

# Comprehensive Annual Financial Report



Fiscal Year Ended  
June 30, 2010

2010 photo of the CC Woodson Community Center by Sonya Culbreth.  
Cover layout by the City's Finance staff.

# **Comprehensive Annual Financial Report**

**City of Spartanburg, South Carolina**

For the Fiscal Year Ended June 30, 2010

Prepared by the City's Finance Division



CITY OF SPARTANBURG, SOUTH CAROLINA

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www.cityofspartanburg.org

# CITY OF SPARTANBURG FINANCE

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December 17, 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, 2010. 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, 2010

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, 2010 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, 2010 are fairly presented in conformity with GAAP. The independent auditors' report is presented in the Financial Section of this report.

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

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

## **Profile of the Government**

Spartanburg, South Carolina is located near the foothills of the beautiful Blue Ridge Mountains. The mild climate, with its four distinct seasons, provides fine weather for outdoor activities year around. The City of approximately 40,000, which is part of a county of approximately 275,000, is conveniently situated at the junction of I-26 and I-85. Spartanburg is known for its beauty, quality of life and friendly people. The area of the City covers approximately 20 square miles. Although the City is restricted in its ability to expand, it draws on a population of nearly 750,000 within a 30-mile radius of its location.

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

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

## **Budget Process**

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this detailed comparison is presented beginning on page 89, 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 QS1/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 opened the George Dean Johnson, Jr. College of Business and Economics on St. John Street next to the Chapman Cultural Center and Barnet Park. The new prominently located state of the art academic building brings has significantly increased activity downtown. A new, \$10.1 million parking garage with 750-spaces is also opened in June 2010 on St. John Street to serve the college, Chapman Cultural Center, Barnet Park, and future development in the Renaissance Park area.

In June 2009 City Council authorized a \$2 million infrastructure project involved extending Liberty Street through from St. John Street to Daniel Morgan Avenue, extending Silver Hill Street to connect through to the Marriott Hotel and Conference Center, and installing storm water drainage infrastructure for all of the adjacent future development sites. This project created a functional and attractive connection of Barnet Park, the Chapman Cultural Center, "The George," the St. John Street Parking Garage and the Marriott Hotel and Conference Center. In addition, the infrastructure allows the City to now market as fully development-ready seven (7) city-owned development sites in the area comprising a total of 9.6 acres in the location with such a unique and appealing set of amenities. The City intends to leverage the marketing and sale of these sites in the coming years to further strengthen the local economy. Also in the past year, ground was broken on the Edward Via College of Osteopathic Medicine campus in downtown Spartanburg. Made possible through partnerships with Wofford College and Spartanburg Regional Healthcare System, the 65,000 square foot medical school will serve 600 future doctors annually. In addition to the positive impact of the students, faculty, and other employee, the school strategic location on the north side of downtown will inject new life and vitality into an area of the city poised for very positive redevelopment.

The City's economy is likely to be further strengthened by investments taking place at the City owned Spartanburg Downtown Airport. A renovation and expansion is underway of the historic terminal building. Coupled with 16 new hangers, the facility is being positioned to support its growing general aviation activity which will make the city a more attractive business environment.

More than \$2.27 billion was recorded in gross business sales for 2009 - 2010, and the valuation of building permits exceeded \$65 million.

### **Financial Policies and Practices**

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

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

Although the recent recession has had an adverse affect on City revenues, the city has maintained structural balance by becoming leaner and more efficient over the last several years. We were able to maintain this structural balance while avoiding temporary saving measures and crisis-driven service reductions, through the proactive efficiency measures implemented in the prior two years that resulted in forty (40) fewer full time employees without reductions in service levels.

The City is nearing completion of a substantial wave of capital investment. In addition to the projects discussed above, the \$1.2 million Barnet Park Phase II is now complete, the \$7 million CC Woodson Community Recreation Center is now open, the multimillion dollar remediation of the Arkwright Dump is nearly underway, and improvements to Stewart Park are in final design. (The successful management of these projects resulted in a substantial one-time contribution to our unreserved fund balance.)

At a planning retreat in January 2010, City staff outlined five fiscal challenges to receive attention over the next several years. Those challenges and our progress is described below.

- **Storm Water Infrastructure:** With the FY11 budget, the City established a storm water utility fund supported by a new user fee. In addition to creating a new \$1.8 million revenue stream, this enabled the shift of storm water costs out of the general fund.
- **Underfunded Legacy Pension System:** This year Council endorsed a disciplined strategy to fully meet the responsibilities associated with our underfunded legacy pension system. Annual contribution to the pension fund was increased by \$400,000.

