Expenditures	61,650	33,700	27,950
Capital Outlay	17,645	16,179	1,466
	<u>597,921</u>	<u>490,749</u>	<u>107,172</u>
Community Enhancements:			
Personnel Services	327,663	309,712	17,951
Operating Expenditures	60,250	50,158	10,092
Capital Outlay	3,906	3,906	-
	<u>391,819</u>	<u>363,776</u>	<u>28,043</u>
Inspections:			
Personnel Services	503,032	426,529	76,503
Operating Expenditures	26,990	31,385	(4,395)
Capital Outlay	5,110	5,110	-
	<u>535,132</u>	<u>463,024</u>	<u>72,108</u>
Parking Enforcement:			
Personnel Services	74,158	114,916	(40,758)
Operating Expenditures	8,245	5,405	2,840
Capital Outlay	3,430	3,430	-
	<u>85,833</u>	<u>123,751</u>	<u>(37,918)</u>
Construction Management:			
Personnel Services	-	48,105	(48,105)
Operating Expenditures	-	7,306	(7,306)
	<u>-</u>	<u>55,411</u>	<u>(55,411)</u>
Traffic Engineering:			
Personnel Services	377,284	385,615	(8,331)
Operating Expenditures	552,678	537,496	15,182
Capital Outlay	31,663	27,718	3,945
	<u>961,625</u>	<u>950,829</u>	<u>10,796</u>
<b>Total Community Development</b>	<b><u>3,641,529</u></b>	<b><u>3,469,528</u></b>	<b><u>172,001</u></b>
<b>Public Works</b>			
Public Works Administration:			
Personnel Services	197,512	220,699	(23,187)
Operating Expenditures	1,407	618	789
Capital Outlay	2,789	2,789	-
	<u>201,708</u>	<u>224,106</u>	<u>(22,398)</u>
Street and Ground Maintenance:			
Personnel Services	1,754,227	1,654,310	99,917
Operating Expenditures	333,198	373,194	(39,996)
Capital Outlay	107,604	106,830	774
	<u>\$ 2,195,029</u>	<u>\$ 2,134,334</u>	<u>\$ 60,695</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, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Building Maintenance:			
Personnel Services	\$ 327,065	340,349	\$ (13,284)
Operating Expenditures	559,625	647,849	(88,224)
Capital Outlay	31,015	5,015	26,000
	<u>917,705</u>	<u>993,213</u>	<u>(75,508)</u>
Fleet Maintenance:			
Personnel Services	628,228	543,091	85,137
Operating Expenditures	1,047,396	1,281,660	(234,264)
Capital Outlay	6,135	6,135	-
	<u>1,681,759</u>	<u>1,830,886</u>	<u>(149,127)</u>
Solid Waste:			
Personnel Services	1,727,641	1,723,805	3,836
Operating Expenditures	95,230	81,033	14,197
Capital Outlay	286,247	286,247	-
	<u>2,109,118</u>	<u>2,091,085</u>	<u>18,033</u>
<b>Total Public Works</b>	<b><u>7,105,319</u></b>	<b><u>7,273,624</u></b>	<b><u>(168,305)</u></b>
<b>Finance and Administrative Services</b>			
Administrative/Risk:			
Operating Expenditures	928,240	779,378	148,862
Capital Outlay	692	692	-
	<u>928,932</u>	<u>780,070</u>	<u>148,862</u>
Finance Administration:			
Personnel Services	422,947	393,468	29,479
Operating Expenditures	130,116	137,114	(6,998)
Capital Outlay	3,145	3,145	-
	<u>556,208</u>	<u>533,727</u>	<u>22,481</u>
Business License Code Enforcement:			
Personnel Services	112,367	116,850	(4,483)
Operating Expenditures	6,050	5,440	610
Capital Outlay	16,496	16,924	(428)
	<u>134,913</u>	<u>139,214</u>	<u>(4,301)</u>
Procurement and Property:			
Personnel Services	124,150	131,427	(7,277)
Operating Expenditures	14,115	16,500	(2,385)
Capital Outlay	4,212	4,212	-
	<u>142,477</u>	<u>152,139</u>	<u>(9,662)</u>
<b>Total Finance and Administrative Services</b>	<b><u>1,762,530</u></b>	<b><u>1,605,150</u></b>	<b><u>157,380</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>31,539,296</u></b>	<b><u>32,046,368</u></b>	<b><u>(507,072)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 170,924</u></b>	<b><u>47,582</u></b>	<b><u>\$ (123,342)</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, 2008

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	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 1,126,691	1,333,902	\$ 207,211
Transfers Out	(1,297,615)	(1,454,875)	(157,260)
Proceeds from Sale of Capital Assets	-	2,020	2,020
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(170,924)</b>	<b>(118,953)</b>	<b>51,971</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>(71,371)</b>	<b>(71,371)</b>
FUND BALANCE, Beginning of Year	4,942,338	4,942,338	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 4,942,338</b>	<b>4,870,967</b>	<b>\$ (71,371)</b>

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## **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.

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, 2008

	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
Property Taxes Receivable, Net	-	251,576	251,576
Commercial Loan Receivables	146,058	-	146,058
Intergovernmental Receivables	328,242	-	328,242
Mortgages Receivable:			
Home Loans	143,275	-	143,275
Deferred Loans	21,383	-	21,383
SRDC	64,580	-	64,580
Due From Other Funds	574,283	21,609	595,892
<b>TOTAL ASSETS</b>	<b>1,281,121</b>	<b>273,185</b>	<b>1,554,306</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable	103,827	11,040	114,867
Accrued Salaries and Benefits	50,983	-	50,983
Due To Other Funds	115,977	-	115,977
Unearned/Deferred Revenue	378,631	-	378,631
<b>TOTAL LIABILITIES</b>	<b>649,418</b>	<b>11,040</b>	<b>660,458</b>
<b>FUND BALANCES</b>			
Reserved For:			
Debt Service	-	262,145	262,145
Unreserved, Undesignated	631,703	-	631,703
<b>TOTAL FUND BALANCES</b>	<b>631,703</b>	<b>262,145</b>	<b>893,848</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,281,121</b>	<b>273,185</b>	<b>\$ 1,554,306</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Federal Government Contributions	\$ 1,569,560	-	\$ 1,569,560
State Government Contributions	1,332,303	-	1,332,303
Taxes	1,104,569	1,612,342	2,716,911
Investment Earnings	19,594	3,423	23,017
Confiscated Drug Funds	74,020	-	74,020
Other	545,135	-	545,135
<b>TOTAL REVENUES ALL SOURCES</b>	<b>4,645,181</b>	<b>1,615,765</b>	<b>6,260,946</b>
<b>EXPENDITURES:</b>			
Current:			
Administration	840,152	-	840,152
Operating	3,307,690	-	3,307,690
Capital Outlay	159,380	-	159,380
Debt Service			
Principal Retirement	300,000	1,330,000	1,630,000
Interest	-	992,004	992,004
Other	-	43,886	43,886
<b>TOTAL EXPENDITURES</b>	<b>4,607,222</b>	<b>2,365,890</b>	<b>6,973,112</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>37,959</b>	<b>(750,125)</b>	<b>(712,166)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	631,852	1,220,802	1,852,654
Transfers Out	(287,052)	(250,000)	(537,052)
Proceeds from Sale of Capital Assets	1,088	-	1,088
Total Other Financing Sources (Uses)	<b>345,888</b>	<b>970,802</b>	<b>1,316,690</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>383,847</b>	<b>220,677</b>	<b>604,524</b>
FUND BALANCES, Beginning of Year	247,856	41,468	289,324
<b>FUND BALANCES, End of Year</b>	<b>\$ 631,703</b>	<b>262,145</b>	<b>\$ 893,848</b>

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**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2008**

