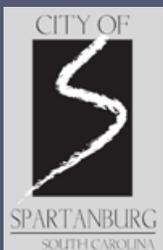


Comprehensive Annual Financial Report



Fiscal Year Ended
June 30, 2009

2009 photo of the Hot Spot Skate Park by Carroll Foster.
Special thanks to Sonya Culbreth in the City's Communications & Marketing division
for organizing the photo shoot & files. Cover layout by the City's Finance staff.

Comprehensive Annual Financial Report

City of Spartanburg, South Carolina

For the Fiscal Year Ended June 30, 2009

Prepared by the City's Finance Division



CITY OF SPARTANBURG, SOUTH CAROLINA

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www.cityofspartanburg.org

CITY OF SPARTANBURG

FINANCE

Telephone: 864.596.2059
Fax: 864.596.2424

January 29, 2010

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

We are pleased to present to you the City of Spartanburg's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. 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, 2009.

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

The City of Spartanburg's financial statements have been audited by Greene, Finney and Horton, LLP, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the City of Spartanburg's financial statements for the fiscal year ending June 30, 2009 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, 2009 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 detailed comparison is presented beginning on page 79, as part of the financial statements for the government funds.

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

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

Factors Affecting Financial Conditions

Local Economy

Spartanburg has not been immune to the effects of the national recession. However, we believe that continued significant investment in our downtown enabled our community to meet this challenge as well as could be expected.

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 companies such as Milliken, Gibbs International, BMW, Invista, Benteler Automotive, and an Adidas facility.

During this fiscal year, the University of South Carolina Upstate began construction on the George Dean Johnson, Jr. College of Business and Economics on St. John Street next to the Chapman Cultural Center and Barnet Park. The college will introduce thousands of business majors over the years to the opportunities for investment in the City, the region, and the State. A new, \$10.1 million parking garage with 700-spaces is also being constructed on St. John Street to serve the college, Chapman Cultural Center, Barnet Park, and future development in the Renaissance Park area.

More than \$2.35 billion was recorded in gross business sales for 2008 - 2009, and the valuation of building permits exceeded \$86 million.

In response to the recession's effects on city revenues, the City Council and City Manager made mid-year adjustments to spending plans, closely monitored the effects of slowed growth in State shared revenues, and projected decreases in property tax revenues and business license fees, which together represent a significant amount of the City's revenue.

Financial Policies and Practices

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

Long-Term Financial Planning

With the goal that Spartanburg will be a safe city where people can live and work, special emphasis has been given to evaluating our building facilities, transit system, and storm water infrastructure. Financial strategies are also being developed for our City Pension Plan, and options are being evaluated in regard to the Arkwright Landfill Remediation. It is important for the long-term financial growth of our city that we develop plans to address each of these areas that will require significant financial resources in the future.

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, South Carolina Local Government Investment Pool, and obligations of the United States and Federal agencies.

The City has an Investment Oversight Committee consisting of five citizens who have financial/investment backgrounds. Staff support is provided by the City Manager and Finance Director. The Investment Oversight Committee meets quarterly to review the cash and investment position of the City and its Pension Plan and to recommend changes to investment related activities and policies as necessary.

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, property and casualty damages, 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.

Major Initiatives

The City began construction on the new CC Woodson Community Center, a \$7.7 million project that will provide programs, activities, and services for people of all ages and interests. The facility will feature a Community Room for group meetings, a learning center, Senior Citizen Room, Tech Center, Health & Wellness Room, and a 14,000 square foot gymnasium.

The Hot Spot Skate Park contains 21,000 square feet of concrete with street elements and traditional style boarding ramps. Other unique structures provide for creative skating. The Skate Park is operated and managed by the City's Parks and Recreation Division and is the first public concrete park in the state of South Carolina.

Acknowledgements

On September 25th, 2008, State Treasurer Converse Chellis awarded the first-ever State Treasurer's Award for Financial Excellence to the City of Spartanburg. As factors in the City's selection, Mr. Chellis cited the "no exceptions" finding in the City's Municipal Court audit, the City received the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2008 (the 15th consecutive year), a favorable financial report from the City's auditors on its 2007 CAFR, and \$20,000 in unclaimed property that was reported to the State in 2007.

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

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Spartanburg for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 16th consecutive year that the City of Spartanburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

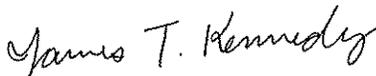
Respectfully submitted,



Ed Memmott
City Manager



Dennis R. Locke, CGFO
Finance Director



James T. Kennedy II, CPA
Budget & Accounting Director



CITY COUNCIL

William Barnet, III, Mayor

Linda Dogan, Mayor Pro Tem

Renee Cariveau, Councilmember

Robert Reeder, Councilmember

Kenneth D. Smith, Councilmember

Joe D. Spigner, Councilmember

Junie White, Councilmember

APPOINTED OFFICIALS

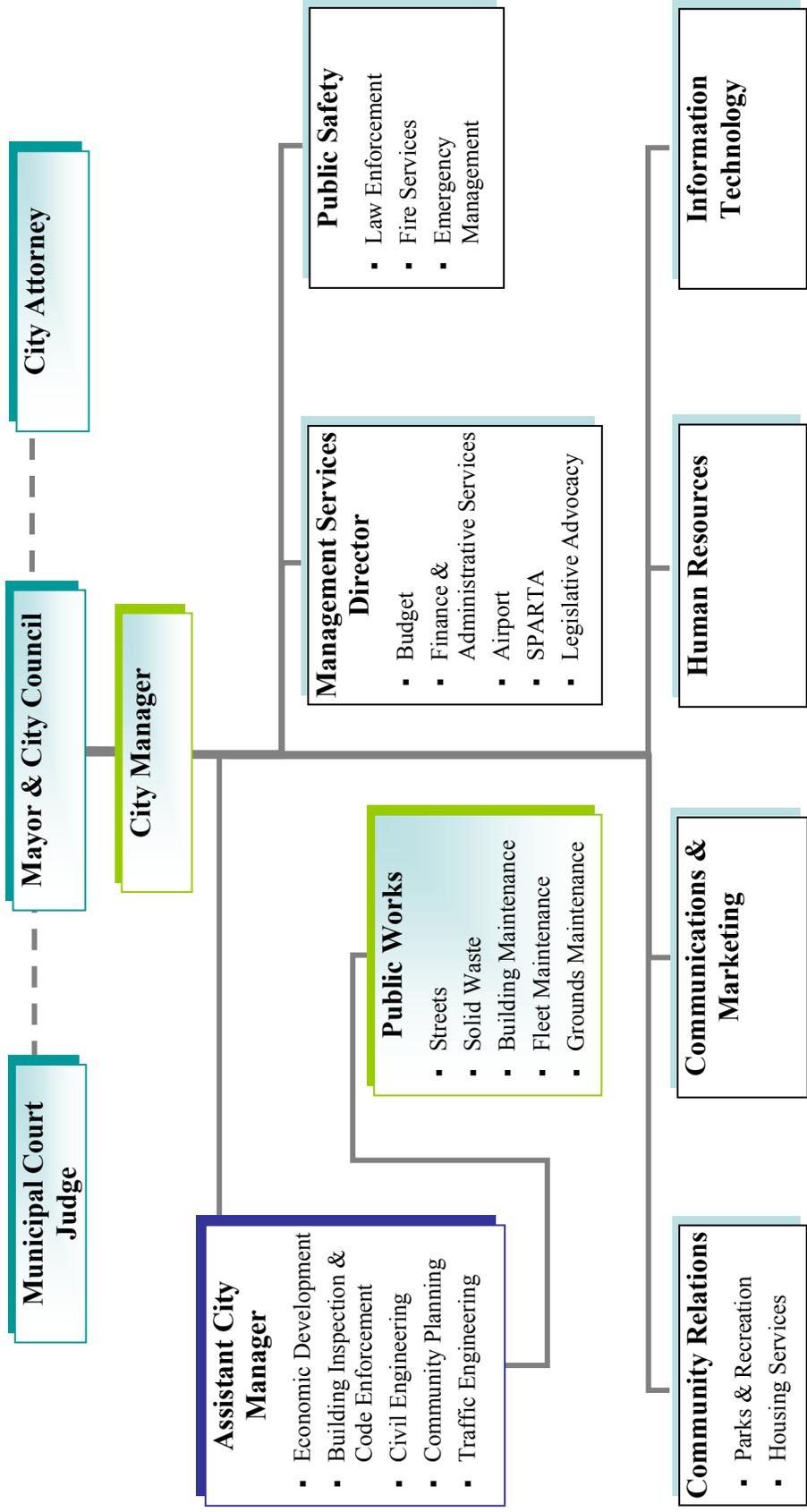
**Ed Memmott
City Manager**

**Cathy Hofer McCabe
City Attorney**

**John J. Smith
Municipal Judge**

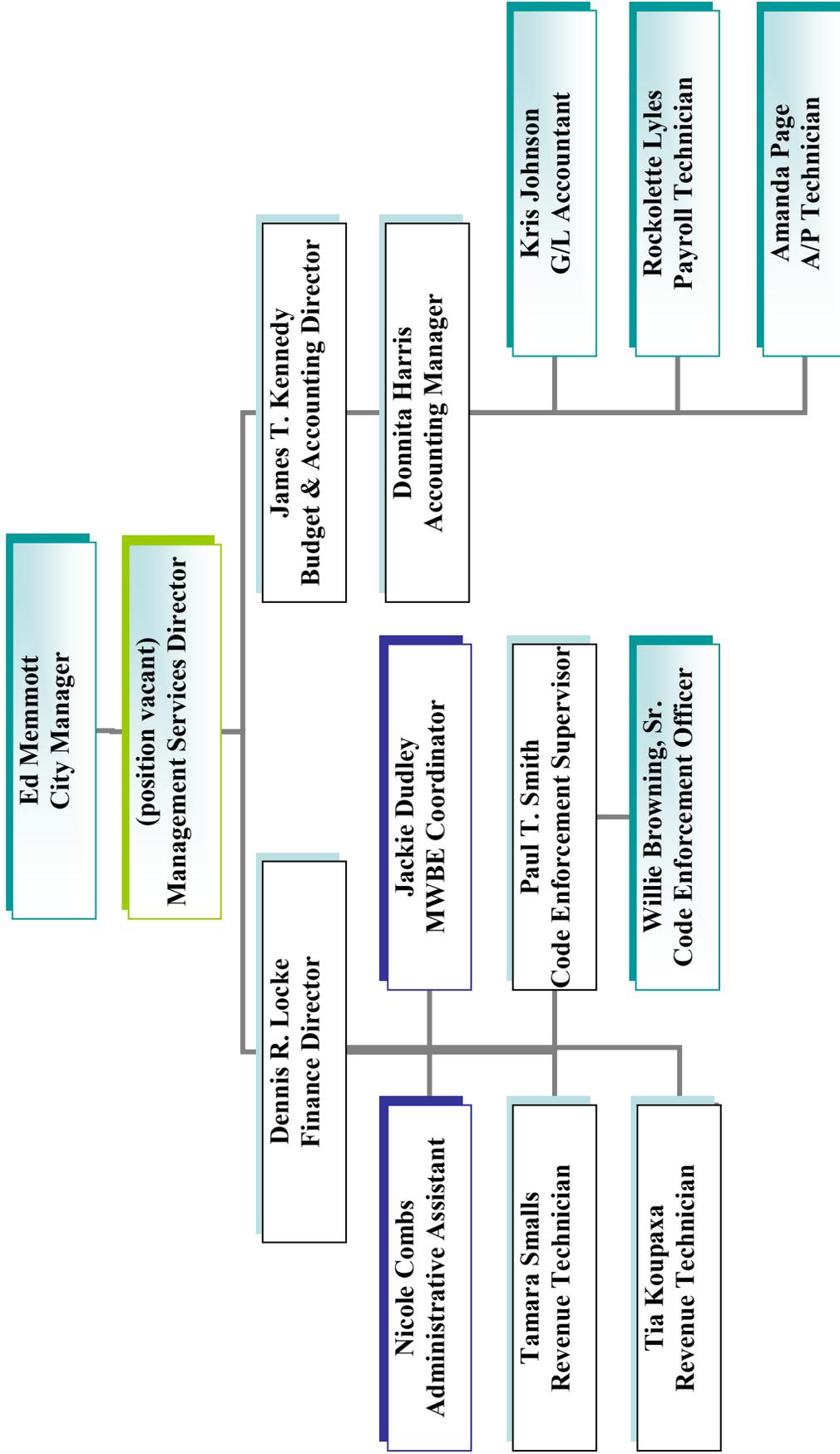


City of Spartanburg Organizational Chart





Finance Division





Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Spartanburg
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

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, 2009, 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, 2009, 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 January 29, 2010 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, budgetary comparison schedules, and the other post employment benefit plan schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
January 29, 2010

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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, 2009. 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 2009 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$79,104,000 (net assets). Of this amount, approximately \$1,899,000 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by approximately \$1,646,000 which consisted of a decrease in governmental activities of approximately \$2,195,000 and a increase in business-type activities of approximately \$3,841,000. The decrease in government activities was due to transactions between the City and CC Woodson. For further information regarding this item, see Note IV.A in the notes to the basic financial statements. The increase in business activities was due to the City's transactions with CC Woodson and the Spartanburg Parking Facilities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$9,328,000, a decrease of approximately \$2,516,000 or approximately 21% in comparison with the prior year fund balance of approximately \$11,845,000. The fund balances for the General Fund decreased approximately \$742,000 (15%) to approximately \$4,129,000 at June 30, 2009 compared to the prior year fund balance of approximately \$4,871,000. The decrease was primarily to recognize the interfund payables to the Airport, Transit, and Parking enterprise funds in the amount of approximately \$1,200,000. Approximately \$84,000 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 12% of total General Fund expenditures (approximately \$33,803,000).
- The City's total capital assets increased by approximately \$3,949,000 (4%) during the current fiscal year. Total additions and other increases were approximately \$10,673,000, which was offset by depreciation expense of approximately \$4,589,000 and impairment, disposals, and other decreases of approximately \$2,135,000.
- The City's long-term obligations increased by approximately \$18,151,000 (39%) during the current fiscal year. The increase in long-term obligations was primarily due to new debt related to the new market tax credit activities of approximately \$20,600,000, partially offset by scheduled principal payments. During the year, the City entered into two agreements involving new market tax credits which resulted in the formation of two discretely presented component units.

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, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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, Airport, CC Woodson, and Spartanburg Parking Facilities Corporation operations. The Internal Service Funds include those that provide centralized services, usually on a citywide basis. The main purpose of these funds is to identify costs associated with these services. These funds include the Equipment Replacement Fund and the Medical Insurance Trust Fund.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide basic financial statement because the resources of those funds are not available to support the City's own programs. The City is the trustee, or fiduciary, for the Pension Fund and Agency Fund activity. The fiduciary fund basic financial statements can be found as listed in the table of contents of this report.

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1				
Major Features of the City of Spartanburg’s Government-Wide and Fund Basic Financial Statements				
	Government-Wide Basic Financial Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units.	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"> ▪ Statement of net assets ▪ Statement of activities 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of revenues, expenses, and changes in net assets ▪ Statement of cash flows 	<ul style="list-style-type: none"> ▪ Statement of fiduciary net assets ▪ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$79,104,000 at the close of the most recent fiscal year. The following table provides a summary of the City's net assets for 2009 compared to 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008 *	2009	2008 *
Assets						
Current & Other Assets	\$ 21,922,095	24,230,742	22,123,038	1,880,710	44,045,133	\$ 26,111,452
Capital Assets, Net	79,272,305	80,731,400	27,000,694	21,592,372	106,272,999	102,323,772
Total Assets	101,194,400	104,962,142	49,123,732	23,473,082	150,318,132	128,435,224
Liabilities						
Long-Term Liabilities	40,021,724	42,044,801	24,575,296	4,401,576	64,597,020	46,446,377
Other Liabilities	4,639,815	4,189,617	1,976,965	341,385	6,616,780	4,531,002
Total Liabilities	44,661,539	46,234,418	26,552,261	4,742,961	71,213,800	50,977,379
Net Assets						
Invested in Capital Assets, Net of Related Debt	53,384,024	53,074,516	20,590,524	17,282,372	73,974,548	70,356,888
Restricted	2,130,497	4,209,971	1,100,000	1,100,000	3,230,497	5,309,971
Unrestricted	1,018,340	1,443,237	880,947	347,749	1,899,287	1,790,986
Total Net Assets	\$ 56,532,861	58,727,724	22,571,471	18,730,121	79,104,332	\$ 77,457,845

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

The net assets of the City's governmental activities decreased by approximately 4% (approximately \$56,533,000 compared to a balance of approximately \$58,728,000). 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 \$310,000 or approximately 1%, primarily due to capital asset additions of approximately \$5,965,000, partially offset by principal payments on the City's capital related long-term obligations of approximately \$2,067,000, depreciation expense and impairment of approximately \$4,832,000, and other disposals, transfers, and other miscellaneous decreases of approximately \$2,890,000.
- Restricted net assets decreased by approximately \$2,080,000 (49%) primarily due to transactions between the City and the two new blended component units - CC Woodson and Spartanburg Parking Facilities Corporation.
- 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 \$1,443,000 at June 30, 2008 to approximately \$1,018,340 at June 30, 2009. The decrease in unrestricted net assets is primarily due to the current year deficit and several large transfers to enterprise funds.

The net assets of business-type activities increased by approximately 21% (approximately \$22,571,000 in the current year compared to approximately \$18,730,000 in the prior year) for the year ended June 30, 2009. This increase was due to the City's activities with CC Woodson and Spartanburg Parking Facilities Corporation.

CITY OF SPARTANBURG, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2009 compared to 2008.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 17,765,884	16,404,616	1,828,797	3,340,566	19,594,681	\$ 19,745,182
Operating Grants	2,630,963	2,750,881	1,574,286	1,487,700	4,205,249	4,238,581
Capital Grants	4,601,221	3,426,293	2,150,000	-	6,751,221	3,426,293
General Revenue:						
Property Taxes	16,508,550	16,218,645	-	-	16,508,550	16,218,645
Other Taxes	4,230,690	4,324,413	-	-	4,230,690	4,324,413
Intergovernmental Revenue	1,273,314	1,273,314	-	-	1,273,314	1,273,314
Other	1,187,407	3,013,659	74,649	131,793	1,262,056	3,145,452
Total Revenues	48,198,029	47,411,821	5,627,732	4,960,059	53,825,761	52,371,880
Program Expenses						
Policy Formulation & Administration	5,931,181	9,011,543	-	-	5,931,181	9,011,543
Public Safety	13,645,106	13,118,630	-	-	13,645,106	13,118,630
Parks, Recreation, and Special Events	2,137,461	2,434,395	-	-	2,137,461	2,434,395
Community Development	2,362,617	1,677,517	-	-	2,362,617	1,677,517
Public Works	12,355,374	12,948,923	-	-	12,355,374	12,948,923
Finance and Administrative Services	2,491,167	2,441,508	-	-	2,491,167	2,441,508
Operating	5,066,442	4,246,284	-	-	5,066,442	4,246,284
Interest and Other Charges	1,563,341	1,641,700	-	-	1,563,341	1,641,700
Transit	-	-	1,927,191	1,806,189	1,927,191	1,806,189
Parking	-	-	1,049,102	985,169	1,049,102	985,169
Sanitary Sewer	-	-	954	621,073	954	621,073
Airport	-	-	1,613,828	1,936,607	1,613,828	1,936,607
CC Woodson	-	-	295,900	-	295,900	-
St. John Parking Facility	-	-	313,769	-	313,769	-
Total Expenses	45,552,689	47,520,500	5,200,744	5,349,038	50,753,433	52,869,538
Change in Net Assets						
Before Special Item and Transfers	2,645,340	(108,679)	426,988	(388,979)	3,072,328	(497,658)
Special Loss on Transfer of Sewer Assets	-	-	-	(9,766,505)	-	(9,766,505)
Special Loss on Impairment of Asset	(1,425,841)	-	-	-	(1,425,841)	-
Transfers In (Out)	(3,414,362)	(204,258)	3,414,362	204,258	-	-
Change in Net Assets	(2,194,863)	(312,937)	3,841,350	(9,951,226)	1,646,487	(10,264,163)
Net Assets - Beginning of Year	58,727,724	59,040,661	18,730,121	28,681,347	77,457,845	87,722,008
Net Assets - End Year	\$ 56,532,861	58,727,724	22,571,471	18,730,121	79,104,332	\$ 77,457,845

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities:

Net assets decreased by approximately \$2,195,000 for fiscal year 2009 for governmental activities. Revenues increased by approximately \$786,000 (2%) to approximately \$48,198,000 from the prior year. This increase was primarily due to an increase in charges for services of approximately \$1,361,000 in 2009 primarily due to the first year of collections for residential trash fees totaling approximately \$960,000 along with other various fees. The decreases were primarily due to the special losses on contributed capital and the impairment loss. Expenses decreased by approximately \$1,968,000 (4%) to approximately \$45,553,000 from the prior year. The decrease in expenses was primarily due to the economic crisis. Staff was required to reduce spending, and vacant positions were unfilled or eliminated.