- **Arkwright Dump Remediation:** A design concept has been approved by regulatory authorities, project financing has been secured, and the project will be under contract soon.
- **Transit System Subsidies:** New contracts are in place to contain costs and a rigorous community-wide process is underway to restructure and redesign transit services in and around the city which should enable the city to make informed decisions about costs and services levels in future years.
- **City Building Facilities;** A number of upgrades were initiating to improve the operating efficiency of the city's buildings, two dysfunctional buildings have been demolished, and a comprehensive third-party assessment and capital planning process will begin in the first quarter of 2011.

Combined, these activities have placed the city on sound financial footing for the next several years.

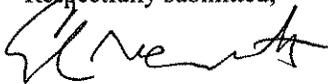
**Acknowledgements**

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

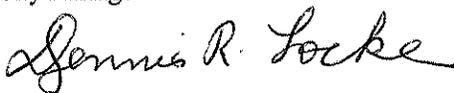
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Spartanburg for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the 17<sup>th</sup> consecutive year that the City of Spartanburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

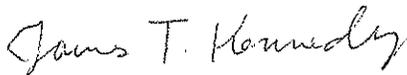
Respectfully submitted,



Ed Memmott  
City Manager



Dennis R. Locke, CGFO  
Finance Director



James T. Kennedy II, CPA  
Budget & Accounting Director



## **CITY COUNCIL**

**Junie White, Mayor**

**Robert Reeder, Mayor Pro Tem**

**Renee Cariveau, Councilmember**  
**Linda Dogan, Councilmember**  
**Cate Brandt Ryba, Councilmember**  
**Joe D. Spigner, Councilmember**  
**Jerome Rice, Jr., Councilmember**