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Intergovernmental Receivables	-	296,120
Mortgages Receivable-Home Loans	143,275	-
Due From Other Funds	53,794	-
<b>TOTAL ASSETS</b>	<b>197,069</b>	<b>296,120</b>
<b>LIABILITIES</b>		
Accounts Payable	-	28,110
Accrued Salaries and Benefits	-	34,622
Due To Other Funds	-	97,167
Unearned/Deferred Revenue	143,276	-
<b>TOTAL LIABILITIES</b>	<b>143,276</b>	<b>159,899</b>
<b>FUND BALANCES</b>		
Unreserved - Undesignated	53,793	136,221
<b>TOTAL FUND BALANCES</b>	<b>53,793</b>	<b>136,221</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 197,069</b>	<b>296,120</b>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	3,300	-	-
-	-	-	-
-	-	-	-
177,515	21,943	44,311	146,592
<b>177,515</b>	<b>25,243</b>	<b>44,311</b>	<b>146,592</b>
184	18,508	-	-
239	1,161	-	-
-	-	-	-
-	3,334	-	-
423	23,003	-	-
177,092	2,240	44,311	146,592
177,092	2,240	44,311	146,592
<b>177,515</b>	<b>25,243</b>	<b>44,311</b>	<b>146,592</b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2008**

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	<u>Fund 480</u>
	<u>Accommodations Tax Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ -
Intergovernmental Receivables	32,122
Commercial Loan Receivables	-
Mortgages Receivable-Home Loans	-
Mortgages Receivable-Deferred	-
Mortgages Receivable-SRDC Loans	-
Due From Other Funds	49,191
<b>TOTAL ASSETS</b>	<b><u>81,313</u></b>
<b>LIABILITIES</b>	
Accounts Payable	-
Accrued Salaries and Benefits	-
Due To Other Funds	-
Unearned/Deferred Revenue	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>
<b>FUND BALANCES</b>	
Unreserved - Undesignated	81,313
<b>TOTAL FUND BALANCES</b>	<b><u>81,313</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 81,313</u></b>

Fund 708	Fund 803	Fund 804	Fund 900	Combined Funds
Community Development Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Community Relations Projects Fund	
-	-	-	-	\$ 3,300
-	-	-	-	328,242
146,058	-	-	-	146,058
-	-	-	-	143,275
21,383	-	-	-	21,383
64,580	-	-	-	64,580
-	79,914	1,023	-	574,283
<b>232,021</b>	<b>79,914</b>	<b>1,023</b>	-	<b>1,281,121</b>
42,303	7,117	7,605	-	103,827
14,961	-	-	-	50,983
18,810	-	-	-	115,977
232,021	-	-	-	378,631
<b>308,095</b>	<b>7,117</b>	<b>7,605</b>	-	<b>649,418</b>
(76,074)	72,797	(6,582)	-	631,703
(76,074)	72,797	(6,582)	-	631,703
<b>232,021</b>	<b>79,914</b>	<b>1,023</b>	-	<b>\$ 1,281,121</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, 2008**

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ 287,061	771,051
State Government Contributions	-	1,115,654
Property Taxes	-	-
Investment Earnings	3,300	-
Miscellaneous	-	93,989
Donations	-	-
Total Revenues	<u>290,361</u>	<u>1,980,694</u>
<b>EXPENDITURES</b>		
Administration	-	446,673
Operating	67,033	1,334,364
Capital Outlay	-	124,734
Debt Service - Principal Retirement	235,000	-
Total Expenditures	<u>302,033</u>	<u>1,905,771</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>(11,672)</b></u>	<u><b>74,923</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	25,062	37,850
Transfers Out	-	(8,599)
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	<u>25,062</u>	<u>29,251</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>13,390</b>	<b>104,174</b>
FUND BALANCES, Beginning of Year	<u>40,403</u>	<u>32,047</u>
<b>FUND BALANCES, End of Year</b>	<u><b>\$ 53,793</b></u>	<u><b>136,221</b></u>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	-	-	\$ -
-	-	216,649	-
-	-	274,046	730,880
-	-	-	4,731
71,129	362,972	-	-
-	-	40,000	-
<u>71,129</u>	<u>362,972</u>	<u>530,695</u>	<u>735,611</u>
12,910	67,885	-	-
24,848	480,191	490,735	385,183
10,611	-	-	-
-	-	-	-
<u>48,369</u>	<u>548,076</u>	<u>490,735</u>	<u>385,183</u>
<b>22,760</b>	<b>(185,104)</b>	<b>39,960</b>	<b>350,428</b>
5,154	183,786	-	-
(6,774)	-	-	(190,000)
-	-	-	-
<u>(1,620)</u>	<u>183,786</u>	<u>-</u>	<u>(190,000)</u>
<b>21,140</b>	<b>(1,318)</b>	<b>39,960</b>	<b>160,428</b>
155,952	3,558	4,351	(13,836)
<u><b>177,092</b></u>	<u><b>2,240</b></u>	<u><b>44,311</b></u>	<u><b>\$ 146,592</b></u>

(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, 2008**

	<u>Fund 480</u>
	<u>Accommodations Tax Fund</u>
<b>REVENUES</b>	
Federal Government Contributions	\$ -
State Government Contributions	-
Property Taxes	-
Accommodations Taxes	99,643
Investment Earnings	3,384
Miscellaneous	-
Confiscated Drug Funds	-
Total Revenues	<u>103,027</u>
<b>EXPENDITURES</b>	
Administration	-
Operating	79,348
Capital Outlay	-
Debt Service - Principal Retirement	-
Total Expenditures	<u>79,348</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>23,679</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers In	-
Transfers Out	(13,500)
Proceeds from Sale of Capital Assets	-
Total Other Financing Sources (Uses)	<u>(13,500)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>10,179</b>
FUND BALANCES, Beginning of Year	<u>71,134</u>
<b>FUND BALANCES, End of Year</b>	<u><b>\$ 81,313</b></u>

Fund 708	Fund 803	Fund 804	Fund 900	Combined Funds
Community Development Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Community Relations Projects Fund	
511,448	-	-	-	\$ 1,569,560
-	-	-	-	1,332,303
-	-	-	-	1,004,926
-	-	-	-	99,643
2,606	3,887	1,686	-	19,594
17,045	-	-	-	545,135
-	31,869	2,151	-	74,020
<u>531,099</u>	<u>35,756</u>	<u>3,837</u>	<u>-</u>	<u>4,645,181</u>
312,684	-	-	-	840,152
386,679	10,617	48,692	-	3,307,690
24,035	-	-	-	159,380
65,000	-	-	-	300,000
<u>788,398</u>	<u>10,617</u>	<u>48,692</u>	<u>-</u>	<u>4,607,222</u>
<b>(257,299)</b>	<b>25,139</b>	<b>(44,855)</b>	<b>-</b>	<b>37,959</b>
380,000	-	-	-	631,852
(52,120)	-	-	(16,059)	(287,052)
-	1,088	-	-	1,088
<u>327,880</u>	<u>1,088</u>	<u>-</u>	<u>(16,059)</u>	<u>345,888</u>
<b>70,581</b>	<b>26,227</b>	<b>(44,855)</b>	<b>(16,059)</b>	<b>383,847</b>
(146,655)	46,570	38,273	16,059	247,856
<u><b>(76,074)</b></u>	<u><b>72,797</b></u>	<u><b>(6,582)</b></u>	<u><b>-</b></u>	<u><b>\$ 631,703</b></u>