Business-Type Activities: Net assets increased by approximately \$3,841,000 for fiscal year 2009 for business-type activities. In aggregate, business-type revenues increased approximately (13%) to approximately \$5,628,000 compared to approximately \$4,960,000 in the prior year. Total expenses decreased approximately \$148,000 (3%) to approximately \$5,201,000 compared to approximately \$5,349,000 in the prior year.

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, 2009, the City's governmental funds reported a combined ending fund balance of approximately \$9,328,000, a decrease of approximately \$2,516,000 in comparison with the prior year fund balance. Approximately 64% of this total amount (approximately \$5,987,000) 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 \$2,581,000), (2) to pay debt service (approximately \$358,000), or (3) for inventories and prepaids (approximately \$402,000).

Proprietary Funds. The City's *proprietary funds* provide the same type of information found in the government-wide basic financial statements but in more detail. Net Assets of the Enterprise Funds at the end of the fiscal year amounted to approximately \$22,571,000. Factors concerning the operations of these six 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 2009 was approximately \$33,434,000, a 4% increase from the previous year. Property tax collections increased slightly to approximately \$13,516,000 (2%) compared to approximately \$13,278,000 for the previous year. Charges for services increased approximately 113% to approximately \$1,964,000 compared to approximately \$922,000 in 2008, primarily due to the first year for residential trash fees totaling approximately \$960,000.

As with most municipalities in the State of South Carolina, the City is dependent on property taxes to pay for many of the services provided to its citizens. The current millage rate for property taxes is 101.0 mills. The assessed value is 4% of market value for residential property, 6% for rental and other real property, and 10.5% for some personal property. Property taxes accounted for 40% or approximately \$13,516,000 of total General Fund revenue for the fiscal year ending June 30, 2009.

The City received approximately \$12,571,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$1,964,000, intergovernmental revenue of approximately \$4,609,000, fines and forfeitures of approximately \$548,000, and other revenues of approximately \$226,000.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

General Fund Expenditures

General Fund expenditures at June 30, 2009 totaled approximately \$33,802,000, a 5% increase over the previous fiscal year. This reflects increases in salaries, overtime, health insurance, workers compensation, and general liability insurance. The largest General Fund departmental budget is Public Safety, which accounted for approximately 38% of total General Fund expenditures. Public Works accounted for the second largest departmental budget, which accounted for approximately 24% of total General Fund expenditures. Actual expenditures for these departments, not including capital outlay, were approximately \$12,922,000 for Public Safety and approximately \$8,055,000 for Public Works. As comparison for FY 2008 – 2009, the Public Safety departmental budget accounted for approximately 39% and Public Works accounted for approximately 21% of total General Fund expenditures. The remaining 38% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$5,807,000, Parks, Recreation, and Special Events – approximately \$1,989,000, Community Development – approximately \$2,109,000, Finance and Administrative Services – approximately \$1,651,000, and total Capital Outlay of approximately \$1,270,000.

General Fund Balance

Total fund balance in the General Fund decreased by approximately \$741,967, from approximately \$4,871,000 at June 30, 2008 to approximately \$4,129,000 at June 30, 2009. The unreserved fund balance decreased by approximately \$731,000, to approximately \$4,045,000. Unreserved undesignated fund balance represents 12% of total General Fund expenditures. The decrease in fund balance was based on the determination by management of the unlikelihood of the realization of interfund receivables from the Transit, Parking, and Airport Enterprise Funds. The realization was based on an accumulation of operating losses over several years in these Enterprise funds. In addition, it is the intent of management to present a more reliable fund balance in the General Fund.

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 \$35,661,000 (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 2009, the City had approximately \$106,273,000 in capital assets, net of depreciation. The total increase in the City's capital assets was approximately \$3,949,000 (4%). Total additions and other increases were approximately \$10,673,000, which was offset by depreciation expense of approximately \$4,589,000 and impairment, disposals, and other decreases of approximately of \$2,135,000. The following table shows fiscal 2009 Capital Asset balances (net of depreciation) compared to 2008:

	Government Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 27,896,415	25,469,199	1,740,567	1,055,181	29,636,982	\$ 26,524,380
Construction in Progress	924,913	4,079,454	3,594,188	233,873	4,519,101	4,313,327
Building & Improvements	19,013,138	21,566,189	20,128,188	19,114,768	39,141,326	40,680,957
Infrastructure	25,604,330	23,450,361	-	-	25,604,330	23,450,361
Machinery & Equipment	1,330,494	1,271,472	527,188	384,036	1,857,682	1,655,508
Vehicles	4,503,015	4,894,725	1,010,563	804,514	5,513,578	5,699,239
Totals	<u>\$ 79,272,305</u>	<u>80,731,400</u>	<u>27,000,694</u>	<u>21,592,372</u>	<u>106,272,999</u>	<u>\$ 102,323,772</u>

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, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary goal of the City of Spartanburg's 2009-2010 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 2009-2010 budget was developed with several challenges in mind (i.e. renovation of existing and construction of a new community center, construction of a new parking facility, an increase in retirement contributions and increased costs for worker's compensation and general liability insurance). In addition, we continue to be faced with the burden of increased fuel, utility, and insurance costs. Departments were asked to submit their funding requests with a projected reduction to their operating budgets. For the fourth consecutive year, capital funding for equipment replacement was reduced. As for revenues the City were faced with a record number of delinquent taxes, slower growth in hospitality taxes due to a slow down in the economy, and lost revenue in business license fees, insurance franchisee fees and aid to subdivision.

The Spartanburg City Council adopted the 2009-2010 budget plan in the amount of approximately \$47,203,000. In fiscal year 2010, the City Council adopted a millage rate of 101.0 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, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 5,647,251	178,370	\$ 5,825,621
Restricted Cash and Cash Equivalents	577,438	19,408,664	19,986,102
Investments	7,028,022	-	7,028,022
Property Taxes Receivable, Net	938,270	-	938,270
Other Receivables, Net:			
Mortgage	210,785	-	210,785
Commercial Loan	133,931	-	133,931
Other	2,433,636	961,268	3,394,904
Internal Balances	(930,037)	930,037	-
Prepays and Inventories	402,471	239,178	641,649
Note Receivable	3,619,110	-	3,619,110
Other Assets	1,861,218	3,786	1,865,004
Bond Issuance Cost, Net	-	401,735	401,735
Capital Assets:			
Non-Depreciable	28,821,328	5,334,755	34,156,083
Depreciable, Net	50,450,977	21,665,939	72,116,916
TOTAL ASSETS	101,194,400	49,123,732	150,318,132
LIABILITIES			
Accounts Payable	1,442,927	1,362,458	2,805,385
Accrued Interest Payable	398,020	37,101	435,121
Accrued Salaries and Benefits	1,409,534	26,580	1,436,114
Retainage Payable	-	198,179	198,179
Intergovernmental Payable	401,369	-	401,369
Customer Deposits	115,273	30,894	146,167
Unclaimed Checks	36,015	-	36,015
Accrued Claims/Premiums	524,062	-	524,062
Unearned Revenues	312,615	321,753	634,368
Non-Current Liabilities:			
Due Within One Year	3,868,254	585,036	4,453,290
Due in More Than One Year	36,153,470	23,990,260	60,143,730
TOTAL LIABILITIES	44,661,539	26,552,261	71,213,800
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	53,384,024	20,590,524	73,974,548
Restricted For:			
Debt Service	674,052	-	674,052
Special Revenue	1,456,445	-	1,456,445
Sewer Project	-	1,100,000	1,100,000
Unrestricted	1,018,340	880,947	1,899,287
TOTAL NET ASSETS	\$ 56,532,861	22,571,471	\$ 79,104,332

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, 2009

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and	Capital Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
Policy Formulation and Administration	\$ 5,931,181	-	-	-	(5,931,181)	-	\$ (5,931,181)
Public Safety	13,645,106	1,285,197	957,197	-	(11,402,712)	-	(11,402,712)
Parks, Recreation, and Special Events	2,137,461	229,714	-	3,642,158	1,734,411	-	1,734,411
Community Development	2,362,617	474,247	1,006,376	-	(881,994)	-	(881,994)
Public Works	12,355,374	3,521,417	667,390	959,063	(7,207,504)	-	(7,207,504)
Finance and Administrative Services	2,491,167	12,255,309	-	-	9,764,142	-	9,764,142
Operating	5,066,442	-	-	-	(5,066,442)	-	(5,066,442)
Interest and Other Charges	1,563,341	-	-	-	(1,563,341)	-	(1,563,341)
Total Governmental Activities	45,552,689	17,765,884	2,630,963	4,601,221	(20,554,621)	-	(20,554,621)
Business-Type Activities:							
Transit	1,927,191	275,932	1,236,057	-	-	(415,202)	(415,202)
Parking Enterprise	1,049,102	304,189	-	-	-	(744,913)	(744,913)
Sanitary Sewer	954	35,016	-	-	-	34,062	34,062
Airport	1,613,828	1,195,722	338,229	-	-	(79,877)	(79,877)
CC Woodson	295,900	17,938	-	2,150,000	-	1,872,038	1,872,038
Spartanburg Parking Facilities Corporation	313,769	-	-	-	-	(313,769)	(313,769)
Total Business-Type Activities	5,200,744	1,828,797	1,574,286	2,150,000	-	352,339	352,339
TOTAL - PRIMARY GOVERNMENT	\$ 50,753,433	19,594,681	4,205,249	6,751,221	(20,554,621)	352,339	(20,202,282)
General Revenues, Special Item, and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					13,483,193	-	13,483,193
Tax Increment					2,048,264	-	2,048,264
Motor Vehicle Taxes					977,093	-	977,093
Hospitality Taxes					3,423,105	-	3,423,105
Other Taxes					807,585	-	807,585
Intergovernmental Revenue - Unrestricted					1,273,314	-	1,273,314
Investment Income					109,092	74,649	183,741
Miscellaneous					449,662	-	449,662
Grants and Contributions Not Restricted to Specific Programs					617,505	-	617,505
Gain (Loss) on Sale of Assets					11,148	-	11,148
Special Item - Impairment of Asset					(1,425,841)	-	(1,425,841)
Transfers In (Out)					(3,414,362)	3,414,362	-
Total General Revenues, Special Item, and Transfers					18,359,758	3,489,011	21,848,769
CHANGE IN NET ASSETS					(2,194,863)	3,841,350	1,646,487
NET ASSETS, Beginning of Year					58,727,724	18,730,121	77,457,845
NET ASSETS - End of Year					56,532,861	22,571,471	\$ 79,104,332

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, 2009

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 5,642,936	-	-	1,015	3,300	\$ 5,647,251
Restricted Cash and Cash Equivalents	-	165,086	-	400,691	-	565,777
Investments	7,028,022	-	-	-	-	7,028,022
Property Taxes Receivable, Net	667,343	-	-	235,354	35,573	938,270
Accounts Receivable, Net	1,573,346	-	285,953	-	26,667	1,885,966
Commercial Loan Receivables	-	-	-	-	133,931	133,931
Intergovernmental Receivables	-	-	-	-	547,670	547,670
Due From Other Funds	1,394,753	2,533,102	617,073	700,469	892,636	6,138,033
Prepays and Inventories	84,409	-	318,062	-	-	402,471
Note Receivable	-	-	-	3,619,110	-	3,619,110
Mortgages Receivable:						
Home Loans	-	-	-	-	139,822	139,822
Deferred Loans	-	-	-	-	6,383	6,383
SRDC	-	-	-	-	64,580	64,580
TOTAL ASSETS	16,390,809	2,698,188	1,221,088	4,956,639	1,850,562	27,117,286
LIABILITIES AND FUND BALANCES						
Accounts Payable	549,689	117,518	-	495,193	279,064	1,441,464
Accrued Salaries and Benefits	1,368,569	-	-	-	40,965	1,409,534
Customer Deposits	115,273	-	-	-	-	115,273
Unclaimed Checks	33,090	-	-	-	-	33,090
Intergovernmental Payable	401,369	-	-	-	-	401,369
Due To Other Funds	8,923,238	-	-	-	574,601	9,497,839
Unearned/Deferred Revenues:						
Taxes	579,853	-	-	9,832	24,216	613,901
Other	290,728	-	-	3,621,112	364,601	4,276,441
TOTAL LIABILITIES	12,261,809	117,518	-	4,126,137	1,283,447	17,788,911
FUND BALANCES						
Reserved:						
Prepays and Inventories	84,409	-	318,062	-	-	402,471
Debt Service	-	-	-	-	358,412	358,412
Capital Projects	-	165,086	-	-	-	165,086
Unreserved, Designated For, Reported In:						
Capital Projects	-	2,415,584	-	-	-	2,415,584
Unreserved, Undesignated Reported In:						
General Fund	4,044,591	-	-	-	-	4,044,591
Special Revenue	-	-	903,026	-	208,703	1,111,729
Debt Service	-	-	-	830,502	-	830,502
TOTAL FUND BALANCES	4,129,000	2,580,670	1,221,088	830,502	567,115	9,328,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,390,809	2,698,188	1,221,088	4,956,639	1,850,562	\$ 27,117,286

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, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 9,328,375**

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

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 \$103,626,016 and the accumulated depreciation was \$28,464,956.	75,161,060
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.	613,901
Note and accounts receivables which are expected to be collected in future years, but are not available soon enough to pay for the current period's expenditures are deferred and not recognized in the governmental funds but are recognized in the Statement of Net Assets.	3,963,826
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	1,644,452
Other long-term receivables are not available to pay for current period expenditures, therefore, they have been deferred in the funds.	
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.	(398,020)
The City's Net OPEB Asset resulting from overfunded annual required contributions to its defined benefit OPEB Plan in the current year is not reported as an asset in the governmental funds but is in the Statement of Net Assets.	23,468
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.	193,298
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.	5,450,858
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	(29,250,000)
Landfill Remediation Liability	(6,850,408)
Compensated Absences (Sick Pay and Vacations)	(3,347,949)
	(39,448,357)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 56,532,861**

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, 2009

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	\$ 13,515,536	-	3,327,907	270,019	3,144,713	\$ 20,258,175
Fees, Licenses, and Permits	12,571,179	-	-	-	-	12,571,179
Fines and Forfeitures	548,396	-	-	-	-	548,396
State Government Contributions	-	18,113	-	-	534,644	552,757
Federal Government Contributions	-	-	-	-	1,833,615	1,833,615
Intergovernmental Revenues	4,608,818	-	-	-	-	4,608,818
Charges for Services	1,964,127	73,156	-	-	-	2,037,283
Investment Earnings	-	1,544	46,606	981	14,758	63,889
Confiscated Drug Funds	-	-	-	-	20,236	20,236
Donations	-	507,500	-	-	-	507,500
Ground Lease Rent	-	-	-	200,000	-	200,000
Other	225,914	83,721	1,350	394,174	530,560	1,235,719
TOTAL REVENUES ALL SOURCES	33,433,970	684,034	3,375,863	865,174	6,078,526	44,437,567
EXPENDITURES:						
Current:						
Policy Formulation and Administration	5,807,254	-	-	-	-	5,807,254
Public Safety	12,921,842	-	-	-	-	12,921,842
Parks, Recreation, and Special Events	1,989,003	-	-	-	-	1,989,003
Community Development	2,108,556	-	-	-	-	2,108,556
Public Works	8,055,305	-	-	-	-	8,055,305
Finance and Administrative Services	1,651,213	-	-	-	814,957	2,466,170
Operating	-	-	1,643,221	-	3,423,221	5,066,442
Capital Outlay	1,269,564	2,006,498	-	-	100,846	3,376,908
Debt Service:						
Principal Retirement	-	-	-	365,000	1,695,000	2,060,000
Interest	-	-	-	577,737	932,582	1,510,319
Other	-	-	-	20,698	30,964	51,662
TOTAL EXPENDITURES	33,802,737	2,006,498	1,643,221	963,435	6,997,570	45,413,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(368,767)	(1,322,464)	1,732,642	(98,261)	(919,044)	(975,894)
OTHER FINANCING SOURCES (USES):						
Transfers In	1,947,472	2,034,000	-	-	1,432,302	5,413,774
Transfers Out	(2,335,700)	(850,616)	(2,943,017)	-	(878,631)	(7,007,964)
Proceeds from Sale of Capital Assets	15,028	-	-	-	38,640	53,668
Total Other Financing Sources (Uses)	(373,200)	1,183,384	(2,943,017)	-	592,311	(1,540,522)
NET CHANGES IN FUND BALANCES	(741,967)	(139,080)	(1,210,375)	(98,261)	(326,733)	(2,516,416)
FUND BALANCES, Beginning of Year	4,870,967	2,719,750	2,431,463	928,763	893,848	11,844,791
FUND BALANCES, End of Year	\$ 4,129,000	2,580,670	1,221,088	830,502	567,115	\$ 9,328,375

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, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (2,516,416)**

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.	95,183
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.	2,060,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	21,230
The City's Net OPEB asset, resulting from overfunded annual required contributions, is not reported as an asset in the governmental funds. This amount represents the change in the Net OPEB asset during the current year.	23,468
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.	20,495
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.	(565,505)
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.	(113,982)
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.	(206,235)
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.	(17,778)
In the Statement of Activities, the transfer of governmental activities capital assets to and from enterprise funds is reported. Whereas in the governmental funds, the transfers are not reported since capital assets are not considered a financial resource.	(1,820,172)
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.	(36,474)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$4,900,363) exceeded depreciation expense (\$2,613,199) and a capital asset impairment (\$1,425,841) in the current period.	861,323