## **APPOINTED OFFICIALS**

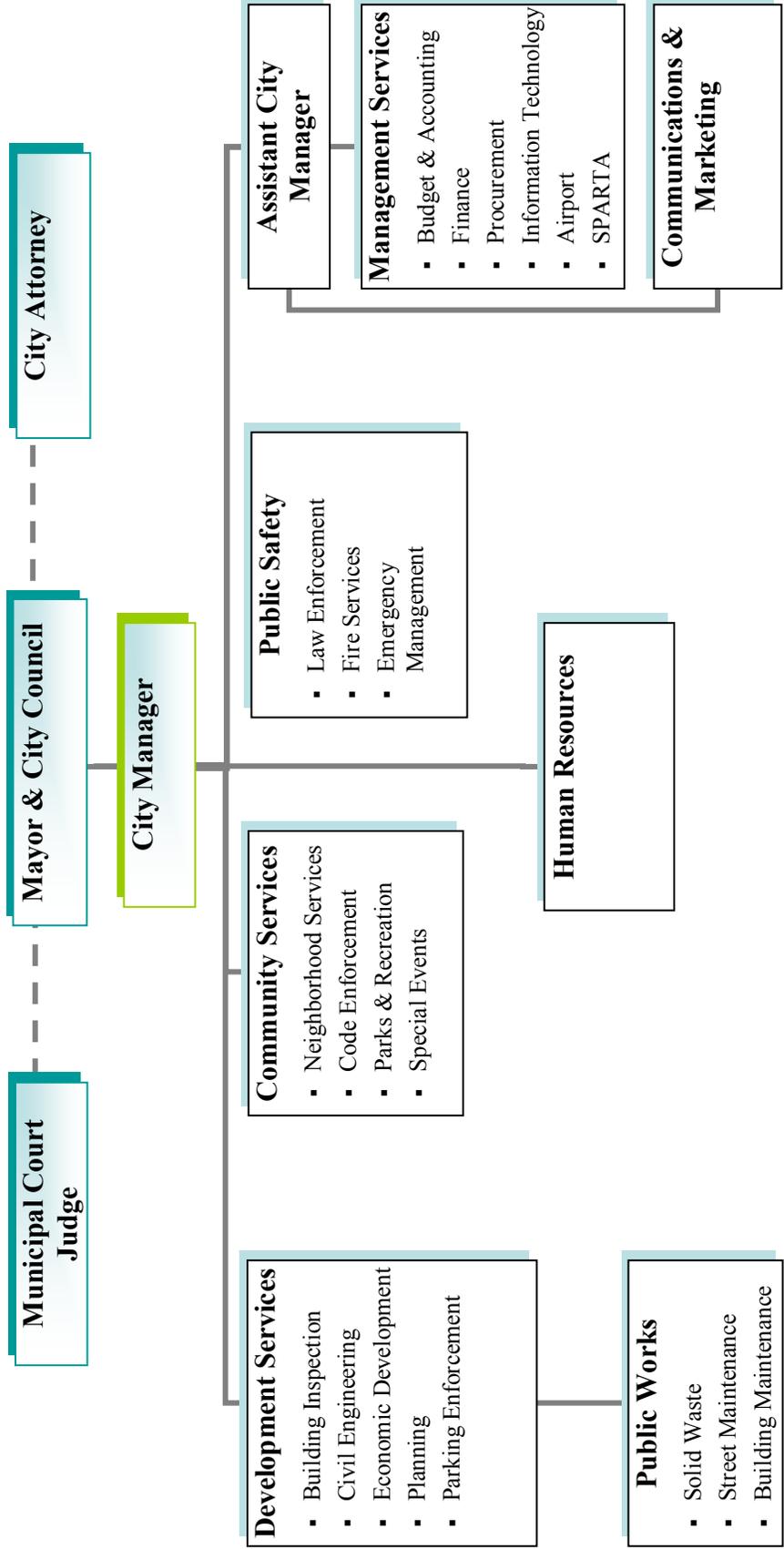
**Ed Memmott**  
**City Manager**

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

**Janel Newell**  
**Chief Municipal Judge**

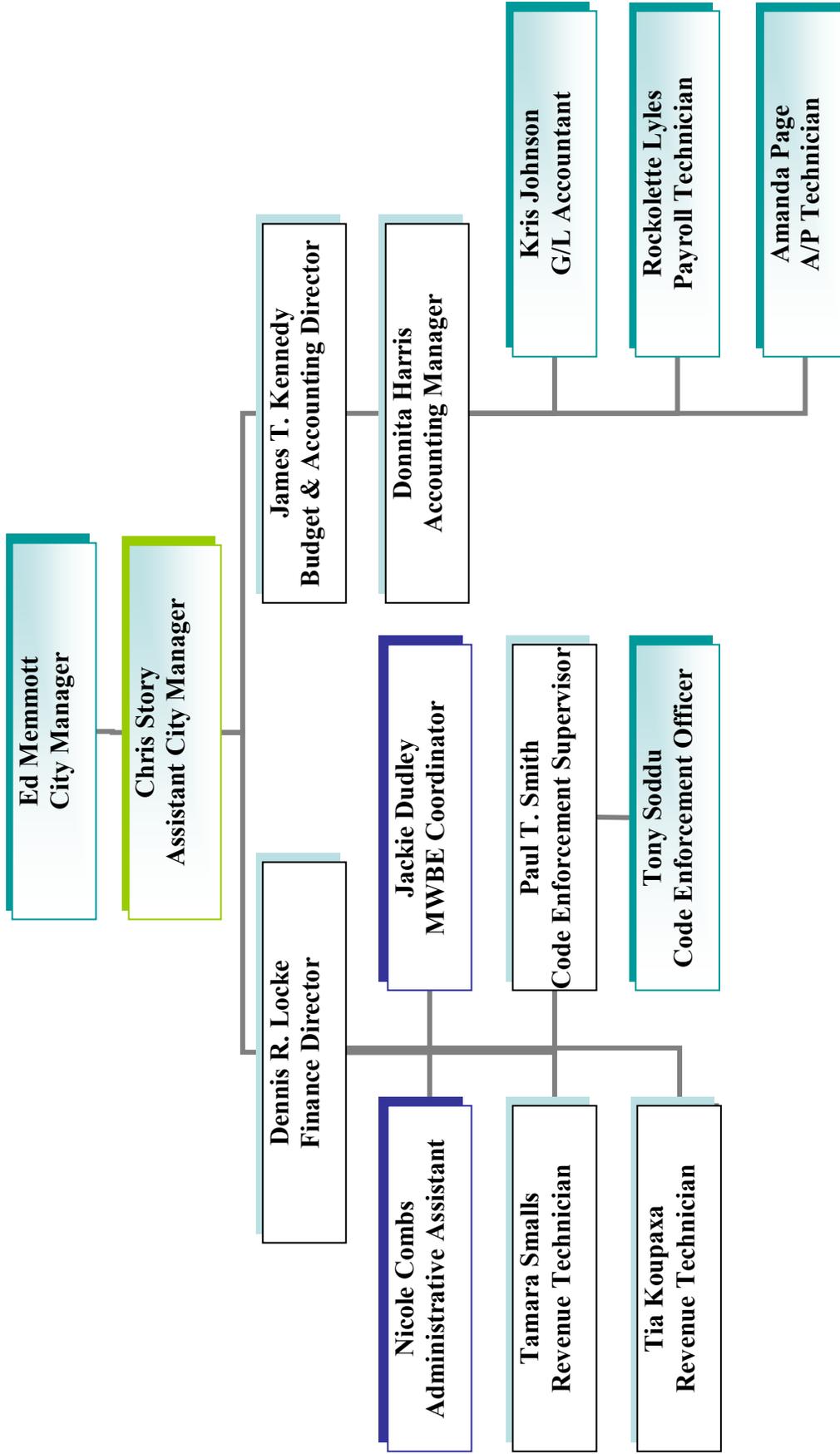


# City of Spartanburg Organizational Chart





# 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, 2009

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.



President

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 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 postemployment 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  
December 17, 2010

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2010

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This discussion and analysis of the City of Spartanburg's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. 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 2010 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$83,309,000 (net assets). Of this amount, approximately \$7,340,000 (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 \$4,205,000 which consisted of an increase in governmental activities of approximately \$6,108,000 and a decrease in business-type activities of approximately \$1,903,000. The increase was due primarily to the annexation of a new area which increased the infrastructure assets by approximately \$3,751,000 along with some modest increases in other capital assets. The decrease was due primarily to the payment of approximately \$1,100,000 to the Spartanburg Sewer District for Beaumont Mills.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$11,300,000, an increase of approximately \$1,972,000 or approximately 21% in comparison with the prior year fund balance of approximately \$9,328,000. The fund balances for the General Fund increased approximately \$938,000 (23%) to approximately \$5,067,000 at June 30, 2010 compared to the prior year fund balance of approximately \$4,129,000. The City realized a sizeable, one-time impact related to the completion of the St. John Street Garage due to the collection of approximately \$828,000 in management fees and interest reimbursement. Approximately \$104,000 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 16% of total General Fund expenditures (approximately \$31,204,000).
- The City's total capital assets increased by approximately \$13,238,000 (12%) during the current fiscal year. Total additions and other increases were approximately \$18,718,000, which was offset by depreciation expense of approximately \$4,973,000 and disposals, and other decreases of approximately \$507,000.