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2008

	<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	\$ 75,000	75,000	71,129	\$ (3,871)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>75,000</b>	<b>75,000</b>	<b>71,129</b>	<b>(3,871)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	41,961	41,961	12,910	29,051
Operating	33,039	33,039	24,848	8,191
Capital Outlay	-	-	10,611	(10,611)
<b>TOTAL EXPENDITURES</b>	<b>75,000</b>	<b>75,000</b>	<b>48,369</b>	<b>26,631</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>22,760</b>	<b>22,760</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	5,154	5,154
Transfers Out	-	-	(6,774)	(6,774)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(1,620)</b>	<b>(1,620)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>21,140</b>	<b>21,140</b>
FUND BALANCES, Beginning of Year	155,952	155,952	155,952	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 155,952</b>	<b>155,952</b>	<b>177,092</b>	<b>\$ 21,140</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, 2008

	<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	\$ 443,875	443,875	287,061	\$ (156,814)
Investment Earnings	28,586	28,586	3,300	(25,286)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>472,461</b>	<b>472,461</b>	<b>290,361</b>	<b>(182,100)</b>
<b>EXPENDITURES</b>				
Operating	472,461	472,461	67,033	405,428
Debt Service - Principal Retirement	-	-	235,000	(235,000)
<b>TOTAL EXPENDITURES</b>	<b>472,461</b>	<b>472,461</b>	<b>302,033</b>	<b>170,428</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(11,672)</b>	<b>(11,672)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	25,062	25,062
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>25,062</b>	<b>25,062</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>13,390</b>	<b>13,390</b>
FUND BALANCES, Beginning of Year	40,403	40,403	40,403	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 40,403</b>	<b>40,403</b>	<b>53,793</b>	<b>\$ 13,390</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, 2008

	<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	\$ 1,296,301	1,296,301	511,448	\$ (784,853)
Investment Earnings	4,000	4,000	2,606	(1,394)
Other Revenues	11,000	11,000	17,045	6,045
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,311,301</b>	<b>1,311,301</b>	<b>531,099</b>	<b>(780,202)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	303,609	303,609	312,684	(9,075)
Operating	1,312,088	1,312,088	386,679	925,409
Capital Outlay	71,104	71,104	24,035	47,069
Debt Service - Principal Retirement	-	-	65,000	(65,000)
<b>TOTAL EXPENDITURES</b>	<b>1,686,801</b>	<b>1,686,801</b>	<b>788,398</b>	<b>898,403</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(375,500)</b>	<b>(375,500)</b>	<b>(257,299)</b>	<b>118,201</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	380,000	380,000	380,000	-
Transfers Out	(4,500)	(4,500)	(52,120)	(47,620)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>375,500</b>	<b>375,500</b>	<b>327,880</b>	<b>(47,620)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>70,581</b>	<b>70,581</b>
FUND BALANCES, Beginning of Year	(146,655)	(146,655)	(146,655)	-
<b>FUND BALANCES, End of Year</b>	<b>\$ (146,655)</b>	<b>(146,655)</b>	<b>(76,074)</b>	<b>\$ 70,581</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, 2008

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Property Taxes Receivable, Net	\$ -	251,576	\$ 251,576
Due From Other Funds	-	21,609	21,609
<b>TOTAL ASSETS</b>	<b>-</b>	<b>273,185</b>	<b>273,185</b>
<b>LIABILITIES</b>			
Accounts Payable	-	11,040	11,040
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>11,040</b>	<b>11,040</b>
<b>FUND BALANCE</b>			
Reserved for Debt Service	-	262,145	262,145
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>262,145</b>	<b>262,145</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>273,185</b>	<b>\$ 273,185</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, 2008

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>REVENUES</b>			
Tax Increment	\$ -	1,612,342	\$ 1,612,342
Investment Earnings	1,669	1,754	3,423
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,669</b>	<b>1,614,096</b>	<b>1,615,765</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	595,000	735,000	1,330,000
Interest	627,731	364,273	992,004
Other	-	43,886	43,886
<b>TOTAL EXPENDITURES</b>	<b>1,222,731</b>	<b>1,143,159</b>	<b>2,365,890</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,221,062)</b>	<b>470,937</b>	<b>(750,125)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,220,802	-	1,220,802
Transfers Out	-	(250,000)	(250,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,220,802</b>	<b>(250,000)</b>	<b>970,802</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(260)</b>	<b>220,937</b>	<b>220,677</b>
FUND BALANCES, Beginning of Year	260	41,208	41,468
<b>FUND BALANCES, End of Year</b>	<b>\$ -</b>	<b>262,145</b>	<b>\$ 262,145</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, 2008

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ -	241,333	\$ 241,333
Due From Other Funds	2,316,133	-	2,316,133
Total Current Assets	<u>2,316,133</u>	<u>241,333</u>	<u>2,557,466</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	9,764	-	9,764
Depreciable, Net	4,583,949	-	4,583,949
Total Non-Current Assets	<u>4,593,713</u>	<u>-</u>	<u>4,593,713</u>
<b>TOTAL ASSETS</b>	<b><u>6,909,846</u></b>	<b><u>241,333</u></b>	<b><u>7,151,179</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Due To Other Funds	-	6,335	6,335
Accounts Payable/Deposits Payable	56,586	408	56,994
Claims/Premiums	-	419,906	419,906
Unclaimed Checks	-	1,155	1,155
Current Portion of Capital Lease Payable	77,059	-	77,059
Total Current Liabilities	<u>133,645</u>	<u>427,804</u>	<u>561,449</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	573,367	-	573,367
Total Long-Term Liabilities	<u>573,367</u>	<u>-</u>	<u>573,367</u>
<b>TOTAL LIABILITIES</b>	<b><u>707,012</u></b>	<b><u>427,804</u></b>	<b><u>1,134,816</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,943,287	-	3,943,287
Unrestricted	2,259,547	(186,471)	2,073,076
TOTAL NET ASSETS	<u>6,202,834</u>	<u>(186,471)</u>	<u>6,016,363</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,909,846</u></b>	<b><u>241,333</u></b>	<b><u>\$ 7,151,179</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, 2008

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>OPERATING REVENUES</b>			
Contributions	\$ -	3,696,899	\$ 3,696,899
Charges for Services	800,000	-	800,000
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b><u>800,000</u></b>	<b><u>3,696,899</u></b>	<b><u>4,496,899</u></b>
<b>OPERATING EXPENSES</b>			
Services and Charges	258,251	18,442	276,693
Claims/Premiums	-	3,535,084	3,535,084
Depreciation	788,489	-	788,489
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,046,740</u></b>	<b><u>3,553,526</u></b>	<b><u>4,600,266</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(246,740)</u></b>	<b><u>143,373</u></b>	<b><u>(103,367)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	78,807	-	78,807
Interest Expense	(25,275)	-	(25,275)
Investment Earnings	-	3,831	3,831
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>53,532</u></b>	<b><u>3,831</u></b>	<b><u>57,363</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>(193,208)</u></b>	<b><u>147,204</u></b>	<b><u>(46,004)</u></b>
NET ASSETS, Beginning of Year	<u>6,396,042</u>	<u>(333,675)</u>	<u>6,062,367</u>
<b>TOTAL NET ASSETS, End of Year</b>	<b><u>\$ 6,202,834</u></b>	<b><u>(186,471)</u></b>	<b><u>\$ 6,016,363</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