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (2,194,863)**

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, 2009

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 8,412	-	169,958	-	-	-	178,370	\$ -
Restricted Cash and Cash Equivalents	-	-	-	-	5,126,731	14,281,933	19,408,664	11,661
Accounts Receivable, Net	670,192	25,223	-	265,853	-	-	961,268	-
Other Assets	-	-	-	3,786	-	-	3,786	-
Due From Other Funds	-	81,724	1,657,800	-	-	-	1,739,524	2,440,433
Prepays and Inventories	74,934	-	-	164,244	-	-	239,178	-
Total Current Assets	753,538	106,947	1,827,758	433,883	5,126,731	14,281,933	22,530,790	2,452,094
Non-Current Assets:								
Capital Assets:								
Non-Depreciable	179,840	-	-	1,337,518	3,120,832	696,565	5,334,755	-
Depreciable, Net	5,020,726	13,316,135	-	1,241,262	2,087,816	-	21,665,939	4,111,245
Deferred Charges - Bond Issuance Costs, Net	-	-	-	-	236,140	165,595	401,735	-
Total Non-Current Assets	5,200,566	13,316,135	-	2,578,780	5,444,788	862,160	27,402,429	4,111,245
TOTAL ASSETS	5,954,104	13,423,082	1,827,758	3,012,663	10,571,519	15,144,093	49,933,219	6,563,339
LIABILITIES								
Current Liabilities:								
Accounts Payable/Deposits Payable	121,510	7,914	(360)	29,066	1,061,523	142,805	1,362,458	1,463
Accrued Interest Payable	-	37,101	-	-	-	-	37,101	-
Accrued Salaries and Benefits	-	4,714	-	21,866	-	-	26,580	-
Retainage Payable	-	-	-	-	198,179	-	198,179	-
Customer Deposits	-	30,894	-	-	-	-	30,894	-
Due To Other Funds	557,094	-	-	168,369	16,508	67,516	809,487	10,664
Unearned Revenue	-	3,691	-	-	318,062	-	321,753	-
Unclaimed Checks	-	-	-	-	-	-	-	2,925
Accrued Claims/Premiums	-	-	-	-	-	-	-	524,062
Current Portion of Compensated Absences	-	-	-	50,036	-	-	50,036	-
Current Portion of Debt/Capital Leases	-	535,000	-	-	-	-	535,000	79,841
Total Current Liabilities	678,604	619,314	(360)	269,337	1,594,272	210,321	3,371,488	618,955
Long-Term Liabilities:								
Compensated Absences, Less Current Portion	-	-	-	25,260	-	-	25,260	-
Debt/Capital Leases, Less Current Portion	-	3,365,000	-	-	5,600,000	15,000,000	23,965,000	493,526
Total Long-Term Liabilities	-	3,365,000	-	25,260	5,600,000	15,000,000	23,990,260	493,526
TOTAL LIABILITIES	678,604	3,984,314	(360)	294,597	7,194,272	15,210,321	27,361,748	1,112,481
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	5,200,566	9,416,135	-	2,578,780	3,393,755	1,288	20,590,524	3,537,878
Restricted - Improvements to Beaumont Mills Sewer System	-	-	1,100,000	-	-	-	1,100,000	-
Unrestricted	74,934	22,633	728,118	139,286	(16,508)	(67,516)	880,947	1,912,980
TOTAL NET ASSETS	5,275,500	9,438,768	1,828,118	2,718,066	3,377,247	(66,228)	22,571,471	5,450,858
TOTAL LIABILITIES AND NET ASSETS	\$ 5,954,104	13,423,082	1,827,758	3,012,663	10,571,519	15,144,093	49,933,219	\$ 6,563,339

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, 2009

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
OPERATING REVENUES								
Charges for Services	\$ 241,417	304,189	-	246,307	17,938	-	809,851	\$ 900,000
Contributions	-	-	-	-	-	-	-	3,761,069
Other Revenues	34,515	-	35,016	-	-	-	69,531	-
Sale of Inventory	-	-	-	949,415	-	-	949,415	-
TOTAL OPERATING REVENUES ALL SOURCES	275,932	304,189	35,016	1,195,722	17,938	-	1,828,797	4,661,069
OPERATING EXPENSES								
Personal Services	-	92,973	-	436,439	-	-	529,412	-
Bond Amortization	-	-	-	-	16,867	5,957	22,824	-
Depreciation	408,366	462,940	-	84,192	226,935	-	1,182,433	793,214
Other Services and Charges	1,518,825	190,004	954	246,525	34,670	-	1,990,978	288,136
Claims/Premiums	-	-	-	-	-	-	-	4,098,273
Cost of Goods Sold	-	-	-	666,279	-	-	666,279	-
Maintenance	-	56,538	-	128,853	-	-	185,391	-
TOTAL OPERATING EXPENSES	1,927,191	802,455	954	1,562,288	278,472	5,957	4,577,317	5,179,623
OPERATING INCOME (LOSS)	(1,651,259)	(498,266)	34,062	(366,566)	(260,534)	(5,957)	(2,748,520)	(518,554)
NON-OPERATING REVENUES (EXPENSES)								
Contributed Capital	-	-	-	-	4,292,240	-	4,292,240	-
Gain (Loss) on Sale of Assets	-	-	-	(51,540)	-	-	(51,540)	(24,742)
Federal and State Contributions	1,236,057	-	-	338,229	-	-	1,574,286	-
Interest Expense	-	(246,647)	-	-	(13,838)	(307,749)	(568,234)	(22,590)
Investment Earnings	-	197	55,011	402	12,969	6,070	74,649	381
Other Income (Expense)	-	-	-	-	(3,590)	(63)	(3,653)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,236,057	(246,450)	55,011	287,091	4,287,781	(301,742)	5,317,748	(46,951)
INCOME (LOSS) BEFORE TRANSFERS	(415,202)	(744,716)	89,073	(79,475)	4,027,247	(307,699)	2,569,228	(565,505)
Transfers In	1,145,410	1,170,883	-	277,537	-	241,471	2,835,301	-
Transfers Out	(164,027)	(21,635)	(522,069)	(205,448)	(650,000)	-	(1,563,179)	-
CHANGE IN NET ASSETS	566,181	404,532	(432,996)	(7,386)	3,377,247	(66,228)	3,841,350	(565,505)
NET ASSETS, Beginning of Year	4,709,319	9,034,236	2,261,114	2,725,452	-	-	18,730,121	6,016,363
NET ASSETS, End of Year	\$ 5,275,500	9,438,768	1,828,118	2,718,066	3,377,247	(66,228)	22,571,471	\$ 5,450,858

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, 2009

	TRANSIT	PARKING	SANITARY SEWER	AIRPORT	CC Woodson	SPARTANBURG PARKING FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Charges for Services	\$ 242,123	311,921	-	267,676	17,938	-	839,658	\$ 900,000
Receipts from Contributions	-	-	-	-	-	-	-	3,761,069
Receipts from Sale of Inventory	-	-	-	949,415	-	-	949,415	-
Receipts from Other Revenues	34,515	-	35,016	-	-	-	69,531	-
Payments for Personal Services	-	(92,973)	-	(452,719)	-	-	(545,692)	-
Payments for Services and Charges	(1,479,510)	(241,548)	(10,343)	(477,539)	283,392	-	(1,925,548)	(343,260)
Payments for Cost of Goods Sold	(13,967)	-	-	(651,942)	-	-	(665,909)	-
Payments for Claims/Premiums	-	-	-	-	-	-	-	(3,992,756)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,216,839)	(22,600)	24,673	(365,109)	301,330	-	(1,278,545)	325,053
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Transfers to Other Funds	(164,027)	(469,200)	(77,610)	(205,448)	(650,000)	-	(1,566,285)	(124,300)
Transfers from Other Funds	600,262	1,170,883	-	511,769	16,507	308,987	2,608,408	4,330
Non-Operating State and Federal Grants	1,320,666	-	-	338,229	-	-	1,658,895	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	1,756,901	701,683	(77,610)	644,550	(633,493)	308,987	2,701,018	(119,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition of Capital Assets	(552,373)	-	-	(279,843)	(2,033,640)	(553,760)	(3,419,616)	(341,102)
Proceeds on Sale	-	-	-	-	-	-	-	5,615
Cash Capital Contribution	-	-	-	-	2,150,000	-	2,150,000	-
Bond and Note Proceeds	-	3,565,000	-	-	5,600,000	15,000,000	24,165,000	-
Bond, Note, and Capital Lease Principal Payments	-	(3,975,000)	-	-	-	-	(3,975,000)	(77,059)
Bond, Note, and Capital Lease Interest Payments	-	(269,280)	-	-	(13,838)	(307,749)	(590,867)	(22,590)
Other Receipts (Payments)	-	-	-	-	(3,590)	(63)	(3,653)	-
Bond Issuance Cost	-	-	-	-	(253,007)	(171,552)	(424,559)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(552,373)	(679,280)	-	(279,843)	5,445,925	13,966,876	17,901,305	(435,136)
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment Earnings	-	197	55,011	402	12,969	6,070	74,649	381
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	197	55,011	402	12,969	6,070	74,649	381
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS								
	(12,311)	-	2,074	-	5,126,731	14,281,933	19,398,427	(229,672)
CASH AND CASH EQUIVALENTS, Beginning of Year	20,723	-	167,884	-	-	-	188,607	241,333
CASH AND CASH EQUIVALENTS, End of Year	\$ 8,412	-	169,958	-	5,126,731	14,281,933	19,587,034	\$ 11,661
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:								
Operating Income (Loss)	\$ (1,651,259)	(498,266)	34,062	(366,566)	(260,534)	(5,957)	(2,748,520)	\$ (518,554)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:								
Depreciation Expense	408,366	462,940	-	84,192	226,935	-	1,182,433	793,214
Bond Amortization	-	-	-	-	16,867	5,957	22,824	-
Change in Account Representing Operating Activities:								
Accounts Receivable	706	7,732	-	21,369	-	-	29,807	-
Other Assets	-	-	-	(4,886)	-	-	(4,886)	-
Inventory	(13,967)	-	-	14,337	-	-	370	-
Accounts Payable/Deposits Payable	39,315	5,423	(9,389)	(94,059)	-	-	(58,710)	(55,533)
Accrued Salaries and Benefits	-	909	-	(3,216)	-	-	(2,307)	-
Customer Deposits	-	6,394	-	-	-	-	6,394	-
Compensated Absences	-	-	-	(16,280)	-	-	(16,280)	-
Claims/Premiums	-	-	-	-	-	-	-	104,156
Deferred Revenue	-	(7,732)	-	-	318,062	-	310,330	-
Unclaimed Checks	-	-	-	-	-	-	-	1,770
Net Cash Provided by (Used in) Operating Activities	\$ (1,216,839)	(22,600)	24,673	(365,109)	301,330	-	(1,278,545)	\$ 325,053
Supplemental Disclosures of Cash Flow Information								
Noncash Items:								
Depreciation/Amortization Expense	\$ 408,366	462,940	-	84,192	243,802	5,957	1,205,257	\$ 793,214
Transfers of Capital Assets	\$ -	-	322,068	-	2,142,241	-	-	\$ -

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, 2009

	PENSION TRUST	AGENCY
	General Employees'	Donation Fund
ASSETS		
Restricted Investments:		
Commingled Bond Funds	\$ 4,176,757	\$ -
Commingled Common-Stock Funds	5,351,967	-
Accounts Receivable:		
Interest	24,161	-
Other	-	54,822
TOTAL ASSETS	9,552,885	54,822
LIABILITIES		
Accounts Payable	-	4,756
Due to Others	-	50,066
TOTAL LIABILITIES	-	54,822
NET ASSETS		
Held in Trust for Pension Benefits	9,552,885	-
TOTAL NET ASSETS AND LIABILITIES	\$ 9,552,885	\$ 54,822

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, 2009

	PENSION TRUST
	<u>General Employees'</u>
ADDITIONS	
Contributions:	
Employer	\$ 248,078
Member	33,823
Total Contributions	<u>281,901</u>
Investment Earnings:	
Interest	298,024
Realized and Unrealized Appreciation in Fair Value of Investments	(2,644,579)
Total Investment Earnings	<u>(2,346,555)</u>
TOTAL ADDITIONS ALL SOURCES	<u>(2,064,654)</u>
DEDUCTIONS	
Pension Benefits	1,753,470
Administrative Expense	45,340
TOTAL DEDUCTIONS	<u>1,798,810</u>
CHANGE IN NET ASSETS	(3,863,464)
NET ASSETS, Beginning of Year	<u>13,416,349</u>
NET ASSETS, End of Year	<u>\$ 9,552,885</u>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 three blended component units.

Blended Component Unit

Spartanburg Public Facilities Corporation

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

Spartanburg Recreational Facilities Corporation

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

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

Spartanburg Parking Facilities Corporation

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

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

Related Organizations

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

Spartanburg Water System
Spartanburg Sanitary Sewer District
Spartanburg Development Corporation

Spartanburg Housing Authority
Preservation Trust of Spartanburg, Inc.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

Major Operations

The City's major governmental operations include police and fire protection, parks and recreation, economic and community development, public works and general administrative services. In addition, the City operates six enterprise funds as of June 30, 2009, consisting of Transit, Parking, Sanitary Sewer, Airport, CC Woodson, and Spartanburg Parking Facilities Corporation.

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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The City has six 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.
- v. The **CC Woodson Fund** is used to account for the activities associated with the acquisition of land, construction of a new recreation center known as CC Woodson, renovations at the Northwest Recreation Center, and subsequent operation and leasing activities.
- vi. The **Spartanburg Parking Facilities Corporation Fund** is used to account for all of the activities associated with the ownership, construction, operation, and leasing of the new 700-space parking garage on St. John Street.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

The City's cash investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has used the following investments in its non-fiduciary activities:

- Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.
- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. City management determines the classification of amounts recorded as subsidies or advances. To the extent that certain transactions between funds would not be paid or received as of a year end, interfund amounts or payables would be recorded. Internal service funds are used to record charges to all City departments as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. The City uses the pooling of cash method of accounting whereby the General Fund makes all receipts and disbursements for the other funds.

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

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.

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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	Business-Type Activities
	Estimated Lives	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	25 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, 2009

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 and OPEB Plans*

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

11. Pension and OPEB Plans (Continued)

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

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

12. Comparative Data

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

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 2009. 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, 2009

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, 2009, approximately \$6,836,000 of the City’s non-pension trust fund bank balances of approximately \$29,524,000 (book balance of approximately \$29,526,000) was uncollateralized and exposed to custodial credit risk. Of this amount, approximately \$1,958,000 was required to be collateralized under applicable state law.

Investments

As of June 30, 2009, the City’s non-pension trust fund investment portfolio consisted of:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
State Local Government Investment Pool	*	\$ 3,143,498	~
US Treasury Money Market Fund	*	165,086	Less than 1 yr
Money Market Fund	NR, A,NR	4,892	Less than 1 yr
Total Primary Government		\$ 3,313,476	

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

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

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

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, 2009, 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, 2009

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, 2009 is as shown in the following table. The trust reports its investments at fair value.

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
<u>Fiduciary - Pension Trust Fund</u>			
Mutual Fund Equities	NR	\$ 5,351,967	N/A
Mutual Funds Fixed Income	NR	<u>4,176,757</u>	Greater than 5 yrs
Total Pension Trust		<u>\$ 9,528,724</u>	

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, 2009, 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, 2009. 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, 2009

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

B. Receivables and Deferred Revenue

Property Taxes Receivables and Loan Receivables

Property tax for the City is levied by the County each fall on the assessed valuation of property located in the City as of the preceding January 1. Property taxes are generally levied in September. The first penalty, calculated at fifteen percent, is applicable to payments made after the original January 15th property tax due date. Property taxes attach as an enforceable lien on January 1st 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 2008 tax levy was assessed at approximately \$109,316,000. Assessed values for personal property are established by the County Auditor at 10.5% of market value, which was determined by the South Carolina Department of Revenue. The 2008 assessed value was approximately \$20,138,000. Assessed value for privately-owned public utilities is established by the South Carolina Department of Revenue and was assessed at approximately \$9,811,000 for 2008. The City's operating tax rate is currently 101.0 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$667,343 and \$270,927 (which is net of an allowance for uncollectibles of \$667,343 and \$54,550, respectively) for general operations and for its tax increment districts, respectively, at June 30, 2009.

The City has outstanding mortgage and commercial loans receivables of \$344,716 (which are net of an allowance for uncollectibles of approximately \$992,872) at June 30, 2009.

Note Receivable

In order to assist the Developer with the Renaissance Park Hotel project (See Note IV.A "Renaissance Park Project" for further details), the City obtained a Section 108 loan from the United States Department of Housing and Urban Development ("HUD Loan") in the amount of \$4,000,000. The City has pledged its Community Development block grant in securing this loan. The City subsequently loaned the proceeds of the HUD loan to the Developer to assist him in financing the construction of the Hotel/Conference Center garage. The City has received a promissory note from the Developer for \$4,000,000. The promissory note's term is for 17.5 years with monthly payments to the City commencing in February, 2004, and ending in July 2021. Monthly payments to the City begin at \$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, 2009 was \$3,619,110, for which all has been deferred at June 30, 2009 (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, 2009, 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	\$ 613,901
Note Receivable and Interest Receivable (Debt Service Funds) - Deferred	3,619,110
Mortgage and Loan Receivables (Special Revenue Funds) - Deferred	344,716
Other Unearned Revenue (General Fund, Capital Projects Fund, and Special Revenue Funds) - Unearned	312,615
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,890,342</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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, 2009, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 25,469,199	2,740,000	312,784	-	\$ 27,896,415
Construction In Progress ("CIP")	4,079,454	409,691	626,333	(2,937,899)	924,913
Total Capital Assets, Non-Depreciable	29,548,653	3,149,691	939,117	(2,937,899)	28,821,328
Capital Assets, Depreciable					
Buildings and Improvements	29,103,809	1,163,000	4,755,458	74,429	25,585,780
Infrastructure	40,303,330	1,098,933	-	2,853,706	44,255,969
Machinery and Equipment	4,891,471	812,310	97,134	9,764	5,616,411
Vehicles	10,503,591	808,544	495,651	-	10,816,484
Furniture and Fixtures	26,353	-	-	-	26,353
Total Capital Assets, Depreciable	84,828,554	3,882,787	5,348,243	2,937,899	86,300,997
Less: Accumulated Depreciation for:					
Buildings and Improvements	7,537,620	434,217	1,399,195	-	6,572,642
Infrastructure	16,852,969	1,798,670	-	-	18,651,639
Machinery and Equipment	3,619,999	805,825	139,907	-	4,285,917
Vehicles	5,608,866	1,177,245	472,642	-	6,313,469
Furniture and Fixtures	26,353	-	-	-	26,353
Total Accumulated Depreciation	33,645,807	4,215,957	2,011,744	-	35,850,020
Total Capital Assets, Depreciable, Net	51,182,747	(333,170)	3,336,499	2,937,899	50,450,977
Governmental Activities Capital Assets, Net	\$ 80,731,400	2,816,521	4,275,616	-	\$ 79,272,305

The cost of equipment recorded under capital lease was approximately \$838,000. Accumulated amortization was approximately \$265,000 June 30, 2009. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Depreciation expense for governmental activities (which includes internal service fund depreciation expense of \$793,214) was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Policy Formulation and Administration	\$ 65,293
Public Safety	479,162
Parks, Recreation, and Special Events	453,838
Community Development	106,128
Public Works	2,284,585
Finance and Administrative Services	17,407
Totals - Governmental Activities	\$ 3,406,413

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

C. Capital Assets (Continued)

The City approved a plan in FY 2009 to demolish/raze the old CC Woodson community center and construct a new community center with the use of various new legal entities and new market tax credits (See Note IV.A “New Market Tax Credits – CC Woodson” for more details). In accordance with GASB #42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, since a significant change in the manner or expected duration of use of the old CC Woodson community center had occurred, the City was required to test for impairment. The City wrote down the capital asset associated with the old CC Woodson community center by approximately \$1,426,000 in fiscal year 2009 and this amount is shown as a special item in the governmental activities column in the government-wide basic financial statements. The net book value of the remaining capital assets of approximately \$2,142,000 was eventually transferred/given to the CC Woodson enterprise fund.

During 2009, the remaining net book value of the capital assets in the sanitary sewer enterprise fund of approximately \$322,000 was transferred to the City’s governmental activities.

The City receives from time to time donated infrastructure for new subdivisions/projects from various developers and other entities. The City received approximately \$941,000 of donated infrastructure related to several new subdivisions/projects. The Engineering Administrator inspects and approves the installation of the infrastructure by the developer before the City takes over ownership. The Engineering Administrator also estimates the value of the donated infrastructure based on the estimated replacement cost for the infrastructure.

The City also received approximately \$3,642,000 of donated capital assets primarily from the Palmetto Conservation Trust related to the Mary Black Foundation Rail Trail (urban paved trail). Donated capital assets are valued at their estimated fair market value on the date donated.