- The City's long-term obligations decreased by approximately \$1,836,000 (3%) during the current fiscal year. The decrease in long-term obligations was primarily due to the current refunding of debt and scheduled principal payments of approximately \$7,292,000, partially offset by new debt of approximately \$5,624,000.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide basic financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Policy Formulation and Administration, Public Safety, Parks, Recreation, and Special Events, Community Development, Public Works, Finance and Administrative Services, Operating, and Interest and Other Charges. The business-type activities of the City are Transit, Parking, Sanitary Sewer, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation. The government-wide basic financial statements can be found as listed in the table of contents of this report.

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

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

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

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

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

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2010**

**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 \$83,309,000 at the close of the most recent fiscal year. The following table provides a summary of the City's net assets at June 30, 2010 compared to June 30, 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current & Other Assets	\$ 25,760,919	21,922,095	7,876,970	22,123,038	33,637,889	\$ 44,045,133
Capital Assets, Net	80,834,825	79,272,305	38,676,067	27,000,694	119,510,892	106,272,999
<b>Total Assets</b>	<b>106,595,744</b>	<b>101,194,400</b>	<b>46,553,037</b>	<b>49,123,732</b>	<b>153,148,781</b>	<b>150,318,132</b>
<b>Liabilities</b>						
Long-Term Liabilities	38,737,456	40,021,724	24,023,326	24,575,296	62,760,782	64,597,020
Other Liabilities	5,217,006	4,639,815	1,861,869	1,976,965	7,078,875	6,616,780
<b>Total Liabilities</b>	<b>43,954,462</b>	<b>44,661,539</b>	<b>25,885,195</b>	<b>26,552,261</b>	<b>69,839,657</b>	<b>71,213,800</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	55,779,502	53,384,024	19,354,866	20,590,524	75,134,368	73,974,548
Restricted	834,855	2,130,497	-	1,100,000	834,855	3,230,497
Unrestricted	6,026,925	1,018,340	1,312,976	880,947	7,339,901	1,899,287
<b>Total Net Assets</b>	<b>\$ 62,641,282</b>	<b>56,532,861</b>	<b>20,667,842</b>	<b>22,571,471</b>	<b>83,309,124</b>	<b>\$ 79,104,332</b>