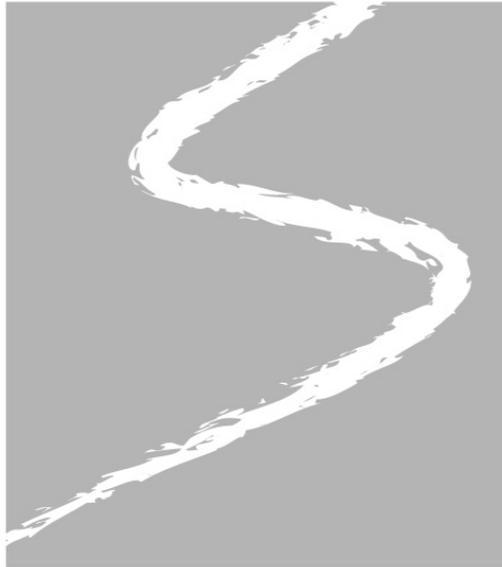
YEAR ENDED JUNE 30, 2008

	<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	-	3,696,899	3,696,899
Receipts from Other Revenues	359,721	-	359,721
Payments for Services and Charges	(229,273)	(18,442)	(247,715)
Payments for Claims/Premiums	-	(3,565,921)	(3,565,921)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>930,448</b>	<b>112,536</b>	<b>1,042,984</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(920,434)	-	(920,434)
Proceeds on Sale/Transfer of Capital Assets	89,635	-	89,635
Capital Lease Payments	(74,374)	-	(74,374)
Interest Paid	(25,275)	-	(25,275)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(930,448)</b>	<b>-</b>	<b>(930,448)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	-	3,831	3,831
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>3,831</b>	<b>3,831</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>116,367</b>	<b>116,367</b>
<b>RESTRICTED AND UNRESTRICTED</b>			
CASH AND CASH EQUIVALENTS - Beginning of Year	-	124,966	124,966
<b>RESTRICTED AND UNRESTRICTED</b>			
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ -</b>	<b>241,333</b>	<b>\$ 241,333</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating Income (Loss)	\$ (246,740)	143,373	\$ (103,367)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used in) Operating Activities			
Depreciation Expense	788,489	-	788,489
Change in:			
Accounts Receivable	359,721	-	359,721
Accounts Payable	28,978	(7,310)	21,668
Claims/Premiums	-	(23,527)	(23,527)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 930,448</b>	<b>112,536</b>	<b>\$ 1,042,984</b>

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## **FIDUCIARY FUNDS**

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



CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

---

	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
<b>ASSETS</b>				
Other Receivables	\$ 55,607	59,243	70,049	\$ 44,801
<b>TOTAL ASSETS</b>	<u>55,607</u>	<u>59,243</u>	<u>70,049</u>	<u>44,801</u>
<b>LIABILITIES</b>				
Accounts Payable	-	4,778	-	4,778
Amounts Held for Custody for Others	55,607	48,119	63,703	40,023
<b>TOTAL LIABILITIES</b>	<u>\$ 55,607</u>	<u>52,897</u>	<u>63,703</u>	<u>\$ 44,801</u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2008**

---

Court Fines:

Court Fines Collected	\$ 1,217,204
Court Fines Retained by City	(556,831)
Court Fines Remitted to the State Treasurer	<u>660,373</u>

Court Assessments:

Court Assessments Collected	731,501
Court Assessments Retained by City for Victims Services	(71,129)
Court Assessments Remitted to the State Treasurer	<u>660,372</u>

Court Surcharges:

Court Surcharges Remitted to State Treasurer	221,808
Court Surcharges Remitted to State Treasurer	<u>221,808</u>

Victims Services:

Court Assessments Allocated to Victims Services	55,127
Court Surcharges Allocated to Victim Services	16,002
Miscellaneous Revenue	5,154
Funds Allocated to Victims Services	<u>76,283</u>
Victim Services Expenditures	(55,143)
Funds Available for Carryforward	<u>21,140</u>

Beginning of the Year	155,952
End of the Year	<u>\$ 177,092</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>	132
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>	135

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	2008
<b>Governmental Activities</b>							
Invested in Capital Assets, Net of Related Debt	\$ 11,380,518	24,040,173	36,111,112	50,983,377	51,634,856	48,671,539	\$ 53,074,516
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	4,209,971
Unrestricted	6,610,786	7,579,737	1,983,423	3,714,981	5,544,430	6,658,785	1,443,237
<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>59,040,661</b>	<b>58,727,724</b>
<b>Business-Type Activities</b>							
Invested in Capital Assets, Net of Related Debt	10,322,974	21,122,491	20,667,619	20,814,506	20,887,730	27,110,873	17,282,372
Unrestricted	3,087,700	2,301,864	2,156,531	957,532	1,074,531	1,570,474	1,447,749
<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>28,681,347</b>	<b>18,730,121</b>
<b>Primary Government</b>							
Invested in Capital Assets, Net of Related Debt	21,703,492	45,162,664	56,778,731	71,797,883	72,522,586	75,782,412	70,356,888
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	4,209,971
Unrestricted	9,698,486	9,881,601	4,139,954	4,672,513	6,618,961	8,229,259	2,890,986
<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>87,722,008</b>	<b>\$ 77,457,845</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year					
	2003 (A)	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental Activities:						
Policy Formulation and Administration	\$ 3,658,130	3,659,975	2,147,426	3,376,444	4,383,247	\$ 9,011,543
Public Safety	12,537,589	12,268,358	12,364,117	12,704,299	12,198,601	13,118,630
Parks, Recreation, and Special Events	1,601,841	1,566,061	1,652,550	2,326,567	2,423,902	2,434,395
Community Development	1,321,263	3,348,220	6,019,523	5,063,632	2,441,514	1,677,517
Public Works	4,775,331	9,348,159	10,036,742	11,404,120	10,650,667	12,948,923
Finance and Administrative Services	3,175,722	5,874,750	249,930	225,424	3,539,901	2,441,508
Operating	2,937,139	1,878,675	1,124,743	1,035,138	5,578,284	4,246,284
Interest and Other Charges	2,307,463	1,645,958	1,738,012	1,724,908	1,707,435	1,641,700
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>	<u>47,520,500</u>
Business-Type Activities:						
Transit	1,199,328	1,484,837	1,773,856	1,759,885	1,755,525	1,806,189
Parking	478,165	995,967	1,060,901	1,063,605	992,650	985,169
Sanitary Sewer	970,103	1,006,352	1,046,756	983,794	1,031,238	621,073
Airport	1,416,294	1,621,998	1,609,275	1,540,616	1,669,122	1,936,607
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>	<u>5,349,038</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>	<u>52,869,538</u>
<b>Program Revenues</b>						
Governmental Activities:						
Charges for Services:						
Public Safety	1,037,617	792,734	856,813	854,356	1,037,145	1,191,111
Parks, Recreation, and Special Events	96,334	85,147	498,030	250,129	244,783	219,537
Community Development	446,396	479,680	418,235	505,902	666,295	737,226
Public Works	1,101,491	1,095,882	1,143,193	1,195,221	1,760,990	2,230,552
Finance and Administrative Services	9,582,841	9,974,226	10,125,533	10,588,927	11,652,370	12,026,190
Operating Grants and Contributions						
Public Safety	1,080,513	869,155	979,847	955,071	1,510,345	1,886,705
Community Development	1,763,284	2,450,901	1,374,662	1,859,746	1,978,525	333,481
Public Works	514,137	236,464	302,031	52,181	749,816	530,695
Capital Grants and Contributions						
Parks, Recreation, and Special Events	-	-	13,648,798	-	-	-
Community Development	499,971	341,346	259,417	482,744	187,500	60,000
Public Works	-	8,103,100	843,151	3,664,155	5,124,710	3,366,293
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>	<u>22,581,790</u>
Business-Type Activities:						
Charges for Services:						
Transit	221,788	216,120	270,214	261,968	273,133	314,853
Parking	208,659	258,378	248,297	266,147	263,264	278,605
Sanitary Sewer	1,611,304	1,642,691	1,710,176	1,801,254	1,820,404	1,019,003
Airport	1,340,709	1,476,377	1,400,469	1,478,539	1,494,258	1,728,105
Operating Grants and Contributions						
Transit	359,154	848,151	712,806	803,453	783,505	880,601
Airport	30,730	32,715	-	3,291	373,844	607,099
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>	<u>4,828,266</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>	<u>\$ 27,410,056</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year					
	2003 (A)	2004	2005	2006	2007	2008
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$(16,191,894)	(15,161,521)	(4,883,333)	(17,452,100)	(18,011,072)	\$(24,938,710)
Business-Type Activities	(291,546)	(634,722)	(1,148,826)	(733,248)	(440,127)	(520,772)
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>	<u>(25,459,482)</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	12,776,753
Property Taxes Levied for Debt Service	59,286	-	-	-	-	-
Tax Increment	581,628	819,316	2,006,125	2,129,608	2,183,246	2,280,212
Motor Vehicle Taxes	1,306,156	1,252,501	1,377,475	1,161,207	1,184,182	1,161,680
Hospitality Taxes	2,423,027	2,554,822	2,885,187	3,011,080	3,290,344	3,497,438
Other Taxes	760,947	825,301	821,351	830,608	825,297	826,975
Intergovernmental Revenue - Unrestricted	1,277,357	1,053,447	1,064,374	1,217,526	1,140,963	1,273,314
Unrestricted Investment Earnings	432,012	178,864	160,281	379,126	441,941	322,073
Miscellaneous	76,738	167,648	886,101	894,831	375,682	2,200,286
Grants/Contributions Not Restricted to Specific Programs	221,360	841,005	1,047,194	377,552	504,731	426,450
Gains (Loss) on Disposal/Sale of Capital Assets	225,844	21,504	89,124	37,826	915,231	64,850
Transfers	(500,305)	(15,476)	(40,773)	(324,821)	(560,459)	(204,258)
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>	<u>24,625,773</u>
Business-Type Activities:						
Investment Income	20,219	27,609	30,941	59,808	127,121	131,693
Miscellaneous	4,392	-	-	-	-	-
Gains (Loss) on Disposal/Sale of Capital Assets	(34,746)	(8,568)	25,000	10,155	28,341	100
Special Item - Loss on Transfer of Net Sewer Assets *	-	-	-	-	-	(9,766,505)
Transfers	9,366	15,476	40,773	324,821	560,459	204,258
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>	<u>(9,430,454)</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>	<u>15,195,319</u>
<b>Change in Net Assets:</b>						
Governmental Activities	1,985,428	1,134,521	15,686,333	3,877,650	4,679,788	(312,937)
Business-Type Activities	12,944,541	(600,205)	(1,052,112)	(338,464)	275,794	(9,951,226)
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>	<u>\$(10,264,163)</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.