Capital asset activity for the City’s business-type activities for the year ended June 30, 2009, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-Depreciable:				
Land	\$ 1,055,181	685,386	-	\$ 1,740,567
Construction In Progress	233,873	3,411,855	51,540	3,594,188
Total Capital Assets, Non-Depreciable	1,289,054	4,097,241	51,540	5,334,755
Capital Assets, Depreciable:				
Buildings and Improvements	27,739,061	3,329,617	-	31,068,678
Machinery and Equipment	1,202,904	378,850	581,706	1,000,048
Vehicles	3,022,709	545,105	520,541	3,047,273
Total Capital Assets, Depreciable	31,964,674	4,253,572	1,102,247	35,115,999
Less: Accumulated Depreciation for:				
Buildings and Improvements	8,624,293	2,316,197	-	10,940,490
Machinery and Equipment	818,868	112,023	458,031	472,860
Vehicles	2,218,195	204,385	385,870	2,036,710
Total Accumulated Depreciation	11,661,356	2,632,605	843,901	13,450,060
Total Capital Assets, Depreciable, Net	20,303,318	1,620,967	258,346	21,665,939
Business-Type Activities Capital Assets, Net	\$ 21,592,372	5,718,208	309,886	\$ 27,000,694

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

C. Capital Assets (Continued)

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

Functions/Programs	Depreciation Expense
Transit	\$ 408,366
Parking	462,940
Airport	84,192
CC Woodson	226,935
Totals - Business-Type Activities	<u>\$ 1,182,433</u>

D. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. Tax Increment Bonds (“TIB”) are considered a special obligation of the City payable solely from ad valorem taxes generated by improvements to real property within the redevelopment project area. Revenue Bonds (“RB”) are special obligations of the City that are secured by revenue from a specific source. The full faith, credit, and taxing powers of the City are not pledged for the payment of the TIB or RB nor the interest thereon. Capital Lease (“CL”) obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit and taxing powers of the City are not pledged for the payment of capital lease obligations nor the interest thereon.

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

Details for each debt issue and outstanding capital lease as of June 30, 2009, are as follows:

Principal Outstanding
at Year End

Tax Increment Bonds

\$5,535,000 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 1st and October 1st 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.

\$6,810,000 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 1st and October 1st 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, 2009

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Tax Increment Bonds (Continued)

\$395,000 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 1st and October 1st 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.

Certificates of Participation (“COPS”)

\$10,125,000 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 “Renaissance Park Project” 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 15th and September 15th 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.

\$2,615,000 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 earlier 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

\$3,770,000 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 “Notes Receivable” for further details). The rate of interest on the loan is 5.50%. The loan matures in August 2021. Interest payments are due February 1st and August 1st 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, 2009

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Capital Lease

\$573,367 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

\$630,000 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 1st and October 1st 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

\$3,270,000 Series 2008 – Bonds issued October 17, 2008, 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 1st and October 1st of each calendar year. Principal payments are due annually on April 1st. Principal payments begin April 1, 2009, at \$295,000 and increase in amounts annually until the annual payment reaches \$470,000 on April 1, 2017. The proceeds of these bonds were used to current refund the 2002 bond (the 2002 bond proceeds were used in constructing the Magnolia parking garage).

The deferred loss and debt issuance costs associated with this new issuance were not significant and thus have not been capitalized. The current refunding was undertaken to reduce total debt service payments over the next ten years by approximately \$310,000 and resulted in an economic gain of approximately \$265,000.

Promissory Notes – Blended Component Units

\$5,600,000 CC Woodson Promissory Note (“Note A”) – Note issued January 16, 2009, in an original amount of \$5,600,000. Note A is interest only with the principal due on the maturity date of April 16, 2016. The interest rate is 0.8036%. The proceeds of Note A will be used to account for the activities associated with the acquisition of land, construction of a new recreation center known as CC Woodson, and renovations at the Northwest Recreation Center. Issuance costs of approximately \$253,000 were incurred and recorded related to this issue.

\$8,000,000 SPFC Promissory Note A1 (“Note A1”) – Note A1 issued February 5, 2009, in an original amount of \$8,000,000. Note A1 consists of an interest only term and a principal and interest term. The interest only term concludes February 5, 2016 and the principal and interest term concludes February 5, 2021. The interest rate is London Interbank Offered Rate (“LIBOR”) plus 2.5%. The proceeds of Note A1 will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$92,000 were incurred and recorded related to this issue. The SPFC entered into a derivative (interest rate swap agreement) to hedge against the interest rate risk of Note A1 (variable rate loan). See section following on Interest Rate Swap Agreements for more details.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Promissory Notes – Blended Component Units (Continued)

- \$3,000,000 SPFC Promissory Note A2 (“Note A2”) – Note A2 issued February 5, 2009, in an original amount of \$3,000,000. Note A2 is interest only with the principal due on the maturity date of February 5, 2016. The interest rate is 4%. The proceeds of Note A2 will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$34,000 were incurred and recorded related to this issue. Note A2 is secured by a \$3,000,000 certificate of deposit from an interested party which will be used at the note maturity date to pay off the debt subject to various terms and conditions.
- \$4,000,000 SPFC Promissory Note B (“Note B”) – Note B issued February 5, 2009, in an original amount of \$4,000,000. Note B consists of an interest only term and a deferred payment term. The interest only term concludes February 5, 2016 and the deferred payment term concludes February 5, 2049. The interest rate is LIBOR plus 0.5%. The proceeds of Note B will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$46,000 were incurred and recorded related to this issue. The SPFC entered into a derivative (interest rate swap agreement) to hedge against the interest rate risk of Note B1 (variable rate loan). See section following on Interest Rate Swap Agreements for more details. At the end of the interest only term, the obligation to repay the principal balance of this loan can be canceled (subject to various terms and conditions) by making a payment of approximately \$40,000.

Following is a summary of changes in governmental activities long-term obligations for fiscal year 2009:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
Tax Increment Bonds:					
2000 Series	\$ 6,310,000	-	775,000	5,535,000	\$ 810,000
2002 Series A	6,925,000	-	115,000	6,810,000	120,000
2002 Series B	575,000	-	180,000	395,000	190,000
Total Tax Increment Bonds	<u>13,810,000</u>	<u>-</u>	<u>1,070,000</u>	<u>12,740,000</u>	<u>1,120,000</u>
Certificates of Participation					
2002 COPS	10,550,000	-	425,000	10,125,000	440,000
2005 COPS	2,810,000	-	195,000	2,615,000	200,000
Total Certificates of Participation	<u>13,360,000</u>	<u>-</u>	<u>620,000</u>	<u>12,740,000</u>	<u>640,000</u>
HUD Section 108 Loan	3,840,000	-	70,000	3,770,000	135,000
Forest Park Redevelopment Loan	300,000	-	300,000	-	-
Total Debt	<u>31,310,000</u>	<u>-</u>	<u>2,060,000</u>	<u>29,250,000</u>	<u>1,895,000</u>
Capital Leases:					
2005 Capital Lease	650,426	-	77,059	573,367	79,841
Total Capital Leases	<u>650,426</u>	<u>-</u>	<u>77,059</u>	<u>573,367</u>	<u>79,841</u>
Landfill Rem. and Post-Closure Care Liability	6,850,408	-	-	6,850,408	-
Compensated Absences	3,233,967	2,144,343	2,030,361	3,347,949	1,893,413
Total Governmental Activities	<u>\$ 42,044,801</u>	<u>2,144,343</u>	<u>4,167,420</u>	<u>40,021,724</u>	<u>\$ 3,868,254</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Long-Term Obligations (Continued)

Following is a summary of changes in business-type activities long-term obligations for fiscal year 2009:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
GOB - 2002 Series	\$ 820,000	-	190,000	630,000	\$ 200,000
RB - 2002	3,490,000	-	3,490,000	-	-
RB - 2008	-	3,565,000	295,000	3,270,000	335,000
PN - Note A	-	5,600,000	-	5,600,000	-
PN - Note A1	-	8,000,000	-	8,000,000	-
PN - Note A2	-	3,000,000	-	3,000,000	-
PN - Note B	-	4,000,000	-	4,000,000	-
Total Debt	4,310,000	24,165,000	3,975,000	24,500,000	535,000
Compensated Absences	91,576	30,618	46,898	75,296	50,036
Total Business-Type Activities	\$ 4,401,576	24,195,618	4,021,898	24,575,296	\$ 585,036

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

Year Ending June 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
Governmental Activities					
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	2,385,000	1,034,875	92,010	7,639	3,519,524
2015-2019	9,040,000	3,647,321	144,279	5,193	12,836,793
2020-2024	8,010,000	1,534,090	-	-	9,544,090
2025	1,520,000	77,113	-	-	1,597,113
Totals	\$ 29,250,000	11,446,645	573,367	74,350	\$ 41,344,362
Business-Type Activities					
2010	\$ 535,000	949,409	-	-	\$ 1,484,409
2011	580,000	930,027	-	-	1,510,027
2012	605,000	908,698	-	-	1,513,698
2013	405,000	886,456	-	-	1,291,456
2014	420,000	870,580	-	-	1,290,580
2015-2019	15,255,300	2,931,822	-	-	18,187,122
2020	6,699,700	616,178	-	-	7,315,878
Totals	\$ 24,500,000	8,093,170	-	-	\$ 32,593,170

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Long-Term Obligations (Continued)

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2009, the City had \$630,000 of bonded debt subject to the 8% legal debt limit of approximately \$11,502,000 resulting in an unused legal debt margin of approximately \$10,872,000.

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, 2009.

Interest Rate Swap Agreements

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

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

Fair Value of the Interest Rate Swaps for Note A1 and Note B: The Interest Rate Swaps had a positive/(negative) fair value to the SPFC of approximately \$73,000 for Note A1 and (\$6,000) for Note B as of June 30, 2009. Fair value was calculated based on Carolina First’s internal valuation models and available market data.

Credit Risk: Should Carolina First fail to perform its obligations to the Corporation according to the terms of the Interest Rate Swaps, the Corporation could face a maximum possible loss substantially correlating with the Interest Rate Swaps fair value. Carolina First’s bank financial strength was “D” by Moody’s Investors Service as of June 30, 2009. Carolina First’s counterparty credit rating was “BB+/B” by Standard & Poor’s with a negative outlook as of June 30, 2009.

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

Swap Payments and Associated Debt: Debt service requirements under Note A1 and Note B and net payments under the Interest Rate Swaps, assuming current interest rates in effect at June 30, 2009 of 2.82% on Note A1 and 0.82% on Note B remain the same for their terms, are presented below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net	Total Payments
	Principal	Interest		
2010	\$ -	338,400	297,600	\$ 636,000
2011	-	338,400	297,600	636,000
2012	-	338,400	297,600	636,000
2013	-	338,400	297,600	636,000
2014	-	338,400	297,600	636,000
2015-2019	5,300,300	1,244,270	1,303,966	7,848,536
2020-2023	6,699,700	269,112	218,888	7,187,700
Totals	\$ 12,000,000	3,205,382	3,010,854	\$ 18,216,236

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

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

Interfund balances at June 30, 2009, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds</u>		
General Fund	\$ 1,394,753	\$ 8,923,238
Capital Projects Fund	2,533,102	-
Hospitality Tax Fund	617,073	-
St. John - Daniel Morgan TIF Fund	700,469	-
<u>Major Enterprise Funds</u>		
Transit Fund	-	557,094
Parking Fund	81,724	-
Sanitary Sewer Fund	1,657,800	-
Airport Fund	-	168,369
CC Woodson Fund	-	16,508
Spartanburg Parking Facilities Corporation Fund	-	67,516
<u>Non-Major Funds - In Aggregate by Type</u>		
Special Revenue Funds	504,086	574,601
Debt Service Funds	388,550	-
Internal Service Funds	2,440,433	10,664
Totals	\$ 10,317,990	\$ 10,317,990

The City pools cash and investments of various funds and component units to improve investment performance. 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 Sewer fund receivable reflects \$1,100,000 in restricted cash for the Beaumont Mills Sewer Project held by the General Fund. The Transit and 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, 2009, consist of the following:

Fund	Transfers Out	Transfers In
<u>Major Governmental Funds</u>		
General Fund	\$ 2,335,700	\$ 1,947,472
Capital Projects Fund	850,616	2,034,000
Hospitality Tax Fund	2,943,017	-
<u>Major Enterprise Funds</u>		
Transit Fund	164,027	1,145,410
Parking Fund	21,635	1,170,883
Sanitary Sewer Fund	522,069	-
Airport Fund	205,448	277,537
CC Woodson	650,000	-
Spartanburg Parking Facilities Corporation Fund	-	241,471
<u>Non-Major Funds - In Aggregate By Type</u>		
Special Revenue Funds	318,908	207,476
Debt Service Funds	559,723	1,224,826
Total	\$ 8,571,143	\$ 8,249,075

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

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

General Fund

Transfers into the General Fund were primarily for reimbursements for fleet charges, to recover overhead costs, and capital outlays. Transfers out from the General Fund were primarily for grant matches, eliminating fund deficits, funding capital projects, and moving property tax payments received to the appropriate fund.

Capital Project Fund

Transfers into the Capital Project Fund were primarily to fund capital outlays and to cover project deficits. Transfers out of the Capital Projects Fund were to remove activity related to the CC Woodson and Northwest Center Projects.

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. Transfers out were to make debt payments on the parking garage.

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 and overhead cost to the General Fund. Transfers in were to makeup prior year's deficit balances and to cover current year operating costs.

Parking Fund

Transfers out were for overhead cost to the General Fund. Transfers in were to makeup prior year's deficit balances and to cover current debt payments.

Sanitary Sewer Fund

Transfers out were primarily for overhead cost to the General Fund and to transfer the remaining capital assets to the governmental activities of the City.

Airport Fund

Transfers out were for overhead cost to the General Fund and fleet charges. Transfers in were to makeup prior year's deficit balances and for property revenue due to the Airport.

CC Woodson Fund

The transfer out was related to the payment for the capital assets being contributed by the City to the CC Woodson Fund.

Spartanburg Parking Facilities Corporation Fund

Transfers in were to make debt service payments.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 2009 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.

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.

New Market Tax Agreements

CC Woodson

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION

A. Agreements (Continued)

New Market Tax Agreements (Continued)

CC Woodson (Continued)

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

The City has committed to appropriate \$171,500 over the next seven years to fund a reserve account. At the end of the seven years, the City will use the funds set aside in the reserve account of approximately \$1,200,000 (excluding interest) to satisfy/repay the SDC's foundation loan.

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

Spartanburg Parking Facilities Corporation

In February 2009, the City, the SPFC (blended component unit), and Carolina First Bank affiliated entities entered into various agreements in order to facilitate the use of NMTC to construct a 700-space public parking facility on St. John Street ("Parking Project") in order to support future expansion of USC Business School in downtown Spartanburg. The SPFC entered into three promissory notes for a total of \$15,000,000 to fund the Parking Project. Two of the promissory notes had variable interest rate provisions and thus were effectively hedged with interest rate swap agreements (See III.D "Long-Term Obligations – Interest Rate Swap Agreements" for more details).

In order to expedite the Parking Project, the City entered into numerous agreements (i.e. church lease, development agreement, ground lease, etc.). Of particular importance, the City granted a Ground Lease Agreement ("Ground Lease") to SPFC. The Ground Lease provided the SPFC the right to use the land/property for the purpose of constructing the Parking Project from February 2009 until February 2031 for a nominal rent payment of \$1 per year. At the termination or end of Ground Lease the property and improvements shall revert back to the City. The SPFC in turn entered into a Parking Facility Use Agreement ("Use Agreement") whereby the City will rent/use the completed parking facility from the date of the agreement until an event of default had occurred or until February 2031. The Use Agreement requires the City to make use payments of \$62,500 per month from March 1, 2009 until February 1, 2016, \$70,833 per month from March 1, 2016 until February 1, 2021, and \$95,105 per month from March 1, 2021 until February 1, 2031. These use payments are to appropriated/paid from the City's available hospitality taxes. Continuing events of default (i.e. non-payment, etc.) by the City will result in the City losing its rights to use the parking facilities.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies

Commitments

Southside Retail Partners Development Project

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

NMTC – CC Woodson

Related to the CC Woodson NMTC project, the City committed to appropriate \$171,500 over the next seven years to fund a reserve account (which will be used to satisfy/repay the SDC's foundation loan).

NMTC – Spartanburg Parking Facilities Corporation

Related to the SPFC NMTC project, the City entered into a Use Agreement for the future use of the Parking Project facilities. The Use Agreement requires the City to make use payments of \$62,500 per month from March 1, 2009 until February 1, 2016, \$70,833 per month from March 1, 2016 until February 1, 2021, and \$95,105 per month from March 1, 2021 until February 1, 2031.

Infrastructure Tax Credits

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

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.

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, 2009.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management

Participation in Public Entity Risk Pools

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended June 30, 2009, the City made premium payments totaling approximately \$664,000. 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, 2008, totaled approximately \$26,365,000. 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, 2009, the City made premium payments totaling approximately \$1,015,000. 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, 2008, totaled approximately \$25,069,000. 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 \$526,987 (which includes unclaimed checks of \$2,925) reported in the medical insurance internal service fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the reported liabilities are as follows:

Medical Insurance Fund	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2006 - 2007	\$ 344,648	3,957,322	(3,857,382)	\$ 444,588
2007 - 2008	444,588	3,529,999	(3,553,526)	421,061
2008 - 2009	\$ 421,061	4,098,273	(3,992,347)	\$ 526,987

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures

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

City employees, except for fire and police department employees and those employees electing to remain in the Pension Plan, described later in this section, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City police officers and firemen participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Total employee salaries for the City, for employees covered in the SCRS or SCPORS for the year ended June 30, 2009, were approximately \$17,714,000 which, \$9,345,000 and \$8,369,000 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, 2009, were approximately \$887,000 and 9.24%; and \$608,000 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were approximately \$918,000 and 10.7%; and \$542,000 and 6.5%, respectively. Total required employee and employer contributions and percentages of amounts contributed for the current year and each of the two preceding years are as follows:

Year Ended June 30	SCRS		SCPORS	
	Required *	% Contributed	Required *	% Contributed
2007	\$ 1,226,587	100%	\$ 1,312,647	100%
2008	1,411,914	100%	1,391,480	100%
2009	\$ 1,494,772	100%	\$ 1,459,844	100%

* Required employer and employee contribution.

Plan Two – Retirement Plan of the City of Spartanburg

Plan Description

The City sponsors a single-employer defined benefit pension plan (“Pension Plan”). Participation is frozen except to those employees who were participating in the Pension Plan at June 1, 1993, and elected not to transfer to the South Carolina Retirement System, and those firemen who retired prior to June 1, 1991. Only the Retirement Committee has the authority to establish and amend benefits and funding policy. The Pension Plan’s year-end is December 31. Pension Plan financial information can be obtained by writing to 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 – 6; and active employees – 13. Covered payroll for year ended December 31, 2008, was approximately \$517,000; average pay was \$38,404; average age was 53.5; and average past service was 21.6 years.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

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 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.

The components of the Pension Plan's net pension cost of \$227,583 for the current year consisted of (a) annual required contribution (employer) of \$208,870; (b) interest on the net pension obligation of (\$13,824); and (c) adjustments to annual required contributions of \$32,537 (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 2009, of \$248,078 for the employer and \$33,823 for the employees were made in accordance with a City ordinance (as subsequently modified) requiring a minimum City contribution of 9.24% and an employee contribution of 6.5%.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

Schedule of Employer Contributions

This information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of employer contributions for the past five 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)
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)
2009	\$ 248,078	208,870	118.77%	227,583	109.01%	\$ (193,298)

Schedule of Funding Progress

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

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
01/01/05	\$ 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%
01/01/09	\$ 12,905,500	16,276,670	3,371,170	79.29%	\$ 516,784	652.34%

E. Postemployment Benefits Other Than Pensions

Plan Description

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

- **Participants who retire by December 31, 2008** – retirees who were employed by the City for at least 10 years and eligible for retirement through one of the City’s retirement plans are provided health insurance up to age 65 and their spouse up to the earlier of age 65 or death of the retiree. The surviving spouse is eligible for COBRA. Currently the City contributes \$100 per month for each retiree for their health premiums.
- **Participants who retire between January 1, 2009 and December 31, 2010** – retirees who were employed by the City for at least 20 years and eligible for retirement through one of the City’s retirement plans are provided health insurance for up to 10 years but no later than age 65 and their spouse for up to 10 years, but no later than the earlier of the spouse’s age 65 or the death of the retiree. The retiree and spouse rate are the COBRA rate per month less \$200 (the COBRA rate is currently \$429.18 per month for single coverage and \$987.12 per month for retiree and spouse coverage).
- **Participants who retire after December 31, 2010** – retirees who were employed by the City for at least 20 years and eligible for retirement through the South Carolina Retirement System are provided health insurance for up to 10 years but no later than age 65 (no coverage is provided for the spouse). The retiree rate is the COBRA rate per month less \$200 (the COBRA rate is currently \$429.18 per month for single coverage).

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

As of July 1, 2007, the actuarial/measurement date, there were 597 covered participants; 77 members are retirees or their spouses receiving benefits and 520 are active participants.

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

Actuarial Methods and Assumptions

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

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

Actuarial Valuation Date:	July 1, 2007
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll
Amortization Period:	30 Years
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Investment Rate of Return:	7.5% annual return net of both administrative and investment related expenses
Health Cost Trend:	11.00% to 5.00% in 0.50% annual steps.
Payroll Growth:	3% per year
Coverage Elections:	75% of eligible retirees will elect coverage; 40% of those who elect coverage will elect to cover the spouse
Active Participant Marriage Assumption	80% of all active employees are assumed to be married with female spouses assumed to be 3 years younger.
Mortality Table:	UP-94

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Costs and Rollforward of Net OPEB Obligation

For 2009, the City's implementation year for GASB Statement No. 45, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2009) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ -
2.	One Year's Interest on the Net OPEB Obligation	-
3.	Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	504,000
4.	Adjustment to Annual Required Contribution	-
5.	Annual OPEB Cost: (2)+(3)+(4)	<u>504,000</u>
6.	Contributions Made for the Plan Year	<u>527,468</u>
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	<u>(23,468)</u>
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ (23,468)</u>

Schedule of Employer Contributions

Contributions include \$101,000 paid by the City to the OPEB Plan to pre-fund benefits and approximately \$426,000 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

Fiscal year 2009 was the year of implementation of GASB Statement #45 and the City has elected to implement prospectively. Therefore, prior year comparative data in the schedule of employer contributions is not available. Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2009 were as follows:

Actuarial Valuation Date	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	Applicable to Fiscal Year Ending
July 1, 2007	\$ 504,000	527,468	104.66%	\$ (23,468)	June 30, 2009

Schedule of Funding Progress

Fiscal year 2009 was the year of implementation of GASB Statement #45 and the City has elected to implement prospectively. Therefore, prior year comparative data in the schedule of funding progress is not available. This schedule will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 100,984	5,936,000	5,835,016	1.70%	\$ 15,922,000	36.65%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

F. Landfill Remediation and Post-Closure Care Cost

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

As of June 30, 2009, 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 \$300,000 as of June 30, 2009.

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).

The City hired an environmental consultant in 2009 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. Since the 2008 financial statements had not been issued and due to the City knowing that a significant change had occurred in 2008 but had not been quantified until early 2009, the City recorded the lowest cost estimate of approximately \$6,850,000, thus increasing its landfill remediation and post-closure care liability for 2008 by approximately \$3,850,000. No new developments have occurred during 2009 and thus the total landfill remediation and post-closure care liability of \$6,850,000 at June 30, 2009 remains unchanged. The total landfill remediation and post-closure care liability 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, 2009 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, 2009 of \$6,850,000, to be its' best estimate for these costs as of June 30, 2009.

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 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

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 2008; and \$31,200,000 in March 2008. The purpose of these bonds was to fund capital improvements. At June 30, 2009, the outstanding balances on these bonds were approximately \$118,540,000 (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. Fund Balances/Net Assets

The City has unreserved designated fund balance in the Capital Projects Fund for future road projects, reserve for potential claims on a capital project, and for other general capital needs.

The City had the following deficit fund balances/net assets at June 30, 2009:

Spartanburg Parking Facilities Corporation	\$	66,228
City Roads Improvement Fund		68,394
Community Development Fund		211,125
Forfeited Drug-State Fund		4,940
Medical Insurance Trust	\$	525,990

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

I. Subsequent Events

Capital Lease

The City entered into a capital lease in November 2009 for \$829,000 at 3.69% over seven years. These funds were used to purchase two side loader trucks, a service utility truck, eleven police vehicles, and one City pool car.

New Market Tax Credits – Airport Improvements

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

Conduit Debt

In August 2009, City Council approved Spartanburg Water System’s request to issue \$11,900,000 of new debt.

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, 2009

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Taxes	\$14,013,160	14,013,160	13,515,536	\$ (497,624)
Fees, Licenses, and Permits	13,353,031	13,353,031	12,571,179	(781,852)
Fines and Forfeitures	552,500	552,500	548,396	(4,104)
Intergovernmental Revenues	4,300,371	4,300,371	4,608,818	308,447
Charges for Services	1,819,280	1,819,280	1,964,127	144,847
Other Revenues	358,500	358,500	225,914	(132,586)
TOTAL REVENUES ALL SOURCES	34,396,842	34,396,842	33,433,970	(962,872)
EXPENDITURES				
Policy Formulation and Administration	4,994,303	4,994,303	5,899,574	(905,271)
Public Safety	13,701,552	13,701,552	13,366,181	335,371
Parks, Recreation, and Special Events	2,167,781	2,167,781	1,991,388	176,393
Community Development	2,756,752	2,756,752	2,370,166	386,586
Public Works	8,829,639	8,829,639	8,518,150	311,489
Finance and Administrative Services	1,734,000	1,734,000	1,657,278	76,722
TOTAL EXPENDITURES	34,184,027	34,184,027	33,802,737	381,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	212,815	212,815	(368,767)	(581,582)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,264,301	1,264,301	1,947,472	683,171
Transfers Out	(1,477,116)	(1,477,116)	(2,335,700)	(858,584)
Proceeds from Sale of Capital Assets	-	-	15,028	15,028
TOTAL OTHER FINANCING SOURCES (USES)	(212,815)	(212,815)	(373,200)	(160,385)
NET CHANGES IN FUND BALANCES	-	-	(741,967)	(741,967)
FUND BALANCES, Beginning of Year	4,870,967	4,870,967	4,870,967	-
FUND BALANCES, End of Year	\$ 4,870,967	4,870,967	4,129,000	\$ (741,967)

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, 2009

	HOSPITALITY TAX FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Hospitality Taxes	\$ 3,505,000	3,505,000	3,327,907	\$ (177,093)
Investment Earnings	110,000	110,000	46,606	(63,394)
Other Revenues	1,000	1,000	1,350	350
TOTAL REVENUES ALL SOURCES	3,616,000	3,616,000	3,375,863	(240,137)
EXPENDITURES				
Operating	1,067,941	1,067,941	1,643,221	(575,280)
TOTAL EXPENDITURES	1,067,941	1,067,941	1,643,221	(575,280)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,548,059	2,548,059	1,732,642	(815,417)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,548,059)	(2,548,059)	(2,943,017)	(394,958)
TOTAL OTHER FINANCING SOURCES (USES)	(2,548,059)	(2,548,059)	(2,943,017)	(394,958)
NET CHANGES IN FUND BALANCES	-	-	(1,210,375)	(1,210,375)
FUND BALANCES, Beginning of Year	2,431,463	2,431,463	2,431,463	-
FUND BALANCES, End of Year	\$ 2,431,463	2,431,463	1,221,088	\$ (1,210,375)

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

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2009

Fiscal year 2009 was the first year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial Valuation Date	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	Applicable to Fiscal Year Ending
July 1, 2007	\$ 504,000	527,468	104.66%	\$ (23,468)	June 30, 2009

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 100,984	5,936,000	5,835,016	1.70%	\$ 15,922,000	36.65%

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, 2009

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes:			
Current	\$ 13,313,160	12,600,853	\$ (712,307)
Prior Years, Including Penalties and Execution Fees	700,000	914,683	214,683
Total Taxes	<u>14,013,160</u>	<u>13,515,536</u>	<u>(497,624)</u>
Fees, Licenses, and Permits:			
Business Licenses and Penalties	9,775,000	9,020,923	(754,077)
Utility Franchise Fees	2,786,831	3,065,687	278,856
Building Permits	505,000	277,418	(227,582)
Electrical Permits	60,000	33,151	(26,849)
Plumbing Permits	35,000	18,254	(16,746)
Heating & Air Conditioning Permits	40,000	19,138	(20,862)
Miscellaneous Inspections/License Fees	151,200	136,608	(14,592)
Total Fees, Licenses, and Permits	<u>13,353,031</u>	<u>12,571,179</u>	<u>(781,852)</u>
Fines and Forfeitures:			
Criminal Fines	80,000	72,127	(7,873)
Traffic Fines	402,500	405,646	3,146
Parking Tickets	70,000	70,623	623
Total Fines and Forfeitures	<u>552,500</u>	<u>548,396</u>	<u>(4,104)</u>
Intergovernmental Revenues:			
Local Government Funds	1,366,709	1,273,314	(93,395)
General Government Funds	556,160	577,069	20,909
Accommodations Tax	40,000	30,010	(9,990)
County Recreation Supplement	6,000	3,109	(2,891)
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	6,000	6,028	28
Payment in Lieu of Taxes (Housing Authority)	8,706	-	(8,706)
Sunday Alcohol Sales	80,000	76,750	(3,250)
Storm Water Fee	120,000	525,000	405,000
Water System Payments	1,400,000	1,400,000	-
Worker's Compensation Recoveries	22,000	22,742	742
Total Intergovernmental Revenues	<u>\$ 4,300,371</u>	<u>4,608,818</u>	<u>\$ 308,447</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Charges for Services:			
District 6 & 7 School Guards	\$ 260,000	289,974	\$ 29,974
Dorman High School Security	57,000	52,432	(4,568)
Housing Authority Foot Patrol	-	6,822	6,822
Parks and Recreation	119,000	142,715	23,715
Fleet Charges	50,000	71,030	21,030
Sanitation Service Charge	1,333,280	1,401,154	67,874
Total Charges for Services	1,819,280	1,964,127	144,847
Other Revenues:			
Fair Association	27,500	27,500	-
Interest	135,000	51,296	(83,704)
Miscellaneous	194,000	145,118	(48,882)
Rents	2,000	2,000	-
Total Other Revenues	358,500	225,914	(132,586)
TOTAL REVENUES ALL SOURCES	34,396,842	33,433,970	(962,872)
EXPENDITURES			
Policy Formulation and Administration			
Mayor and Council:			
Personnel Services	99,824	97,359	2,465
Operating Expenditures	97,316	66,797	30,519
	<u>197,140</u>	<u>164,156</u>	<u>32,984</u>
Boards and Commissions:			
Operating Expenditures	12,250	-	12,250
	<u>12,250</u>	<u>-</u>	<u>12,250</u>
City Attorney:			
Personnel Services	184,579	180,579	4,000
Operating Expenditures	171,859	70,122	101,737
	<u>356,438</u>	<u>250,701</u>	<u>105,737</u>
City Manager:			
Personnel Services	501,755	533,689	(31,934)
Operating Expenditures	52,800	31,365	21,435
Capital Outlay	2,127	2,127	-
	<u>\$ 556,682</u>	<u>\$ 567,181</u>	<u>\$ (10,499)</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Communication and Marketing:			
Personnel Services	\$ 239,386	220,804	\$ 18,582
Operating Expenditures	249,990	170,892	79,098
Capital Outlay	3,525	3,525	-
	<u>492,901</u>	<u>395,221</u>	<u>97,680</u>
Community Relations:			
Personnel Services	258,168	261,876	(3,708)
Operating Expenditures	67,407	65,081	2,326
Capital Outlay	5,345	5,095	250
	<u>330,920</u>	<u>332,052</u>	<u>(1,132)</u>
Code Enforcement:			
Personnel Services	212,905	163,236	49,669
Operating Expenditures	29,300	28,245	1,055
Capital Outlay	2,907	2,907	-
	<u>245,112</u>	<u>194,388</u>	<u>50,724</u>
Municipal Court:			
Personnel Services	350,382	357,614	(7,232)
Operating Expenditures	63,837	33,093	30,744
Capital Outlay	3,102	3,102	-
	<u>417,321</u>	<u>393,809</u>	<u>23,512</u>
Non-Departmental Services:			
Operating Expenditures	(68,025)	1,452,496	(1,520,521)
	<u>(68,025)</u>	<u>1,452,496</u>	<u>(1,520,521)</u>
Worker's Compensation:			
Personnel Services	63,651	50,414	13,237
Operating Expenditures	1,012,214	1,039,111	(26,897)
	<u>1,075,865</u>	<u>1,089,525</u>	<u>(13,660)</u>
Human Resources:			
Personnel Services	253,543	223,753	29,790
Operating Expenditures	86,550	76,918	9,632
Capital Outlay	360	360	-
	<u>340,453</u>	<u>301,031</u>	<u>39,422</u>
Information Technology:			
Personnel Services	242,334	178,500	63,834
Operating Expenditures	495,980	290,044	205,936
Capital Outlay	87,882	75,204	12,678
	<u>\$ 826,196</u>	<u>543,748</u>	<u>\$ 282,448</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Employee Development:			
Personnel Services	\$ 86,000	86,000	\$ -
Operating Expenditures	125,050	129,266	(4,216)
	<u>211,050</u>	<u>215,266</u>	<u>(4,216)</u>
Total Policy Formulation and Administration	<u>4,994,303</u>	<u>5,899,574</u>	<u>(905,271)</u>
Public Safety			
Administration			
Director's Office:			
Personnel Services	550,861	531,585	19,276
Operating Expenditures	109,828	78,452	31,376
Capital Outlay	3,260	3,260	-
	<u>663,949</u>	<u>613,297</u>	<u>50,652</u>
Technical and Support Administration:			
Personnel Services	491,308	440,265	51,043
Operating Expenditures	326,236	287,388	38,848
Capital Outlay	4,542	4,542	-
	<u>822,086</u>	<u>732,195</u>	<u>89,891</u>
Total Administration	<u>1,486,035</u>	<u>1,345,492</u>	<u>140,543</u>
Law Enforcement			
Jail:			
Operating Expenditures	36,000	83,392	(47,392)
Capital Outlay	1,949	1,949	-
	<u>37,949</u>	<u>85,341</u>	<u>(47,392)</u>
Patrol:			
Personnel Services	4,720,868	4,452,750	268,118
Operating Expenditures	161,300	113,166	48,134
Capital Outlay	209,764	164,978	44,786
	<u>5,091,932</u>	<u>4,730,894</u>	<u>361,038</u>
Crime Prevention:			
Personnel Services	225,418	298,730	(73,312)
Operating Expenditures	13,750	7,711	6,039
	<u>239,168</u>	<u>306,441</u>	<u>(67,273)</u>
Investigations:			
Personnel Services	1,126,298	1,343,772	(217,474)
Operating Expenditures	162,686	117,442	45,244
Capital Outlay	37,772	37,772	-
	<u>\$ 1,326,756</u>	<u>1,498,986</u>	<u>\$ (172,230)</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Records:			
Personnel Services	\$ 263,459	283,079	\$ (19,620)
Operating Expenditures	31,044	16,280	14,764
	<u>294,503</u>	<u>299,359</u>	<u>(4,856)</u>
Animal Control:			
Personnel Services	84,911	81,722	3,189
Operating Expenditures	91,050	89,163	1,887
Capital Outlay	3,971	3,971	-
	<u>179,932</u>	<u>174,856</u>	<u>5,076</u>
Law Enforcement Administration:			
Personnel Services	281,294	281,705	(411)
Operating Expenditures	15,750	14,303	1,447
	<u>297,044</u>	<u>296,008</u>	<u>1,036</u>
School Crossing Guard:			
Personnel Services	207,269	125,711	81,558
Operating Expenditures	1,500	-	1,500
	<u>208,769</u>	<u>125,711</u>	<u>83,058</u>
Foot Patrol:			
Personnel Services	42,500	45	42,455
	<u>42,500</u>	<u>45</u>	<u>42,455</u>
Total Law Enforcement	<u>7,718,553</u>	<u>7,517,641</u>	<u>200,912</u>
Fire			
Fire Administration:			
Personnel Services	472,307	470,941	1,366
Operating Expenditures	66,550	56,303	10,247
Capital Outlay	18,352	20,055	(1,703)
	<u>557,209</u>	<u>547,299</u>	<u>9,910</u>
Fire Suppression:			
Personnel Services	3,435,771	3,478,826	(43,055)
Operating Expenditures	294,563	269,111	25,452
Capital Outlay	209,421	207,812	1,609
	<u>3,939,755</u>	<u>3,955,749</u>	<u>(15,994)</u>
Total Fire	<u>4,496,964</u>	<u>4,503,048</u>	<u>(6,084)</u>
Total Public Safety	<u>\$ 13,701,552</u>	<u>13,366,181</u>	<u>\$ 335,371</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Parks, Recreation, and Special Events			
Parks, Recreation, and Special Events Administration:			
Personnel Services	\$ 278,678	255,969	\$ 22,709
Operating Expenditures	307,614	275,598	32,016
Capital Outlay	1,182	1,182	-
	<u>587,474</u>	<u>532,749</u>	<u>54,725</u>
Special Events:			
Personnel Services	242,733	209,050	33,683
Operating Expenditures	17,000	4,112	12,888
	<u>259,733</u>	<u>213,162</u>	<u>46,571</u>
Barnet Park:			
Personnel Services	187,060	144,045	43,015
Operating Expenditures	35,550	34,487	1,063
	<u>222,610</u>	<u>178,532</u>	<u>44,078</u>
Swim Center:			
Personnel Services	377,873	393,972	(16,099)
Operating Expenditures	28,800	25,422	3,378
	<u>406,673</u>	<u>419,394</u>	<u>(12,721)</u>
T.K. Gregg Center:			
Personnel Services	147,144	101,131	46,013
Operating Expenditures	13,500	13,165	335
Capital Outlay	401	401	-
	<u>161,045</u>	<u>114,697</u>	<u>46,348</u>
Northwest Center			
Personnel Services	149,965	189,018	(39,053)
Operating Expenditures	14,186	11,982	2,204
	<u>164,151</u>	<u>201,000</u>	<u>(36,849)</u>
Woodland Heights Center:			
Personnel Services	190,360	156,979	33,381
Operating Expenditures	17,600	14,112	3,488
Capital Outlay	401	401	-
	<u>208,361</u>	<u>171,492</u>	<u>36,869</u>
C.C. Woodson Center:			
Personnel Services	149,933	154,023	(4,090)
Operating Expenditures	7,400	5,938	1,462
Capital Outlay	401	401	-
	<u>157,734</u>	<u>160,362</u>	<u>(2,628)</u>
Total Parks, Recreation, and Special Events	\$ 2,167,781	1,991,388	\$ 176,393