\* In 2008, the sewer function was transferred to the Spartanburg Water and Sewer System.

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 267,132	239,111	260,900	-	-	74,844	77,267	97,446	94,826	\$ 95,441
Unreserved	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	4,775,526
Total General Fund	<u>5,565,016</u>	<u>4,864,264</u>	<u>5,873,117</u>	<u>5,910,918</u>	<u>5,667,326</u>	<u>5,549,403</u>	<u>5,672,625</u>	<u>5,000,678</u>	<u>4,942,338</u>	<u>4,870,967</u>
All Other Governmental Funds										
Reserved, Reported In:										
Capital Projects Funds	910,205	-	(8,754,853)	-	-	-	-	470,675	462,243	163,542
Debt Service Funds	-	-	-	-	-	-	15,668	37,382	41,468	262,145
Unreserved, Reported In:										
Special Revenue Funds	769,488	274,795	683,994	2,302,718	2,202,189	2,028,440	2,825,537	3,626,906	2,600,048	3,063,166
Capital Projects Funds	(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	2,556,208
Debt Service Funds	-	(1,700,970)	-	802,014	506,992	(47,159)	476,049	826,517	192,628	928,763
Total All Other Governmental Funds	<u>\$ 1,213,652</u>	<u>(1,771,239)</u>	<u>(6,041,709)</u>	<u>20,838,300</u>	<u>9,224,930</u>	<u>3,330,675</u>	<u>6,291,066</u>	<u>7,497,624</u>	<u>7,040,305</u>	<u>\$ 6,973,824</u>

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**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	2008
<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	\$ 20,509,688
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	12,538,972
Fines and Forfeitures	623,005	705,726	743,012	698,163	577,438	571,785	477,550	470,104	469,367	552,608	566,601
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	1,535,012
Federal Government Contributions	3,226,310	2,057,692	3,787,341	2,159,192	1,799,257	2,680,233	3,379,930	2,992,420	2,953,786	2,324,035	1,569,560
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	4,296,385
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	921,596
Investment Earnings	557,058	478,595	333,145	607,004	250,527	367,779	146,081	91,581	227,427	261,269	167,550
Confiscated Drug Funds	60,648	22,482	31,563	-	18,191	17,225	2,443	24,358	41,265	90,732	74,020
Donations	-	-	150,000	1,222,608	19,443	38,720	155,431	833,473	275,000	438,482	393,000
Ground Lease Rent	-	-	-	-	-	-	-	200,000	200,000	-	400,000
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	2,217,240
Total Revenues	26,710,937	27,515,518	36,091,021	30,847,238	40,232,481	32,551,774	33,657,659	36,580,364	41,922,850	42,544,089	45,189,624

**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	5,092,676
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	12,492,637
Parks, Recreation, and Special Events	-	-	-	-	1,668,547	1,504,759	1,440,749	912,648	1,666,874	1,726,686	1,789,556
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	3,408,697
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	6,866,608
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	2,420,329
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	4,246,284
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	5,203,163
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	1,970,000
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	1,586,260
Other	1,465	66	40,620	60,005	12,304	11,440	26,181	10,266	22,621	41,143	50,116
Total Expenditures	27,099,245	30,151,700	39,412,383	41,801,662	43,117,842	47,434,328	39,825,957	36,626,078	42,491,637	42,552,745	45,126,326

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) \$ 63,298

(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	2008
<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	\$ 5,238,325
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)	(5,442,583)
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	3,108
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)	(201,150)
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)	(137,852)
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	\$ 2,353,664
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%	8.4%

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Assessed Real Property			Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Motor Vehicles	Other					
1999	N/A	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	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	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	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	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	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	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	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	383,190	126,117,876	103.2	2,223,308,433	5.7%
2008	\$ 94,244,700	11,146,386	8,972,580	10,854,905	202,790	202,790	125,015,781	104.7	\$ 2,260,486,536	5.5%

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>City Direct Rates:</b>										
Basic Rate	94.80	94.80	97.00	97.00	97.00	93.30	93.30	103.20	103.20	104.70
Debt Service	2.20	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Direct Rate	97.00	97.00	97.00	97.00	97.00	93.30	93.30	103.20	103.20	104.70
<b>County Rates:</b>										
Spartanburg County	69.30	69.20	69.80	69.80	69.40	66.20	68.70	65.10	64.80	70.00
<b>School District Rates:</b>										
School District #7	211.10	213.60	213.60	215.10	215.20	214.70	214.90	215.50	215.50	229.50
<b>Sewer District Rates:</b>										
Spartanburg Sewer District	5.20	5.20	5.20	5.20	8.00	7.70	8.20	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).