(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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Community Development			
Economic Development:			
Personnel Services	\$ 208,577	100,395	\$ 108,182
Operating Expenditures	280,625	279,944	681
Capital Outlay	1,675	1,675	-
	<u>490,877</u>	<u>382,014</u>	<u>108,863</u>
Administration:			
Personnel Services	183,407	161,172	22,235
Operating Expenditures	93,100	95,702	(2,602)
Capital Outlay	200,000	234,682	(34,682)
	<u>476,507</u>	<u>491,556</u>	<u>(15,049)</u>
Civil Engineering:			
Personnel Services	502,702	410,030	92,672
Operating Expenditures	52,050	53,222	(1,172)
Capital Outlay	11,882	11,882	-
	<u>566,634</u>	<u>475,134</u>	<u>91,500</u>
Community Enhancements:			
Personnel Services	349,238	268,104	81,134
Operating Expenditures	50,400	48,913	1,487
Capital Outlay	3,307	3,307	-
	<u>402,945</u>	<u>320,324</u>	<u>82,621</u>
Inspections:			
Personnel Services	565,358	476,914	88,444
Operating Expenditures	33,800	30,906	2,894
Capital Outlay	6,246	6,246	-
	<u>605,404</u>	<u>514,066</u>	<u>91,338</u>
Parking Enforcement:			
Personnel Services	115,623	86,645	28,978
Operating Expenditures	6,600	10,787	(4,187)
Capital Outlay	3,818	3,818	-
	<u>126,041</u>	<u>101,250</u>	<u>24,791</u>
Construction Management:			
Personnel Services	77,544	81,992	(4,448)
Operating Expenditures	10,800	3,830	6,970
	<u>88,344</u>	<u>85,822</u>	<u>2,522</u>
Total Community Development	<u>\$ 2,756,752</u>	<u>2,370,166</u>	<u>\$ 386,586</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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Public Works			
Public Works Administration:			
Personnel Services	\$ 180,874	183,912	\$ (3,038)
Operating Expenditures	4,500	1,412	3,088
Capital Outlay	2,312	2,312	-
	<u>187,686</u>	<u>187,636</u>	<u>50</u>
Street and Ground Maintenance:			
Personnel Services	1,710,298	1,250,090	460,208
Operating Expenditures	371,443	306,487	64,956
Capital Outlay	83,429	84,381	(952)
	<u>2,165,170</u>	<u>1,640,958</u>	<u>524,212</u>
Traffic Engineering:			
Personnel Services	400,149	418,631	(18,482)
Operating Expenditures	552,578	577,947	(25,369)
Capital Outlay	20,797	20,797	-
	<u>973,524</u>	<u>1,017,375</u>	<u>(43,851)</u>
Storm Water:			
Personnel Services	-	522,871	(522,871)
Operating Expenditures	-	54,551	(54,551)
	<u>-</u>	<u>577,422</u>	<u>(577,422)</u>
Building Maintenance:			
Personnel Services	338,017	344,721	(6,704)
Operating Expenditures	735,300	717,308	17,992
Capital Outlay	6,669	6,669	-
	<u>1,079,986</u>	<u>1,068,698</u>	<u>11,288</u>
Fleet Maintenance:			
Personnel Services	650,064	577,203	72,861
Operating Expenditures	1,513,196	1,145,087	368,109
Capital Outlay	5,785	5,785	-
	<u>2,169,045</u>	<u>1,728,075</u>	<u>440,970</u>
Solid Waste:			
Personnel Services	1,818,201	1,759,480	58,721
Operating Expenditures	93,126	195,605	(102,479)
Capital Outlay	342,901	342,901	-
	<u>2,254,228</u>	<u>2,297,986</u>	<u>(43,758)</u>
Total Public Works	\$ 8,829,639	8,518,150	\$ 311,489

(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, 2009

	REVISED BUDGET	ACTUAL	VARIANCE
Finance and Administrative Services			
Administrative/Risk:			
Operating Expenditures	\$ 808,535	713,119	\$ 95,416
Capital Outlay	332	332	-
	<u>808,867</u>	<u>713,451</u>	<u>95,416</u>
Finance Administration:			
Personnel Services	516,826	532,842	(16,016)
Operating Expenditures	129,056	128,630	426
Capital Outlay	1,673	1,673	-
	<u>647,555</u>	<u>663,145</u>	<u>(15,590)</u>
Business License Code Enforcement:			
Personnel Services	121,057	118,959	2,098
Operating Expenditures	6,850	7,499	(649)
Capital Outlay	1,665	1,299	366
	<u>129,572</u>	<u>127,757</u>	<u>1,815</u>
Procurement and Property:			
Personnel Services	132,284	134,039	(1,755)
Operating Expenditures	12,961	16,125	(3,164)
Capital Outlay	2,761	2,761	-
	<u>148,006</u>	<u>152,925</u>	<u>(4,919)</u>
Total Finance and Administrative Services	<u>1,734,000</u>	<u>1,657,278</u>	<u>76,722</u>
TOTAL EXPENDITURES	<u>34,184,027</u>	<u>33,802,737</u>	<u>381,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>212,815</u>	<u>(368,767)</u>	<u>(581,582)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,264,301	1,947,472	683,171
Transfers Out	(1,477,116)	(2,335,700)	(858,584)
Proceeds from Sale of Capital Assets	-	15,028	15,028
TOTAL OTHER FINANCING SOURCES (USES)	<u>(212,815)</u>	<u>(373,200)</u>	<u>(160,385)</u>
NET CHANGES IN FUND BALANCES	-	<u>(741,967)</u>	<u>(741,967)</u>
FUND BALANCE, Beginning of Year	4,870,967	4,870,967	-
FUND BALANCE, End of Year	<u>\$ 4,870,967</u>	<u>4,129,000</u>	<u>\$ (741,967)</u>

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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.

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2009

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 3,300	-	\$ 3,300
Property Taxes Receivable, Net	-	35,573	35,573
Accounts Receivable	-	26,667	26,667
Commercial Loan Receivables	133,931	-	133,931
Intergovernmental Receivables	547,670	-	547,670
Mortgages Receivable:			
Home Loans	139,822	-	139,822
Deferred Loans	6,383	-	6,383
SRDC	64,580	-	64,580
Due From Other Funds	504,086	388,550	892,636
TOTAL ASSETS	1,399,772	450,790	1,850,562
LIABILITIES AND FUND BALANCES			
Accounts Payable	210,902	68,162	279,064
Accrued Salaries and Benefits	40,965	-	40,965
Due To Other Funds	574,601	-	574,601
Deferred Revenue	364,601	24,216	388,817
TOTAL LIABILITIES	1,191,069	92,378	1,283,447
FUND BALANCES			
Reserved For:			
Debt Service	-	358,412	358,412
Unreserved, Undesignated	208,703	-	208,703
TOTAL FUND BALANCES	208,703	358,412	567,115
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,399,772	450,790	\$ 1,850,562

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES:			
Federal Government Contributions	\$ 1,833,615	-	\$ 1,833,615
State Government Contributions	534,644	-	534,644
Taxes	1,355,429	1,789,284	3,144,713
Investment Earnings	14,332	426	14,758
Confiscated Drug Funds	20,236	-	20,236
Other	530,560	-	530,560
TOTAL REVENUES ALL SOURCES	4,288,816	1,789,710	6,078,526
EXPENDITURES:			
Current:			
Finance and Administrative Services	814,957	-	814,957
Operating	3,423,221	-	3,423,221
Capital Outlay	100,846	-	100,846
Debt Service			
Principal Retirement	300,000	1,395,000	1,695,000
Interest	-	932,582	932,582
Other	-	30,964	30,964
TOTAL EXPENDITURES	4,639,024	2,358,546	6,997,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(350,208)	(568,836)	(919,044)
OTHER FINANCING SOURCES (USES):			
Transfers In	207,476	1,224,826	1,432,302
Transfers Out	(318,908)	(559,723)	(878,631)
Proceeds from Sale of Capital Assets	38,640	-	38,640
Total Other Financing Sources (Uses)	(72,792)	665,103	592,311
NET CHANGES IN FUND BALANCES	(423,000)	96,267	(326,733)
FUND BALANCES, Beginning of Year	631,703	262,145	893,848
FUND BALANCES, End of Year	\$ 208,703	358,412	\$ 567,115

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CITY OF SPARTANBURG, SOUTH CAROLINA

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

JUNE 30, 2009

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
ASSETS		
Cash and Cash Equivalents	\$ -	-
Accounts Receivable	-	-
Intergovernmental Receivables	44,261	315,039
Commercial Loan Receivables	-	-
Mortgages Receivable-Home Loans	139,822	-
Mortgages Receivable-Deferred	-	-
Mortgages Receivable-SRDC Loans	-	-
Due From Other Funds	34,636	-
TOTAL ASSETS	218,719	315,039
LIABILITIES		
Accounts Payable	24,245	51,273
Accrued Salaries and Benefits	-	25,482
Due To Other Funds	-	227,674
Deferred Revenue	139,823	-
TOTAL LIABILITIES	164,068	304,429
FUND BALANCES		
Unreserved - Undesignated	54,651	10,610
TOTAL FUND BALANCES	54,651	10,610
TOTAL LIABILITIES AND FUND BALANCES	\$ 218,719	315,039

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	3,300	-	-
-	-	-	-
-	-	35,861	33,011
-	-	-	-
-	-	-	-
-	-	-	-
214,359	32,916	-	110,413
214,359	36,216	35,861	143,424
248	12,803	3,584	82,581
253	792	-	-
-	-	80,786	-
-	-	19,885	-
501	13,595	104,255	82,581
213,858	22,621	(68,394)	60,843
213,858	22,621	(68,394)	60,843
214,359	36,216	35,861	\$ 143,424

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2009

	<u>Fund 480</u>
	<u>Accommodations Tax Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ -
Intergovernmental Receivables	30,006
Commercial Loan Receivables	-
Mortgages Receivable-Home Loans	-
Mortgages Receivable-Deferred	-
Mortgages Receivable-SRDC Loans	-
Due From Other Funds	38,690
TOTAL ASSETS	<u>68,696</u>
LIABILITIES	
Accounts Payable	9,002
Accrued Salaries and Benefits	-
Due To Other Funds	-
Deferred Revenue	-
TOTAL LIABILITIES	<u>9,002</u>
FUND BALANCES	
Unreserved - Undesignated	59,694
TOTAL FUND BALANCES	<u>59,694</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,696</u>

Fund 708	Fund 803	Fund 804		Combined Funds
Community Development Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund		
-	-	-	\$	3,300
89,492	-	-		547,670
133,931	-	-		133,931
-	-	-		139,822
6,383	-	-		6,383
64,580	-	-		64,580
-	73,072	-		504,086
294,386	73,072	-		1,399,772
24,603	2,187	376		210,902
14,438	-	-		40,965
261,577	-	4,564		574,601
204,893	-	-		364,601
505,511	2,187	4,940		1,191,069
(211,125)	70,885	(4,940)		208,703
(211,125)	70,885	(4,940)		208,703
294,386	73,072	-	\$	1,399,772

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
REVENUES		
Federal Government Contributions	\$ 344,940	668,242
State Government Contributions	-	288,955
Property Taxes	-	-
Accommodations Taxes	-	-
Investment Earnings	3,559	-
Miscellaneous	-	127,866
Confiscated Drug Funds	-	-
Total Revenues	348,499	1,085,063
EXPENDITURES		
Finance and Administrative Services	-	472,916
Operating	138,090	795,066
Capital Outlay	-	-
Debt Service - Principal Retirement	209,551	-
Total Expenditures	347,641	1,267,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	858	(182,919)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	57,576
Transfers Out	-	(268)
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	-	57,308
NET CHANGES IN FUND BALANCES	858	(125,611)
FUND BALANCES, Beginning of Year	53,793	136,221
FUND BALANCES, End of Year	\$ 54,651	10,610

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	-	-	-
-	-	245,689	-
-	-	421,702	838,529
-	-	-	-
-	-	-	4,981
68,466	311,326	-	-
-	-	-	-
<u>68,466</u>	<u>311,326</u>	<u>667,391</u>	<u>843,510</u>
5,787	51,606	-	-
16,650	389,239	780,096	639,259
-	-	-	-
-	-	-	-
<u>22,437</u>	<u>440,845</u>	<u>780,096</u>	<u>639,259</u>
46,029	(129,519)	(112,705)	204,251
-	149,900	-	-
(9,263)	-	-	(290,000)
-	-	-	-
<u>(9,263)</u>	<u>149,900</u>	<u>-</u>	<u>(290,000)</u>
36,766	20,381	(112,705)	(85,749)
177,092	2,240	44,311	146,592
<u>213,858</u>	<u>22,621</u>	<u>(68,394)</u>	<u>\$ 60,843</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, 2009

	<u>Fund 480</u>
	<u>Accommodations Tax Fund</u>
REVENUES	
Federal Government Contributions	\$ -
State Government Contributions	-
Property Taxes	-
Accommodations Taxes	95,198
Investment Earnings	745
Miscellaneous	-
Confiscated Drug Funds	-
Total Revenues	<u>95,943</u>
EXPENDITURES	
Finance and Administrative Services	-
Operating	103,662
Capital Outlay	-
Debt Service - Principal Retirement	-
Total Expenditures	<u>103,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,719)</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	-
Transfers Out	(13,900)
Proceeds from Sale of Capital Assets	-
Total Other Financing Sources (Uses)	<u>(13,900)</u>
NET CHANGES IN FUND BALANCES	(21,619)
FUND BALANCES, Beginning of Year	<u>81,313</u>
FUND BALANCES, End of Year	\$ <u>59,694</u>

Fund 708	Fund 803	Fund 804		Combined Funds
Community Development Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund		
820,433	-	-	\$	1,833,615
-	-	-		534,644
-	-	-		1,260,231
-	-	-		95,198
3,022	2,025	-		14,332
22,902	-	-		530,560
-	10,976	9,260		20,236
<u>846,357</u>	<u>13,001</u>	<u>9,260</u>		<u>4,288,816</u>
284,648	-	-		814,957
513,788	14,913	32,458		3,423,221
87,046	-	13,800		100,846
90,449	-	-		300,000
<u>975,931</u>	<u>14,913</u>	<u>46,258</u>		<u>4,639,024</u>
(129,574)	(1,912)	(36,998)		(350,208)
-	-	-		207,476
(5,477)	-	-		(318,908)
-	-	38,640		38,640
<u>(5,477)</u>	<u>-</u>	<u>38,640</u>		<u>(72,792)</u>
(135,051)	(1,912)	1,642		(423,000)
<u>(76,074)</u>	<u>72,797</u>	<u>(6,582)</u>		<u>631,703</u>
(211,125)	70,885	(4,940)	\$	208,703

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2009

	VICTIMS ASSISTANCE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Other Revenues	\$ 68,000	68,000	68,466	\$ 466
TOTAL REVENUES ALL SOURCES	68,000	68,000	68,466	466
EXPENDITURES				
Finance and Administrative Services	42,662	42,662	5,787	36,875
Operating	25,338	25,338	16,650	8,688
TOTAL EXPENDITURES	68,000	68,000	22,437	45,563
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	46,029	22,760
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	5,154
Transfers Out	-	-	(9,263)	(6,774)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(9,263)	(1,620)
NET CHANGES IN FUND BALANCES	-	-	36,766	21,140
FUND BALANCES, Beginning of Year	177,092	177,092	177,092	-
FUND BALANCES, End of Year	\$ 177,092	177,092	213,858	\$ 21,140

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, 2009

	FEDERAL HOME PROGRAM FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Federal Government Contributions	\$ 492,020	492,020	344,940	\$ (147,080)
Investment Earnings	-	-	3,559	3,559
TOTAL REVENUES ALL SOURCES	492,020	492,020	348,499	(143,521)
EXPENDITURES				
Operating	492,020	492,020	138,090	353,930
Debt Service - Principal Retirement	-	-	209,551	(209,551)
TOTAL EXPENDITURES	492,020	492,020	347,641	144,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	858	858
NET CHANGES IN FUND BALANCES	-	-	858	858
FUND BALANCES, Beginning of Year	53,793	53,793	53,793	-
FUND BALANCES, End of Year	\$ 53,793	53,793	54,651	\$ 858

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2009

COMMUNITY DEVELOPMENT FUND				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Federal Government Contributions	\$ 1,623,581	1,623,581	820,433	\$ (803,148)
Investment Earnings	4,000	4,000	3,022	(978)
Other Revenues	11,000	11,000	22,902	11,902
TOTAL REVENUES ALL SOURCES	1,638,581	1,638,581	846,357	(792,224)
EXPENDITURES				
Finance and Administrative Services	290,520	290,520	284,648	5,872
Operating	987,919	987,919	513,788	474,131
Capital Outlay	154,664	154,664	87,046	67,618
Debt Service - Principal Retirement	-	-	90,449	(90,449)
TOTAL EXPENDITURES	1,433,103	1,433,103	975,931	457,172
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	205,478	205,478	(129,574)	(335,052)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(205,478)	(205,478)	(5,477)	200,001
TOTAL OTHER FINANCING SOURCES (USES)	(205,478)	(205,478)	(5,477)	200,001
NET CHANGES IN FUND BALANCES	-	-	(135,051)	(135,051)
FUND BALANCES, Beginning of Year	(76,074)	(76,074)	(76,074)	-
FUND BALANCES, End of Year	\$ (76,074)	(76,074)	(211,125)	\$ (135,051)

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, 2009

	Fund 540	Fund 545	
	GENERAL DEBT SERVICE FUND	BROAD STREET TIF	TOTALS
ASSETS			
Property Taxes Receivable, Net	\$ -	35,573	\$ 35,573
Accounts Receivable	-	26,667	26,667
Due From Other Funds	-	388,550	388,550
TOTAL ASSETS	-	450,790	450,790
LIABILITIES			
Accounts Payable	-	68,162	68,162
Deferred Tax Revenue	-	24,216	24,216
TOTAL LIABILITIES	-	92,378	92,378
FUND BALANCE			
Reserved for Debt Service	-	358,412	358,412
TOTAL FUND BALANCES	-	358,412	358,412
TOTAL LIABILITIES AND FUND BALANCES	\$ -	450,790	\$ 450,790

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	Fund 540	Fund 545	
	GENERAL DEBT SERVICE FUND	BROAD STREET TIF	TOTALS
REVENUES			
Tax Increment	\$ -	1,789,284	\$ 1,789,284
Investment Earnings	233	193	426
TOTAL REVENUES ALL SOURCES	233	1,789,477	1,789,710
EXPENDITURES			
Debt Service:			
Principal	620,000	775,000	1,395,000
Interest	605,059	327,523	932,582
Other	-	30,964	30,964
TOTAL EXPENDITURES	1,225,059	1,133,487	2,358,546
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,224,826)	655,990	(568,836)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,224,826	-	1,224,826
Transfers Out	-	(559,723)	(559,723)
TOTAL OTHER FINANCING SOURCES (USES)	1,224,826	(559,723)	665,103
NET CHANGES IN FUND BALANCES	-	96,267	96,267
FUND BALANCES, Beginning of Year	-	262,145	262,145
FUND BALANCES, End of Year	\$ -	358,412	\$ 358,412

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, 2009

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
ASSETS			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ -	11,661	\$ 11,661
Due From Other Funds	2,440,433	-	2,440,433
Total Current Assets	<u>2,440,433</u>	<u>11,661</u>	<u>2,452,094</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	4,111,245	-	4,111,245
Total Non-Current Assets	<u>4,111,245</u>	<u>-</u>	<u>4,111,245</u>
TOTAL ASSETS	<u>6,551,678</u>	<u>11,661</u>	<u>6,563,339</u>
LIABILITIES			
Current Liabilities:			
Due To Other Funds	-	10,664	10,664
Accounts Payable/Deposits Payable	1,463	-	1,463
Claims/Premiums	-	524,062	524,062
Unclaimed Checks	-	2,925	2,925
Current Portion of Capital Lease Payable	79,841	-	79,841
Total Current Liabilities	<u>81,304</u>	<u>537,651</u>	<u>618,955</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	493,526	-	493,526
Total Long-Term Liabilities	<u>493,526</u>	<u>-</u>	<u>493,526</u>
TOTAL LIABILITIES	<u>574,830</u>	<u>537,651</u>	<u>1,112,481</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,537,878	-	3,537,878
Unrestricted	2,438,970	(525,990)	1,912,980
TOTAL NET ASSETS	<u>5,976,848</u>	<u>(525,990)</u>	<u>5,450,858</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,551,678</u>	<u>11,661</u>	<u>\$ 6,563,339</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
OPERATING REVENUES			
Charges for Services	\$ 900,000	-	\$ 900,000
Contributions	-	3,761,069	3,761,069
TOTAL OPERATING REVENUES ALL SOURCES	<u>900,000</u>	<u>3,761,069</u>	<u>4,661,069</u>
OPERATING EXPENSES			
Services and Charges	285,440	2,696	288,136
Claims/Premiums	-	4,098,273	4,098,273
Depreciation	793,214	-	793,214
TOTAL OPERATING EXPENSES	<u>1,078,654</u>	<u>4,100,969</u>	<u>5,179,623</u>
OPERATING INCOME (LOSS)	<u>(178,654)</u>	<u>(339,900)</u>	<u>(518,554)</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on Sale of Assets	(24,742)	-	(24,742)
Interest Expense	(22,590)	-	(22,590)
Investment Earnings	-	381	381
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(47,332)</u>	<u>381</u>	<u>(46,951)</u>
CHANGE IN NET ASSETS	<u>(225,986)</u>	<u>(339,519)</u>	<u>(565,505)</u>
NET ASSETS, Beginning of Year	<u>6,202,834</u>	<u>(186,471)</u>	<u>6,016,363</u>
TOTAL NET ASSETS, End of Year	<u>\$ 5,976,848</u>	<u>(525,990)</u>	<u>\$ 5,450,858</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2009