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Charles L. Yeomans	\$ 3,553,530	1	2.8%	\$ 991,930	5	0.9%
Duke Energy Corp	3,410,850	2	2.7%	3,309,520	1	3.0%
Bellsouth Telecommunications	2,825,610	3	2.3%	3,085,340	2	2.8%
Inland Western Spartanburg	2,549,550	4	2.0%			
ERP Hillcrest LLC	1,413,330	5	1.1%			
Renaissance Park Hotel	1,346,780	6	1.1%			
Charter Fiberlink SC CCO LLC	1,132,150	7	0.9%			
Susan E Yeomans	1,015,770	8	0.8%			
Wal-Mart Real Estate Business	900,720	9	0.7%			
Idaho Associates LLC	851,650	10	0.7%			
Spartan Mills	-			1,705,330	3	1.6%
Piedmont Natural Gas	-			1,112,500	4	1.0%
Margaret H. Yeomans	-			866,120	6	0.8%
Spartanburg Market Square	-			689,620	7	0.6%
Spartanburg Realty INC	-			660,000	8	0.6%
Dillard's Dept Stores	-			570,600	9	0.5%
MFDC Equipment Corp.	-			519,800	10	0.5%
Totals	<u>\$ 18,999,940</u>		<u>15.2%</u>	<u>\$ 13,510,760</u>		<u>12.4%</u>

Source: Spartanburg County Tax Auditor's Office

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Original Tax Levy for		Adjustments to Original Tax Levy for		Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year		Amount	Percentage of Levy		Amount	Percentage of Levy
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	9,822,601	91.9%	334,873	10,157,474	95.1%		
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%		
2008	\$ 13,352,414	263,262	13,089,152	12,205,015	93.2%	1,073,449	\$ 13,278,464	101.4%		

Source: Spartanburg County Auditor's Office

Corrections: The amount for Collected within the Fiscal Year of the Levy was incorrectly stated as \$9,398,202 for 2000.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds/Debt	Capital Leases	General Obligation Bonds	Other Bonds			
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	-	33,280,000	724,800	1,005,000	4,361,257	39,371,057	5.6%	1,021
2008	\$ -	31,310,000	650,426	820,000	3,490,000	36,270,426	5.1%	\$ 934

Notes: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data. 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>
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
2008	\$ 820,000	N/A	820,000	0.0%	\$ 21

Notes: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data and the Schedule of Demographic and Economic Statistics for Population and Per Capita data. 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, 2008**

**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	\$ 32,085,000	13.0%	\$ 4,171,050
<b>School District:</b>			
School District 7	53,034,000	83.0%	44,018,220
School District 6	8,300,000	17.0%	1,411,000
<b>Sewer District:</b>			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 29,085,000	45.0%	13,088,250
Subtotal, Overlapping Debt			<u>62,688,520</u>
City of Spartanburg Direct Debt (1)			<u>31,310,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 93,998,520</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	2008
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	\$ 10,362,042
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	820,000
Legal Debt Margin	\$ 7,338,795	8,738,150	4,812,232	271,517	8,682,842	7,302,820	8,272,524	8,741,027	9,151,180	9,445,209	\$ 9,542,042
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%	7.9%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value*	\$ 125,015,781
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	129,525,521
Debt Limit (8% of Total Assessed Value)	10,362,042
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	820,000
Total Amount of Debt Applicable to Debt Limit	820,000
Legal Debt Margin	\$ 9,542,042

Source: \*Spartanburg County Auditor's Office

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

CITY OF SPARTANBURG, SOUTH CAROLINA

PLEGGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Certificates of Participation Debt						Tax Increment Bonds				Revenue Bonds					
	Hospitality Tax		Debt Service		Coverage		Tax Increment Funds		Less: Operating Expenses		Net Available Revenue		Debt Service		Net Available Revenue	
	Principal	Interest	Principal	Interest	Coverage	Increment	Operating Expenses	Available Revenue	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	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	492,128	N/A	492,128	N/A	520,436	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	493,382	N/A	493,382	N/A	520,285	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$ 2,458,508	290,000	518,284	3.04	3.04	641,294	N/A	641,294	N/A	887,969	1,929,126	985,723	32,809	32,809	\$ 389,812	2.23
2004	2,595,537	355,000	280,300	4.09	4.09	819,316	N/A	819,316	N/A	899,264	1,978,342	1,075,520	108,972	108,972	499,316	1.48
2005	2,931,030	365,000	567,875	3.14	3.14	2,481,221	N/A	2,481,221	N/A	868,614	2,233,505	1,186,328	140,177	140,177	493,544	1.65
2006	3,160,111	515,000	641,750	2.73	2.73	2,611,392	N/A	2,611,392	N/A	835,329	2,390,855	1,164,970	196,425	196,425	485,304	1.80
2007	3,400,824	570,000	649,432	2.79	2.79	1,692,322	N/A	1,692,322	N/A	791,419	2,190,393	1,164,691	247,716	247,716	475,071	1.42
2008	\$ 3,530,454	595,000	627,731	2.89	2.89	3,131,220	N/A	3,131,220	N/A	744,455	1,837,147	811,975	324,054	324,054	\$ 462,424	1.30

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

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

N/A: Not Applicable.

Corrections: Tax increment Funds were incorrectly stated as \$2,558,228 in the 2006 CAFR. Revenue Bonds Revenue for 2006 is an adjusted number.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SECURITY FOR THE SERIES 2000 BONDS**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<u>Fiscal Year</u>	<u>Franchise Fees</u>	<u>CPW Payments</u>	<u>Totals</u>
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
2008	\$ 2,563,668	1,669,153	\$ 4,232,821

**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>
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
2008	\$ 1,176,998	5,218,550	4,041,552	412	1,612,342	4,232,821	\$ 5,845,163

(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>
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
2008***	\$ 657,060	2,734,414	2,077,354	412	1,116,518	4,232,821	\$ 5,349,339

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

N/A: Not Applicable.

**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>
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%
2008	38,843	\$ 704,456,648	\$ 18,136	34.7	7,482	8.0%

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  
SC Employment Commission; figures for Spartanburg County.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2008</b>			<b>1999 (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*	4,720	1	12.15%			
Spartanburg School District #7*	1,575	2	4.05%			
Spartanburg County*	1,499	3	3.86%			
City of Spartanburg*	462	4	1.19%			
Wofford College*	375	5	0.97%			
QSI Data Systems	350	6	0.90%			
Converse College	300	7	0.77%			
Denny's*	296	8	0.76%			
Advance America	250	9	0.64%			
Vic Bailey Auto*	225	10	0.58%			
<b>Totals</b>	<b>10,052</b>		<b>25.88%</b>	<b>-</b>		<b>-</b>

Source: SC Employment Security Commission, 2007.

\*In 2008, the City of Spartanburg Finance Division obtained employment figures from these top ten companies.

Note A: Detailed information was not available for 1999.

**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>
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
2008	63	\$ 62,659,406	70	10,097,199	1,106,771,110	\$ 817,853,190

Sources: City Inspections Department  
Spartanburg County Assessor's Office

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
Finance and Administrative Services	17	15	15	14	14	14	14	13	12	10
Community Development	37	39	34	40	43	42	40	41	43	44
Parks, Recreation, and Special Events	-	-	4	4	8	8	22	20	23	24
Policy Formulation and Administration	35	36	35	34	36	36	36	39	40	38
Public Safety	232	228	219	216	233	231	213	214	217	217
Public Works	99	106	93	105	106	96	108	104	103	115
Business-Type Activities										
Parking Enterprise	-	-	-	-	1	1	1	1	3	3
Airport	9	9	9	9	9	9	9	9	9	11
Sewer	12	12	15	13	13	12	11	12	10	-
<b>Total</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>	<b>462</b>