	EQUIPMENT REPLACEMENT	MEDICAL INSURANCE TRUST	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Services	\$ 900,000	-	\$ 900,000
Receipts from Contributions	-	3,761,069	3,761,069
Payments for Services and Charges	(340,564)	(2,696)	(343,260)
Payments for Claims/Premiums	-	(3,992,756)	(3,992,756)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>559,436</u>	<u>(234,383)</u>	<u>325,053</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers In	(124,300)	-	(124,300)
Transfers Out	-	4,330	4,330
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(124,300)</u>	<u>4,330</u>	<u>(119,970)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(341,102)	-	(341,102)
Proceeds on Sale	5,615	-	5,615
Capital Lease Payments	(77,059)	-	(77,059)
Interest Paid	(22,590)	-	(22,590)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(435,136)</u>	<u>-</u>	<u>(435,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	-	381	381
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>381</u>	<u>381</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(229,672)	(229,672)
RESTRICTED AND UNRESTRICTED			
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>241,333</u>	<u>241,333</u>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS - End of Year	<u>\$ -</u>	<u>11,661</u>	<u>\$ 11,661</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities:			
Net Operating Loss	\$ (178,654)	(339,900)	\$ (518,554)
Adjustments to Reconcile Operating Loss to Cash Provided by (Used in) Operating Activities			
Depreciation Expense	793,214	-	793,214
Change in:			
Accounts Payable	(55,124)	(409)	(55,533)
Claims/Premiums	-	104,156	104,156
Unclaimed Checks	-	1,770	1,770
Net Cash Provided by (Used in) Operating Activities	<u>\$ 559,436</u>	<u>(234,383)</u>	<u>\$ 325,053</u>
Supplemental Disclosures of Cash Flow Information			
Noncash Items:			
Depreciation Expense	\$ 793,214	-	\$ 793,214

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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, 2009

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2009</u>
ASSETS				
Other Receivables	\$ 44,801	70,414	60,393	\$ 54,822
TOTAL ASSETS	<u>44,801</u>	<u>70,414</u>	<u>60,393</u>	<u>54,822</u>
LIABILITIES				
Accounts Payable	4,778	4,756	4,778	4,756
Amounts Held for Custody for Others	40,023	64,884	54,841	50,066
TOTAL LIABILITIES	<u>\$ 44,801</u>	<u>69,640</u>	<u>59,619</u>	<u>\$ 54,822</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2009

Court Fines:

Court Fines Collected	\$ 1,248,719
Court Fines Retained by City	(546,239)
Court Fines Remitted to the State Treasurer	<u>702,480</u>

Court Assessments:

Court Assessments Collected	770,946
Court Assessments Retained by City	68,466
Court Assessments Remitted to the State Treasurer	<u>839,412</u>

Court Assessments:

Court Surcharges Remitted to State Treasurer	267,191
Court Surcharges Remitted to State Treasurer	<u>267,191</u>

Victims Services:

Court Assessments Allocated to Victims Services	54,763
Court Surcharges Allocated to Victim Services	13,703
Funds Allocated to Victims Services	<u>68,466</u>
Victim Services Expenditures	(31,700)
Funds Available for Carryforward	<u>36,766</u>

Beginning of the Year	177,092
End of the Year	<u>\$ 213,858</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.

Contents	Page
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>	121
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	127
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>	131
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>	139
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>	142

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 *	2009
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 11,380,518	24,040,173	36,111,112	50,983,377	51,634,856	48,671,539	53,074,516	\$ 53,384,024
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	4,209,971	2,130,497
Unrestricted	6,610,786	7,579,737	1,983,423	3,714,981	5,544,430	6,658,785	1,443,237	1,018,340
Total Governmental Activities Net Assets	38,432,588	41,064,573	42,045,694	58,659,536	61,966,675	59,040,661	58,727,724	56,532,861
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	10,322,974	21,122,491	20,667,619	20,814,506	20,887,730	27,110,873	17,282,372	20,908,586
Restricted	-	-	-	-	-	-	1,100,000	1,100,000
Unrestricted	3,087,700	2,301,864	2,156,531	957,532	1,074,531	1,570,474	347,749	562,885
Total Business-Type Activities Net Assets	13,410,674	23,424,355	22,824,150	21,772,038	21,962,261	28,681,347	18,730,121	22,571,471
Primary Government								
Invested in Capital Assets, Net of Related Debt	21,703,492	45,162,664	56,778,731	71,797,883	72,522,586	75,782,412	70,356,888	74,292,610
Restricted	20,441,284	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	5,309,971	3,230,497
Unrestricted	9,698,486	9,881,601	4,139,954	4,672,513	6,618,961	8,229,259	1,790,986	1,581,225
Total Primary Government Net Assets	\$ 51,843,262	64,488,928	64,869,844	80,431,574	83,928,936	87,722,008	77,457,845	\$ 79,104,332

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year						
	2003 (A)	2004	2005	2006	2007	2008	2009
Expenses							
Governmental Activities:							
Policy Formulation and Administration	\$ 3,658,130	3,659,975	2,147,426	3,376,444	4,383,247	9,011,543	\$ 5,931,181
Public Safety	12,537,589	12,268,358	12,364,117	12,704,299	12,198,601	13,118,630	13,645,106
Parks, Recreation, and Special Events	1,601,841	1,566,061	1,652,550	2,326,567	2,423,902	2,434,395	2,137,461
Community Development	1,321,263	3,348,220	6,019,523	5,063,632	2,441,514	1,677,517	2,362,617
Public Works	4,775,331	9,348,159	10,036,742	11,404,120	10,650,667	12,948,923	12,355,374
Finance and Administrative Services	3,175,722	5,874,750	249,930	225,424	3,539,901	2,441,508	2,491,167
Operating	2,937,139	1,878,675	1,124,743	1,035,138	5,578,284	4,246,284	5,066,442
Interest and Other Charges	2,307,463	1,645,958	1,738,012	1,724,908	1,707,435	1,641,700	1,563,341
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>	<u>45,552,689</u>
Business-Type Activities:							
Transit	1,199,328	1,484,837	1,773,856	1,759,885	1,755,525	1,806,189	1,927,191
Parking	478,165	995,967	1,060,901	1,063,605	992,650	985,169	1,049,102
Sanitary Sewer	970,103	1,006,352	1,046,756	983,794	1,031,238	621,073	954
Airport	1,416,294	1,621,998	1,609,275	1,540,616	1,669,122	1,936,607	1,613,828
CC Woodson	-	-	-	-	-	-	295,900
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	313,769
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>	<u>5,200,744</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>	<u>50,753,433</u>
Program Revenues							
Governmental Activities:							
Charges for Services:							
Public Safety	1,037,617	792,734	856,813	854,356	1,037,145	1,191,111	1,285,197
Parks, Recreation, and Special Events	96,334	85,147	498,030	250,129	244,783	219,537	229,714
Community Development	446,396	479,680	418,235	505,902	666,295	737,226	474,247
Public Works	1,101,491	1,095,882	1,143,193	1,195,221	1,760,990	2,230,552	3,521,417
Finance and Administrative Services	9,582,841	9,974,226	10,125,533	10,588,927	11,652,370	12,026,190	12,255,309
Operating Grants and Contributions							
Public Safety	1,080,513	869,155	979,847	955,071	1,510,345	1,886,705	957,197
Community Development	1,763,284	2,450,901	1,374,662	1,859,746	1,978,525	333,481	1,006,376
Public Works	514,137	236,464	302,031	52,181	749,816	530,695	667,390
Capital Grants and Contributions							
Parks, Recreation, and Special Events	-	-	13,648,798	-	-	-	3,642,158
Community Development	499,971	341,346	259,417	482,744	187,500	60,000	-
Public Works	-	8,103,100	843,151	3,664,155	5,124,710	3,366,293	959,063
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>	<u>24,998,068</u>
Business-Type Activities:							
Charges for Services:							
Transit	221,788	216,120	270,214	261,968	273,133	314,853	275,932
Parking	208,659	258,378	248,297	266,147	263,264	278,605	304,189
Sanitary Sewer	1,611,304	1,642,691	1,710,176	1,801,254	1,820,404	1,019,003	35,016
Airport	1,340,709	1,476,377	1,400,469	1,478,539	1,494,258	1,728,105	1,195,722
CC Woodson	-	-	-	-	-	-	17,938
Operating Grants and Contributions							
Transit	359,154	848,151	712,806	803,453	783,505	880,601	1,236,057
Airport	30,730	32,715	-	3,291	373,844	607,099	338,229
Capital Grants and Contributions							
CC Woodson	-	-	-	-	-	-	2,150,000
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>	<u>5,553,083</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>	<u>\$ 30,551,151</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	2009
Net (Expense)/Revenue							
Governmental Activities	\$(16,191,894)	(15,161,521)	(4,883,333)	(17,452,100)	(18,011,072)	(24,938,710)	\$(20,554,621)
Business-Type Activities	(291,546)	(634,722)	(1,148,826)	(733,248)	(440,127)	(520,772)	352,339
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>	<u>(20,202,282)</u>
General Revenues and Other Changes in Net Assets							
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	13,483,193
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	2,048,264
Motor Vehicle Taxes	1,306,156	1,252,501	1,377,475	1,161,207	1,184,182	1,161,680	977,093
Hospitality Taxes	2,423,027	2,554,822	2,885,187	3,011,080	3,290,344	3,497,438	3,423,105
Other Taxes	760,947	825,301	821,351	830,608	825,297	826,975	807,585
Intergovernmental Revenue - Unrestricted	1,277,357	1,053,447	1,064,374	1,217,526	1,140,963	1,273,314	1,273,314
Unrestricted Investment Earnings	432,012	178,864	160,281	379,126	441,941	322,073	109,092
Miscellaneous	76,738	167,648	886,101	894,831	375,682	2,200,286	449,662
Grants/Contributions Not Restricted to Specific Program	221,360	841,005	1,047,194	377,552	504,731	426,450	617,505
Gains (Loss) on Disposal/Sale of Capital Assets	225,844	21,504	89,124	37,826	915,231	64,850	11,148
Special Item - Impairment of Asset **	-	-	-	-	-	-	(1,425,841)
Transfers	(500,305)	(15,476)	(40,773)	(324,821)	(560,459)	(204,258)	(3,414,362)
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>	<u>18,359,758</u>
Business-Type Activities:							
Investment Income	20,219	27,609	30,941	59,808	127,121	131,693	74,649
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	3,414,362
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>	<u>3,489,011</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>	<u>21,848,769</u>
Change in Net Assets:							
Governmental Activities	1,985,428	1,134,521	15,686,333	3,877,650	4,679,788	(312,937)	(2,194,863)
Business-Type Activities	12,944,541	(600,205)	(1,052,112)	(338,464)	275,794	(9,951,226)	3,841,350
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>	<u>\$ 1,646,487</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.

** In 2009, City Council approved the demolition of the old CC Woodson community center. The City wrote down the capital asset to its fair value.

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 239,111	260,900	-	-	74,844	77,267	97,446	94,826	95,441	\$ 84,409
Unreserved	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	4,044,591
Total General Fund	4,864,264	5,873,117	5,910,918	5,667,326	5,549,403	5,672,625	5,000,678	4,942,338	4,870,967	4,129,000
All Other Governmental Funds										
Reserved, Reported In:										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	318,062
Capital Projects Funds	-	(8,754,853)	-	-	-	-	470,675	462,243	163,542	165,086
Debt Service Funds	-	-	-	-	-	15,668	37,382	41,468	262,145	358,412
Unreserved, Reported In:										
Special Revenue Funds	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	1,111,729
Capital Projects Funds	(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	2,415,584
Debt Service Funds	(1,700,970)	-	802,014	506,992	(47,159)	476,049	826,517	192,628	928,763	830,502
Total All Other Governmental Funds	\$ (1,771,239)	(6,041,709)	20,838,300	9,224,930	3,330,675	6,291,066	7,497,624	7,040,305	6,973,824	\$ 5,199,375

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 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	\$ 20,258,175
Fees, Licenses and Permits	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	12,571,179
Fines and Forfeitures	743,012	698,163	577,438	571,785	477,550	470,104	469,367	552,608	566,601	548,396
State Government Contributions	899,688	997,043	11,392,171	1,015,135	396,125	796,914	3,402,406	2,510,496	1,535,012	552,757
Federal Government Contributions	3,787,341	2,159,192	1,799,257	2,680,233	3,379,930	2,092,420	2,953,786	2,324,035	1,569,560	1,833,615
Intergovernmental Revenue	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	4,608,818
Charges for Services	1,134,864	1,161,767	971,968	617,498	452,869	557,621	650,044	658,605	921,596	2,037,283
Investment Earnings	333,145	607,004	250,527	367,779	146,081	91,581	227,427	261,269	167,550	63,889
Confiscated Drug Funds	31,563	-	18,191	17,225	2,443	24,358	41,265	90,732	74,020	20,236
Donations	150,000	1,222,608	19,443	38,720	155,431	833,473	275,000	438,482	393,000	507,500
Ground Lease Rent	-	-	-	-	-	200,000	200,000	-	400,000	200,000
Other	5,075,168	820,656	858,160	629,619	842,361	1,313,054	1,373,497	1,011,336	2,217,240	1,235,719
Total Revenues	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	44,437,567
Expenditures										
Current:										
Policy Formulation and Administration	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	5,807,254
Public Safety	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	12,921,842
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	1,989,003
Community Development	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	2,108,556
Public Works	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	8,055,305
Finance and Administrative Services	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	2,466,170
Operating	3,621,007	2,417,880	-	3,434,581	4,968,699	3,084,983	3,322,576	5,578,284	4,246,284	5,066,442
Capital Outlay	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	3,376,908
Debt Service:										
Principal Retirement	535,210	779,642	2,330,000	785,000	1,015,000	1,060,000	1,480,000	1,595,000	1,970,000	2,060,000
Interest	248,842	984,603	765,625	1,767,601	1,698,039	1,654,964	1,694,429	1,657,096	1,586,260	1,510,319
Other	40,620	60,005	12,304	11,440	26,181	10,266	22,621	41,143	50,116	51,662
Total Expenditures	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	45,413,461
Excess of Revenues Over (Under) Expenditures	\$ (3,321,362)	(10,954,424)	(2,885,361)	(14,882,554)	(6,168,298)	(45,714)	(568,787)	(8,656)	63,298	\$ (975,894)

(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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other Financing Sources (Uses)										
Transfers In	\$ 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	\$ 5,413,774
Transfers Out	(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)	(7,007,964)
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	-	-	-	216,695	24,660	13,500	957,544	1,050,000	3,108	53,668
Total Other Financing Sources (Uses)	(194,326)	7,824,583	29,603,205	3,214,994	(329,291)	3,282,727	632,723	(74,363)	(201,150)	(1,540,522)
Net Change in Fund Balances	(3,515,688)	(3,129,841)	26,717,844	(11,667,560)	(6,497,589)	3,237,013	63,936	(83,019)	(137,852)	(2,516,416)
Capital Asset Expenditures	\$ 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	\$ 1,040,378
Debt Service as a Percentage of Noncapital Expenditures	2.8%	6.4%	10.2%	8.2%	8.6%	8.5%	9.4%	8.5%	8.4%	8.2%

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

CITY OF SPARTANBURG, SOUTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2000	\$ 71,120,226	15,639,278	15,260,682	10,742,860	1,075,830	111,687,216	97.0	\$ 1,544,795,176	7.2%
2001	72,361,898	13,542,750	14,600,737	9,740,860	602,280	109,643,965	97.0	1,605,542,184	6.8%
2002	72,798,350	14,011,487	12,706,200	9,599,640	580,150	108,535,527	97.0	1,673,507,851	6.5%
2003	73,051,827	13,033,872	12,408,400	9,839,470	614,560	107,719,009	97.0	1,680,508,153	6.4%
2004	85,502,681	11,499,907	11,776,390	9,428,879	373,550	117,834,307	93.3	1,734,387,856	6.8%
2005	89,880,352	11,829,610	10,523,950	9,884,170	489,980	121,628,102	93.3	1,970,270,358	6.2%
2006	92,507,837	12,593,887	9,949,980	9,940,370	362,070	124,630,004	103.2	2,092,996,381	6.0%
2007	95,424,660	10,884,336	9,035,780	11,156,290	383,190	126,117,876	103.2	2,223,308,433	5.7%
2008	94,244,700	11,146,386	8,972,580	10,854,905	202,790	125,015,781	104.7	2,260,486,536	5.5%
2009	\$ 109,316,471	10,012,944	9,553,340	10,585,064	201,590	139,266,229	101.0	\$ 2,481,498,427	5.6%

Source: Spartanburg County Assessor & Auditor's Office

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

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates:										
Basic Rate	94.80	97.00	97.00	97.00	93.30	93.30	103.20	103.20	104.70	101.00
Debt Service	2.20	0.00	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	93.30	93.30	103.20	103.20	104.70	101.00
County Rates:										
Spartanburg County	69.20	69.80	69.80	69.40	66.20	68.70	65.10	64.80	70.00	68.40
School District Rates:										
School District #7	213.60	213.60	215.10	215.20	214.70	214.90	215.50	215.50	229.50	227.20
Sewer District Rates:										
Spartanburg Sewer District	5.20	5.20	5.20	8.00	7.70	8.20	8.20	8.20	8.20	7.50

Source: Spartanburg County Tax Auditor's Office

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

CITY OF SPARTANBURG, SOUTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Corp	\$ 24,641,910	1	17.7%	\$ 3,637,360	1	3.3%
Bellsouth Telecommunications	9,082,050	2	6.5%	3,283,210	2	2.9%
Mary Black Health System	4,174,600	3	3.0%			
Sew Eurodrive Inc	3,661,819	4	2.6%			
Yeomans Charles L III et al	3,403,290	5	2.4%	1,719,600	4	1.5%
Tietex International LTD	2,812,880	6	2.0%			
Transcontinental Gas Pipeline	2,716,170	7	2.0%			
Norfolk Southern Corp	2,647,650	8	1.9%			
Piedmont Natural Gas Co Inc	2,625,680	9	1.9%	1,510,828	5	1.4%
Inland Western Spartanburg	2,610,630	10	1.9%			
Spartan Mills	-			3,167,780	3	2.8%
Spartanburg Market Square	-			1,140,360	6	1.0%
MFDC Equipment Corp.	-			1,092,600	7	1.0%
Spartanburg Realty Inc	-			739,210	8	0.7%
Dillard's Dept Stores	-			687,620	9	0.6%
Margaret H. Yeomans	-			660,000	10	0.6%
Totals	\$ 58,376,679		41.9%	\$ 17,638,568		15.8%

Source: Spartanburg County Tax Auditor's Office

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Original Tax Levy for Fiscal Year		Adjustments to Original Tax Levy for Fiscal Year		Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2009	\$ 14,515,041		449,151		14,065,889	12,600,853	89.6%	914,683	\$ 13,515,536	96.1%

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	Promissory Notes			
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	5.2%	934
2009	\$ -	29,250,000	573,367	630,000	3,270,000	20,600,000	54,323,367	6.2%	\$ 1,420

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

CITY OF SPARTANBURG, SOUTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2009	\$ 630,000	N/A	630,000	0.0%	\$ 16

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

CITY OF SPARTANBURG, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2009

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
County:			
General County Purpose	\$ 26,550,000	13.0%	\$ 3,451,500
School District:			
School District 7	52,717,595	83.0%	43,755,604
School District 6	11,265,000	17.0%	1,915,050
Sewer District:			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 27,320,000	45.0%	12,294,000
Subtotal, Overlapping Debt			<u>61,416,154</u>
City of Spartanburg Direct Debt (1)			<u>29,250,000</u>
Total Direct and Overlapping Debt			<u>\$ 90,666,154</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 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	\$ 11,502,078
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	630,000
Legal Debt Margin	\$ 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	\$ 10,872,078
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	45.4%	96.9%	0.0%	18.7%	15.5%	13.4%	11.4%	10.3%	7.9%	5.5%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value*	\$ 139,266,229
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	<u>143,775,969</u>
Debt Limit (8% of Total Assessed Value)	11,502,078
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	630,000
Total Amount of Debt Applicable to Debt Limit	<u>630,000</u>
Legal Debt Margin	<u>\$ 10,872,078</u>

Source: *Spartanburg County Auditor's Office

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

CITY OF SPARTANBURG, SOUTH CAROLINA

PLEDGED 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 Principal	Debt Service Interest	Coverage	Tax Increment Funds	Less: Operating Expenses	Net Available Revenue	Coverage	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	
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
2001	N/A	N/A	N/A	N/A	492,128	N/A	492,128	0.56	355,000	520,436	520,436	355,000	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	493,382	N/A	493,382	0.58	330,000	520,285	520,285	330,000	N/A	N/A	N/A
2003	\$ 2,458,508	290,000	518,284	3.04	641,294	N/A	641,294	0.46	495,000	887,969	887,969	495,000	\$ 389,812	2.23	
2004	2,595,537	355,000	280,300	4.09	819,316	N/A	819,316	0.53	660,000	899,264	899,264	660,000	499,316	1.48	
2005	2,931,030	365,000	567,875	3.14	2,481,221	N/A	2,481,221	1.59	695,000	868,614	868,614	695,000	493,544	1.65	
2006	3,160,111	515,000	641,750	2.73	2,611,392	N/A	2,611,392	1.45	925,000	835,329	835,329	925,000	485,304	1.80	
2007	3,400,824	570,000	649,432	2.79	1,692,322	N/A	1,692,322	0.96	965,000	791,419	791,419	965,000	475,071	1.42	
2008	3,530,454	595,000	627,731	2.89	3,131,220	N/A	3,131,220	1.78	1,015,000	744,455	744,455	1,015,000	462,424	1.30	
2009	\$ 3,375,863	620,000	605,059	2.76	2,260,476	N/A	2,260,476	1.28	1,070,000	693,785	693,785	1,070,000	\$ 381,407	0.50	

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

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

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

N/A: Not Applicable.