Source: City Payroll

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

CITY OF SPARTANBURG, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008		
Finance and Administrative Services										
Business Licenses Issued*	4,539	4,587	4,594	4,800	5,481	5,530	5,954	5,517		
Courtesy Summons Issued	601	621	522	790	1,206	1,023	976	826		
Community Development										
Building Permits Issued	2,913	2,841	2,841	4,505	3,921	4,061	4,220	4,227		
Building Inspections Conducted	8,557	7,302	6,020	7,936	7,636	7,475	7,513	7,667		
Policy Formulation and Management										
Judicial Cases	15,328	14,673	14,526	13,202	12,223	14,334	14,683	14,797		
Public Safety - Police										
Calls for Service	71,890	72,837	72,424	76,938	75,218	76,766	76,312	62,563		
Physical Arrests	5,530	4,992	4,262	4,476	4,801	4,615	5,645	3,804		
Traffic Violations	10,769	9,672	11,278	9,370	9,742	12,004	12,082	11,434		
Public Safety - Fire										
Emergency Responses	2,024	2,155	2,210	2,107	2,140	2,242	2,172	2,031		
Fires Extinguished	370	411	319	371	323	345	301	328		
Inspections	2,171	2,361	2,864	3,574	3,140	3,325	2,556	3,863		
Public Works										
Roads Maintained	160	162	168	170	171	171	173	173		
Collection/Refuse Trucks	30,032	29,322	19,415	11,971	12,795	11,100	11,260	10,924		
Transit										
Passengers per Year	534,535	517,678	475,610	481,530	500,942	542,000	547,418	534,688		
Parking										
Garages	1	2	3	3	3	3	3	3		
Parking Lots	4	4	4	4	4	5	5	5		
Total Public Spaces	919	1,577	2,131	2,131	2,131	2,261	2,261	2,261		
Airport										
Fuel Gallons Sold	163,528	283,073	259,325	243,100	236,560	258,302	246,987	247,649		
Hours of Aircraft Maintenance	1,218	2,377	2,012	2,609	2,306	1,784	1,659	1,455		

Source: These statistics came from various City Departments.

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

Business License information is based on calendar year.

CITY OF SPARTANBURG, SOUTH CAROLINA  
CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008		
Community Development	100	100	100	100	102	107	123	123		
Traffic Signals										
Public Safety - Police	1	1	1	1	1	1	1	1		
Police Stations	84	84	84	84	84	84	86	86		
Patrol Units										
Public Safety - Fire	5	5	5	5	5	5	5	5		
Fire Station	12	12	12	12	12	12	12	12		
Fire Trucks										
Public Works	160	162	168	170	170	171	173	173		
Streets (in Miles)	39	39	39	39	39	39	38	37		
Collection/Refuse Trucks										
Parks and Recreation*	-	-	-	-	336	300	300	278		
Parks Acreage	-	-	-	-	44	24	24	20		
Parks	-	-	-	-	10	10	10	10		
Ball fields	-	-	-	-	3	2	2	2		
Swimming Pools	-	-	-	-	4	4	4	4		
Community Centers										
Solid Waste	39	39	39	39	39	39	38	37		
Collection/Refuse Trucks										
Transit	11	11	11	11	11	11	11	11		
Passenger Buses										
Parking	1	2	3	3	3	3	3	3		
Garages										
Airport	4	4	4	4	4	4	4	4		
Community Hangars	1	1	1	1	1	1	1	1		
Maintenance Hangars	30	30	30	30	30	30	30	30		
T-Hangars										

Sources: Various City departments.

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

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

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

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CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

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	\$ 69,109
CDBG Entitlement Grant, 32st	14.218	B-05-MC-45-0004	431,032
		Subtotal 14.218	<u>500,141</u>
Home Program Year 2005	14.239	MC-05-45-0207	2,958
Home Program Year 2006	14.239	MC-05-45-0207	100,596
Home Program Year 2007	14.239	MC-05-45-0207	183,507
		Subtotal 14.239	<u>287,061</u>
<b>Total Department of Housing / Urban Development</b>			<b><u>787,202</u></b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
2006 Assistanced to Firefighters	97.044	EMW-2006-FG-08135	79,323
Air Compression/Supply Units	97.067	2005-GE-T5-0018	35,111
<b>Total Department of Homeland Security</b>			<b><u>114,434</u></b>
<b>DEPARTMENT OF JUSTICE</b>			
Direct:			
Secure Our Schools	16.710	2004-CK-WX-0495	45
Secure Our Schools	16.710	2005-CK-WX-0492	1,585
Secure Our Schools	16.710	2006-CK-WX-0652	1,803
Secure Our Schools	16.710	2007-CK-WX-0652	19,000
		Subtotal 16.710	<u>22,433</u>
Solving Cold Cases with DNA	16.560	2005-DN-BX-K001	19,583
Justice Assistance Grant	16.738	2005-DJ-BX-0340	5,292
Justice Assistance Grant	16.738	2006-DJ-BX-0776	13,087
Justice Assistance Grant	16.738	2007-DJ-BX-0382	79,121
		Subtotal 16.738	<u>97,500</u>
Weed & Seed	16.595	2005-WS-Q5-0149	1,513
Weed & Seed	16.595	2005-WS-Q5-0185	11,145
Weed & Seed	16.595	2006-WS-Q5-0155	80,456
Weed & Seed	16.595	2006-WS-Q5-0234	126,313
		Subtotal 16.595	<u>219,427</u>
VAWA / Supplement	16.590	2000-WE-AX-0046	\$ 204,041

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF JUSTICE (CONTINUED)</b>			
Direct (Continued):			
Bureau of Alcohol, Tobacco and Firearms:			
Gang Resistance Education and Training	16.737	2006-JV-FX-0041	\$ 443
Gang Resistance Education and Training	16.737	2007-JV-FX-0163	8,225
		Subtotal 16.737	8,668
Pass Through SC Department of Public Safety:			
Law Enforcement to Assist Victims	16.575	1V06096	27,096
SDPD Project Safe Neighborhoods	16.609	1P07003	21,728
Spartanburg Department of Public Safety Gang Investigator	16.738	1G07065	49,966
Spartanburg Alternatives to Detention	16.540	1J004019	2,471
Spartanburg Alternatives to Detention	16.540	1J06002	17,080
Spartanburg Alternatives to Detention	16.540	1J06003	23,423
Spartanburg Alternatives to Detention	16.540	1J05015	53,517
		Subtotal 16.540	96,491
SPSD Traffic Enforcement	20.600	2H07020	6,378
SPSD Traffic Enforcement	20.600	2H08020	47,408
		Subtotal 20.600	53,786
<b>Total Department of Justice</b>			<b>820,719</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Drug-Free Communities	93.276	5H79SP012354-04	25,663
Drug-Free Communities	93.276	5H79SP012354-05	59,302
		Subtotal 93.276	84,965
<b>Total Department of Health and Human Services</b>			<b>84,965</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)	20.106	3-45-0051-10	150,460
Airport Improvement Program (AIP)	20.106	3-45-0051-12	128,803
Airport Improvement Program (AIP)	20.106	3-45-0051-13	173,216
		Subtotal 20.106	\$ 452,479

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF TRANSPORTATION (CONTINUED)</b>			
Federal Transit Administration:			
Operating Assistance	20.507	SC-90-X166-00	\$ 34,730
Operating Assistance	20.507	SC-90-X188-00	6,567
Operating Assistance	20.507	SC-90-X207-00	695,379
		Subtotal 20.507	<u>736,676</u>
Pass Through FHWA and SC Department of Highways:			
Urban Youth Corps - Summer 2006 Project	20.205	STP-URYC	31,701
Urban Youth Corps - Summer 2007 Project	20.205	STP-URYC	32,038
		Subtotal 20.205	<u>63,739</u>
<b>Total Department of Transportation</b>			<u><b>1,252,894</b></u>
<b>GRAND TOTALS</b>			<u><b>\$ 3,060,214</b></u>

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, 2008**

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**A. – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Spartanburg, South Carolina (the “City”) for the year ended June 30, 2008. 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, 2008, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 17, 2009. 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 2008-1 – 2008-3 described in the accompanying schedule of findings and questioned costs to be 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 2008-1 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 management of the City in a separate letter dated March 17, 2009.

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  
Mauldin, South Carolina  
March 17, 2009

**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, 2008. 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, 2008.

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.

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.

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.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of 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  
March 17, 2009

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2008**

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

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?     X     Yes          No

Significant deficiencies identified that are not considered to be material weaknesses?     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?          Yes     X     None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant - Entitlement Grant
14.239	Federal HOME Program
20.507	Department of Transportation - Operating Assistance
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?          Yes     X     No

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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Section II – Findings – Current Year Financial Statements Audit

**2008-1: FINANCIAL REPORTING**

**Condition:** The City had not recorded certain assets and liabilities (i.e. land, debt, etc.) related to its fund and government-wide financial statements.

**Criteria:** The City should have in place adequate internal controls to ensure all assets and liabilities are properly recorded.

**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 and liabilities.

**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 and liabilities are properly recorded.

**Response:** Finance has modified the information printed on the accounts payable file copy check to include project numbers. In addition, a staff member will be reviewing all accounts payable checks to ensure all capital assets are reported properly. Further steps taken are listed below:

- Finance has requested from IT a modification of the software used to print accounts payable checks. This modification includes printing the project number on the check stub. Currently, only the account number prints on the stub. This change will allow Finance to quickly identify any project number miscoding.
- Finance has requested from IT a scanner for scanning specific special revenue cash receipt checks. The City’s OptiView software will be indexed to the cash receipt number in the Cash Receipts application. This change will allow for quicker retrieve of cash receipt documents for audit purpose.
- Finance will prepare the capital project report each month in a format that identifies year to date and project to date revenues and expenditures.
- Finance will maintain all back up documentation for fixed assets and capital projects each month in a notebook.
- Finance has modified its capitalization threshold for capital assets. Starting July 1, 2008 the capitalization threshold for infrastructure road projects changed from \$50,000 to \$100,000 per project/road.
- Finance will request new infrastructure assets information from Engineering and Public Works by April 1<sup>st</sup>. This request will include a cost bread down by project/road. In addition, this request will include donated assets and new construction.
- On June 30<sup>th</sup> Finance will send out a reminder email to all departments stressing the importance of forwarding all outstanding invoices to Finance for payment.

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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**2008-2: TIMELY RECORDING OF SALES TRANSACTIONS AT THE AIRPORT**

**Condition:** Do to the manual process of recording fuel sales at the airport it was possible for sales and changes in inventory to not be recorded for almost a month.

**Criteria:** Fuel sales should be recorded daily.

**Cause:** The manual process in place does not automatically record sales.

**Effect:** Fuel sales and corresponding inventories were not accurate at year end until necessary adjustments were made.

**Recommendation:** We recommend that all sales be required to be recorded daily and reconciled to the perpetual inventory until the City develops and automated process.

**Response:** The City will look into purchasing an automated fuel system.

**2008-3: INTERNAL CONTROL ISSUES RELATED TO THE PARKING GARAGE**

**Condition:** During our review of the parking garage we noted various internal control issues:

- There are no controls in place to ensure every vehicle leaving the garage is properly accounted for in the daily parking report.
- There is inadequate documentation and support to perform a reconciliation of monies collected.
- Permits and City Bucks could be misappropriated without detection.

**Criteria:** The City should have in place adequate internal controls to ensure all transactions are recorded and reconciled on a timely basis.

**Cause:** Lack of adequate internal controls.

**Effect:** The City would be unable to detect error or misappropriation of assets.

**Recommendation:** We recommend that the City take the necessary corrective actions.

**Response:** Finance will work with Downtown Manager to implement recommendations provided by auditors to strengthen our internal controls.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2008**

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**FINDINGS – 2007 FINANCIAL STATEMENTS**

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

**Federal Agency: US Department of Transportation / Federal Aviation Administration**

**Direct Program**

**Airport Improvement Program – CFDA # 20.106**

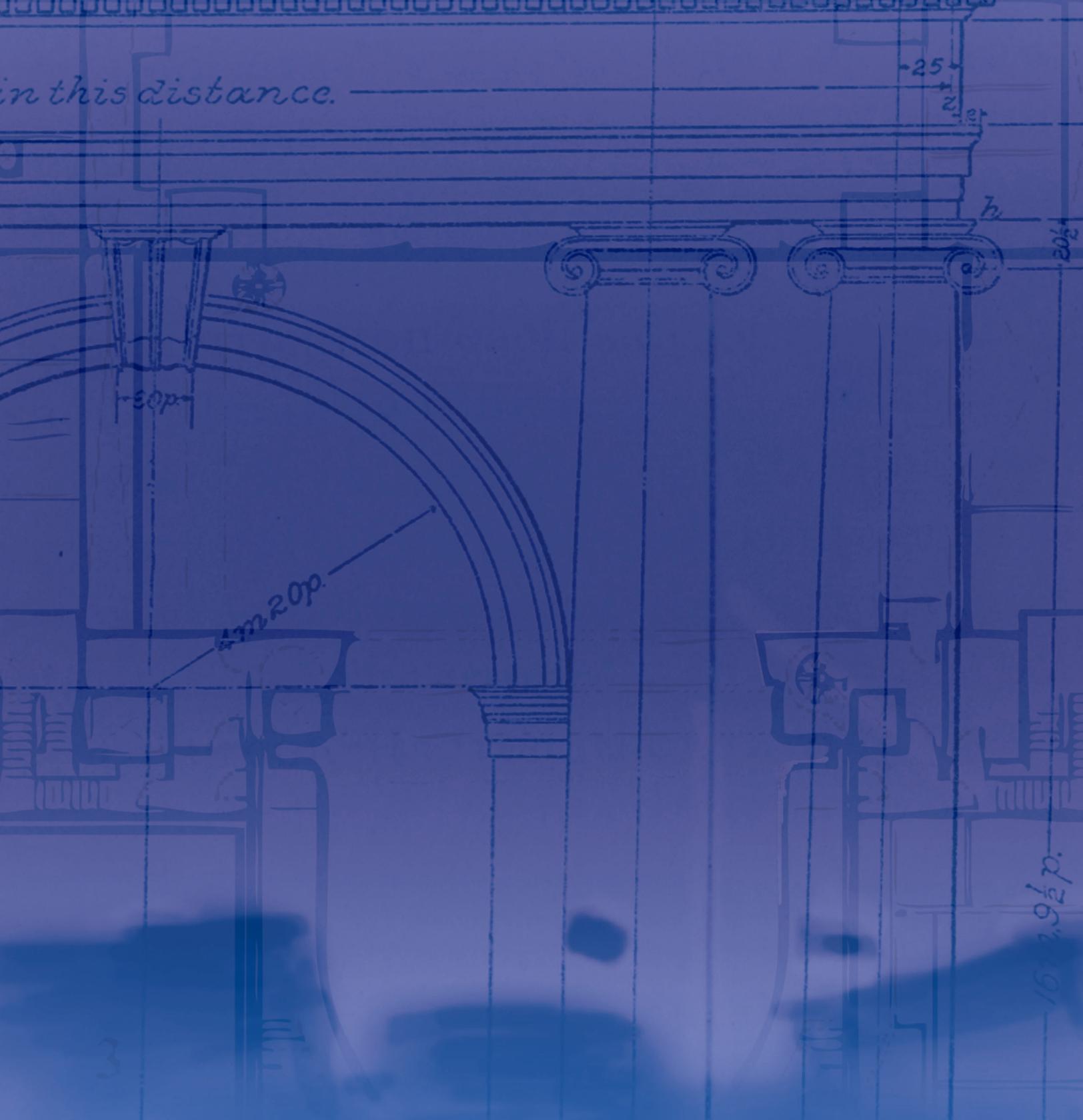
**Award Year: July 1, 2006 through June 30, 2007**

**Questioned Costs**

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.	None
Status:	The City has taken steps to ensure compliance in the future.	



*in this distance.*



CITY OF



SPARTANBURG  
SOUTH CAROLINA

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

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