CITY OF SPARTANBURG, SOUTH CAROLINA

SECURITY FOR THE SERIES 2000 BONDS

FRANCHISE FEES AND COMMISSION OF PUBLIC WORKS PAYMENTS

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>Franchise Fees</u>	<u>CPW Payments</u>	<u>Totals</u>
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	1,534,833	4,098,501
2009	\$ 3,065,687	1,400,000	\$ 4,465,687

Corrections: In 2008, CPW Payments were incorrectly stated as \$1,669,153 and Totals were incorrectly stated as \$4,232,821.

CITY OF SPARTANBURG, SOUTH CAROLINA

MILLAGE RATE FOR THE BROAD STREET DEVELOPMENT AREA

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Total Initial Equalized Assessed Value	Total Equalized Assessed Value	Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value	Total Millage Rate	Incremental Tax Revenues	(1) Franchise Fees Received	Total Incremental Tax Revenues and Franchise Fees
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	4,098,501	5,710,843
2009	\$ 1,176,998	5,535,105	4,358,107	404	1,789,284	4,465,687	\$ 6,254,971

(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

Fiscal Year	Total Initial Equalized Assessed Value	Total Equalized Assessed Value	Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value	Total Millage Rate	Incremental Tax Revenues	Franchise Fees Received	Total Incremental Tax Revenues and Franchise Fees
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	4,098,501	5,215,019
2009	\$ 657,060	1,686,429	1,029,369	404	270,019	4,465,687	\$ 4,735,706

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

Fiscal Year Ended June 30	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
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%
2009	38,248	\$ 874,234,536	\$ 22,857	33.7	7,290	10.0%

Data Sources:

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

CITY OF SPARTANBURG, SOUTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2009			2000 (A)		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Spartanburg Regional	5,544	1	14.49%			
Spartanburg County	1,400	2	3.66%			
Spartanburg School District #7	1,259	3	3.29%			
Wal-Mart	754	4	1.97%			
City of Spartanburg	506	5	1.32%			
Denny's	400	6	1.05%			
Wofford College	396	7	1.04%			
Advance America	325	8	0.85%			
QSI Data Systems	300	9	0.78%			
Converse College	205	10	0.54%			
Totals	11,089		28.99%	-		-

Source: City of Spartanburg Economic Development Division

Note A: Detailed information was not available for 2000.

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY VALUE AND CONSTRUCTION

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Number of Units	Commercial Building Permit Value (A)	Number of Units	Residential Building Permit Value (A)	Commercial	Residential
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
2009	41	\$ 29,344,493	37	5,625,034	1,266,018,124	\$ 940,342,638

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities										
Finance and Administrative Services	15	15	14	14	14	14	13	12	10	12
Community Development	39	34	40	43	42	40	41	43	44	41
Parks, Recreation, and Special Events	-	4	4	8	8	22	20	23	24	23
Policy Formulation and Administration	36	35	34	36	36	36	39	40	38	40
Public Safety	228	219	216	233	231	213	214	217	217	215
Public Works	106	93	105	106	96	108	104	103	115	107
Business-Type Activities										
Parking Enterprise	-	-	-	1	1	1	1	3	3	2
Airport	9	9	9	9	9	9	9	9	11	9
Sewer	12	15	13	13	12	11	12	10	-	-
Total	445	424	435	463	449	454	453	460	462	449

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	2009	
Finance and Administrative Services										
Business Licenses Issued	4,539	4,587	4,594	4,800	5,481	5,530	5,954	5,517	5,330	
Courtesy Summons Issued	601	621	522	790	1,206	1,023	976	826	824	
Community Development										
Building Permits Issued	2,913	2,841	2,841	4,505	3,921	4,061	4,220	4,227	2,929	
Building Inspections Conducted	8,557	7,302	6,020	7,936	7,636	7,475	7,513	7,667	5,846	
Policy Formulation and Management										
Judicial Cases	15,328	14,673	14,526	13,202	12,223	14,334	14,683	14,797	13,822	
Public Safety - Police										
Calls for Service	71,890	72,837	72,424	76,938	75,218	76,766	76,312	62,563	62,470	
Physical Arrests	5,530	4,992	4,262	4,476	4,801	4,615	5,645	3,804	3,757	
Traffic Violations	10,769	9,672	11,278	9,370	9,742	12,004	12,082	11,434	11,597	
Public Safety - Fire										
Emergency Responses	2,024	2,155	2,210	2,107	2,140	2,242	2,172	2,031	2,228	
Fires Extinguished	370	411	319	371	323	345	301	328	347	
Inspections	2,171	2,361	2,864	3,574	3,140	3,325	2,556	3,863	3,085	
Public Works										
Roads Maintained	160	162	168	170	171	171	173	173	173	
Collection/Refuse Trucks	30,032	29,322	19,415	11,971	12,795	11,100	11,260	10,924	10,581	
Transit										
Passengers per Year	534,535	517,678	475,610	481,530	500,942	542,000	547,418	534,688	534,599	
Parking										
Garages	1	2	3	3	3	3	3	3	3	
Parking Lots	4	4	4	4	4	5	5	5	5	
Total Public Spaces	919	1,577	2,131	2,131	2,131	2,261	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	162,360	
Hours of Aircraft Maintenance	1,218	2,377	2,012	2,609	2,306	1,784	1,659	1,455	898	

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	2009	
Community Development										
Traffic Signals	100	100	100	100	102	107	123	123	123	123
Public Safety - Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	84	84	84	84	84	84	86	86	86	80
Public Safety - Fire										
Fire Station	5	5	5	5	5	5	5	5	5	5
Fire Trucks	12	12	12	12	12	12	12	12	12	12
Public Works										
Streets (in Miles)	160	162	168	170	170	171	173	173	173	173
Collection/Refuse Trucks	39	39	39	39	39	39	38	37	34	34
Parks and Recreation*										
Parks Acreage	-	-	-	-	336	300	300	278	278	278
Parks	-	-	-	-	44	24	24	20	21	21
Ball fields	-	-	-	-	10	10	10	10	10	10
Swimming Pools	-	-	-	-	3	2	2	2	2	2
Community Centers	-	-	-	-	4	4	4	4	4	4
Solid Waste										
Collection/Refuse Trucks	39	39	39	39	39	39	38	37	34	34
Transit										
Passenger Buses	11	11	11	11	11	11	11	11	11	11
Parking										
Garages	1	2	3	3	3	3	3	3	3	3
Airport										
Community Hangars	4	4	4	4	4	4	4	4	4	4
Maintenance Hangars	1	1	1	1	1	1	1	1	1	1
T-Hangars	30	30	30	30	30	30	30	30	30	30

Sources: Various City departments.

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

Program	CFDA Number	Grant / Contract Number	Expenditures
DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			
Direct:			
CDBG Entitlement Grant, 32st	14.218	B-05-MC-45-0004	\$ 274,560
CDBG Entitlement Grant, 33st	14.218	B-05-MC-45-0004	533,746
		Subtotal 14.218	808,306
Hope VI	14.866	N/A	800,000
Home Program Year 2001	14.239	MC-01-45-0207	4,934
Home Program Year 2006	14.239	MC-05-45-0207	23,949
Home Program Year 2007	14.239	MC-05-45-0207	154,102
Home Program Year 2008	14.239	MC-05-45-0207	161,954
		Subtotal 14.239	344,939
Total Department of Housing / Urban Development			1,953,245
DEPARTMENT OF JUSTICE			
Direct:			
Secure Our Schools	16.710	2004-CK-WX-0495	16,980
Secure Our Schools	16.710	2006-CK-WX-0495	4,935
Secure Our Schools	16.710	2009-CK-WX-0495	47,860
Cops 2008 Universal Hiring Program	16.710	2008-UM-WX-0013	25,286
		Subtotal 16.710	95,061
Justice Assistance Grant	16.738	2005-DJ-BX-0340	5,376
Justice Assistance Grant	16.738	2008-DJ-BX-0505	12,054
		Subtotal 16.738	17,430
VAWA / Supplement	16.590	2005-WE-AX-0046	217,448
Bulletproof Vest Partnership	16.607	3016139	2,019
Weed & Seed	16.595	2006-WS-Q5-0155	28,875
Weed & Seed	16.595	2005-WS-Q5-0234	48,687
Weed & Seed	16.595	2005-WS-Q5-0058	89,091
		Subtotal 16.595	166,653
Pass Through SC Department of Public Safety:			
Law Enforcement to Assist Victims	16.588	1V06096	37,053
Spartanburg Project Saft Neighborhoods	16.609	1P07003	49,797
Spartanburg Project Saft Neighborhoods	16.609	1P07003	14,763
		Subtotal 16.609	\$ 64,560

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

Program	CFDA Number	Grant / Contract Number	Expenditures
DEPARTMENT OF JUSTICE (CONTINUED)			
Spartanburg Department of Public Safety Gang Investigator	16.738	1G07065	\$ 33,385
Spartanburg Alternatives to Detention	16.540	1J004019	
Spartanburg Alternatives to Detention	16.540	1J06002	73,345
Southside Prevention & Intervention	16.540	1J03010	7,562
Southside Prevention & Intervention	16.540	1J03010	22,456
		Subtotal 16.540	<u>103,363</u>
National Institute of Justice	16.742	2008-CD-BX-0058	34,940
SPSD Traffic Enforcement	20.600	2H08020	11,770
SPSD Traffic Enforcement	20.600	2H09020	31,634
		Subtotal 20.600	<u>43,404</u>
Total U.S. Department of Justice			<u>815,316</u>
Direct:			
Bureau of Alcohol, Tobacco and Firearms:			
Gang Resistance Education and Training	16.737	2007-JV-FX-0163	14,195
Gang Resistance Education and Training	16.737	2007-JV-FX-0021	18,239
		Subtotal 16.737	<u>32,434</u>
Total Department of Justice			<u>847,750</u>
US Environmental Protection Agency			
Brownfield Grant	66.818	BF-95409108-0	946
Total US Environmental Protection Agency			<u>946</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Drug-Free Communities	93.276	5H79SP12354-05	30,398
Drug-Free Communities	93.276	2H79SP012354-06	70,960
		Subtotal 93.276	<u>101,358</u>
Total Department of Health and Human Services			<u>101,358</u>
DEPARTMENT OF TRANSPORTATION			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)	20.106	3-45-0051-12	226,591
Airport Improvement Program (AIP)	20.106	3-45-0051-13	21,171
		Subtotal 20.106	<u>\$ 247,762</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

Program	CFDA Number	Grant / Contract Number	Expenditures
DEPARTMENT OF TRANSPORTATION (CONTINUED)			
Federal Transit Administration:			
Operating Assistance	20.507	SC-90-X166-00	\$ 13,549
Operating Assistance	20.507	SC-90-X207-00	28,902
Operating Assistance	20.507	SC-90-X217-00	606,106
		Subtotal 20.507	<u>648,557</u>
Pass Through FHWA and SC Department of Highways:			
Urban Youth Corps - Summer 2007 Project	20.205	STP-URYC	17,862
		Subtotal 20.205	<u>17,862</u>
Total Department of Transportation			<u>914,181</u>
GRAND TOTALS			<u>\$ 3,817,480</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, 2009

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, 2009. 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2010. 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 2009-1, 2009-2, and 2009-3, 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 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 items 2009-1 and 2009-3 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-4.

We noted certain matters that we reported to the management of the City in a separate letter dated January 29, 2010.

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
January 29, 2010

**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, 2009. 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, 2009.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity’s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2009-5 to be a material weakness.

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

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
January 29, 2010

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.218	Community Development Block Grant - Entitlement Grant
14.866	Hope VI
20.106	Federal Aviation Administration - Airport Improvement Program
20.507	Federal Transit Administration - Operating Assistance

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, 2009

Section II – Findings – Current Year Financial Statements Audit

2009-1: INTERNAL CONTROLS OVER FINANCIAL REPORTING PROCESS

Condition: During 2009, the City entered into numerous complicated accounting transactions (i.e. new market tax credits, derivatives, impairment, etc.) for which the City did not have adequate internal controls (experience and expertise with transactions of this nature) that would allow for the City to prevent or detect material misstatements in its financial statements. The City demonstrated a strong understanding of the transactions, but did not have sufficient accounting experience in this area to ensure the transactions were recorded properly under generally accepted accounting principles. Due to these accounting complexities, the City has chosen to use its external independent auditors as its internal control for the financial reporting process related to these complex accounting transactions.

Criteria: The City should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements from the day-to-day transactions all the way to the reporting of those transactions in the annual financial statements.

Effect: There is a higher risk that material misstatements in the financial statements will go undetected.

Cause: The complexities of the transactions involved and the limited resources available at the City.

Recommendation: The City should continue to consider the complexities of transactions being consummated as well as cost/benefit factors related to providing adequate internal controls over its financial reporting process (i.e. by providing the expertise in-house, by a independent third party, or by use of the independent auditors).

Response: The accounting transactions surrounding the new market tax credits (CC Woodson, LLC and the Spartanburg Parking Facilities Corporation) were complex transactions not typically found in municipal governments. Extensive effort on the part of Finance was taken to understand and properly record these transactions; however, due to the unique nature of these transactions it was necessary to involve our external auditors to ensure the accounting was done in accordance with generally accepted accounting principles. We believe this was the most efficient and cost effect manner to ensure the City’s financial statements were materially correct.

2009-2: NON-PAYROLL CASH DISBURSEMENTS

Condition: We noted that the City did not have the necessary documentation of approvals for several non-payroll cash disbursements as required by the City’s procurement policy.

Criteria: The City needs to follow its procurement policy regarding disbursements in order to reduce the risk of fraud and error.

Cause: Several department heads incorrectly delegated approval authority to parties not authorized in the procurement policy.

Effect: The City was not in compliance with its own procurement policy.

Recommendation: The City needs to be more diligent in following its procurement policy to ensure that disbursements are only made once properly approved.

Response: The City updated its procurement policy to authorize department heads to delegate authority to approve disbursements with the City Manager’s approval.

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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

2009-3: INTERNAL CONTROLS OVER FEDERAL GRANTS/AWARDS

- Condition:** The City enters into numerous federal, state, and local grant agreements (“Agreements”) whereby the City will receive full or partial funding for various City projects. These Agreements are consummated by various departments within the City and are not always fully known by the Finance department of the City. In addition, some of the monies being received from these Agreements are federal funds and are subject to significant compliance requirements for which not all of the departments within the City are fully aware.
- Condition:** During the course of the audit several significant changes were made to the schedule of expenditures of federal awards.
- Criteria:** The City should have in place adequate internal controls to ensure all federal grants are tracked properly and included on the schedule of federal awards (“SEFA”).
- Cause:** The City’s does not have adequate procedures in place to ensure all federal awards are tracked properly.
- Effect:** The City’s schedule of federal awards could be misstated.
- Recommendation:** The City needs to develop a stronger internal control process over these Agreements so that all departments are fully aware of the financial and compliance requirements associated with them and to ensure that all federal awards are properly included on the City’s SEFA.
- Response:** The City is considering ways of providing more resources to grant administration.
-

2009-4: NONCOMPLIANCE WITH LAWS AND REGULATIONS

- Condition:** The City’s bank received a significant wire transfer on the last day of the fiscal year. Although the City’s staff had notified the bank in advance to prepare for the wire transfer, the bank did not provide collateral until the next business day. Therefore, the City had one bank account that was under collateralized by approximately \$2.0 million at June 30, 2009 (for one day).
- Criteria:** The City should have in place adequate internal controls to ensure proper collateralization of deposits occurs on a timely basis to comply with state law.
- Cause:** A significant wire transfer from the MASC was received by the City’s bank on June 30, 2009 – for which the bank was unable to provide sufficient collateral until the next business day.
- Effect:** The City was not fully collateralized at June 30, 2009.
- Recommendation:** We would recommend that the City continue to contact (a) the bank to remind them to provide sufficient collateral for unexpected transfers and (b) the MASC and direct them to not submit wire transfers to the City on or near the last day of the year (as this does not provide the bank adequate time to provide sufficient collateral).
- Response:** As noted above, the City had notified the bank of the needed collateralization requirements; however, the bank failed to provide sufficient collateral on June 30th when the large wire deposit was received into our account. The next business day the bank did obtain the necessary collateral. In the future, City staff will follow up to be sure that funds are properly collateralized by the financial institution.

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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

Major Program

QUESTIONED COSTS

Federal Agency: US Department of Transportation
Direct Program
Operating and Capital Assistance – CFDA # 20.507

Less than \$10,000

2009-5: SIGNIFICANT DEFICIENCY RELATED TO INTERNAL CONTROLS OVER ALLOWABLE COSTS FOR TRANSIT EXPENDITURES

- Condition:** During our single audit testing of Transit non-payroll expenditures, it was noted that several non-reimbursable expenditures were incorrectly recorded to reimbursable grant expenditure accounts. As a result of this error, an immaterial amount (less than \$10,000) was incorrectly submitted to the Department of Transportation for reimbursement.
- Criteria:** The City should have adequate internal controls over disbursements to ensure that all expenditures are properly recorded to the appropriate account.
- Cause:** Expense coding was not properly reviewed.
- Effect:** The City submitted for federal reimbursement non-reimbursable expenses.
- Recommendation:** The City should consider strengthening its internal controls over the review and approval of expenditures to ensure that disbursements are properly recorded to the appropriate account.
- Response:** The Finance Director is now responsible for approving all Transit invoices.

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2009

FINDINGS – PRIOR YEAR FINANCIAL STATEMENTS

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