The net assets of the City's governmental activities increased by approximately 11% (approximately \$62,641,000 compared to a balance of approximately \$56,533,000). 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 \$2,395,000 or approximately 4%, primarily due to capital asset additions of approximately \$5,515,000, principal payments on the City's capital related long-term obligations of approximately \$1,897,000, partially offset by new debt of approximately \$829,000, depreciation expense of approximately \$3,646,000, and other disposals and other miscellaneous decreases of approximately \$542,000.
- Restricted net assets decreased by approximately \$1,296,000 (61%), primarily due to the City's payment to the Spartanburg Sewer District for Beaumont Mills.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from approximately \$1,018,000 at June 30, 2009 to approximately \$6,027,000 at June 30, 2010. The increase was due primarily to a sizeable, one-time impact related to the completion of the St. John Street Garage due to the collection of approximately \$828,000 in management fees and interest reimbursement.

The net assets of business-type activities decreased by approximately 8% (approximately \$20,668,000 in the current year compared to approximately \$22,571,000 in the prior year) for the year ended June 30, 2010. The decrease was due to capital grants received in the prior fiscal year for transit bus purchases and transfer out from governmental activities into business-type activities for the financing of the CC Woodson and St. John Street Parking Garage projects.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net assets for fiscal year 2010 compared to 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 17,248,129	17,765,884	1,914,867	1,828,797	19,162,996	\$ 19,594,681
Operating Grants	3,866,735	2,630,963	1,343,677	1,574,286	5,210,412	4,205,249
Capital Grants	3,779,460	4,601,221	536,000	2,150,000	4,315,460	6,751,221
<b>General Revenue:</b>						
Property Taxes	17,314,959	16,508,550	-	-	17,314,959	16,508,550
Other Taxes	4,193,096	4,230,690	-	-	4,193,096	4,230,690
Intergovernmental Revenue	1,091,766	1,273,314	-	-	1,091,766	1,273,314
Other	1,292,327	1,187,407	128,999	74,649	1,421,326	1,262,056
<b>Total Revenues</b>	<b>48,786,472</b>	<b>48,198,029</b>	<b>3,923,543</b>	<b>5,627,732</b>	<b>52,710,015</b>	<b>53,825,761</b>
<b>Program Expenses</b>						
Policy Formulation & Administration	6,653,577	5,931,181	-	-	6,653,577	5,931,181
Public Safety	13,499,377	13,645,106	-	-	13,499,377	13,645,106
Parks, Recreation, and Special Events	2,550,485	2,137,461	-	-	2,550,485	2,137,461
Community Development	2,044,391	2,362,617	-	-	2,044,391	2,362,617
Public Works	8,402,885	12,355,374	-	-	8,402,885	12,355,374
Finance and Administrative Services	2,773,086	2,491,167	-	-	2,773,086	2,491,167
Operating	4,323,162	5,066,442	-	-	4,323,162	5,066,442
Interest and Other Charges	1,522,450	1,563,341	-	-	1,522,450	1,563,341
Transit	-	-	1,936,117	1,927,191	1,936,117	1,927,191
Parking	-	-	884,137	1,049,102	884,137	1,049,102
Sanitary Sewer	-	-	1,100,785	954	1,100,785	954
Airport	-	-	1,651,488	1,613,828	1,651,488	1,613,828
CC Woodson	-	-	538,612	295,900	538,612	295,900
St. John Parking Facility	-	-	522,162	313,769	522,162	313,769
Spartanburg Airport Facilities Corp.	-	-	102,509	-	102,509	-
<b>Total Expenses</b>	<b>41,769,413</b>	<b>45,552,689</b>	<b>6,735,810</b>	<b>5,200,744</b>	<b>48,505,223</b>	<b>50,753,433</b>
<b>Change in Net Assets</b>						
Before Special Item and Transfers	7,017,059	2,645,340	(2,812,267)	426,988	4,204,792	3,072,328
Special Loss on Impairment of Asset	-	(1,425,841)	-	-	-	(1,425,841)
Transfers In (Out)	(908,638)	(3,414,362)	908,638	3,414,362	-	-
<b>Change in Net Assets</b>	<b>6,108,421</b>	<b>(2,194,863)</b>	<b>(1,903,629)</b>	<b>3,841,350</b>	<b>4,204,792</b>	<b>1,646,487</b>
<b>Net Assets - Beginning of Year</b>	<b>56,532,861</b>	<b>58,727,724</b>	<b>22,571,471</b>	<b>18,730,121</b>	<b>79,104,332</b>	<b>77,457,845</b>
<b>Net Assets - End Year</b>	<b>\$ 62,641,282</b>	<b>56,532,861</b>	<b>20,667,842</b>	<b>22,571,471</b>	<b>83,309,124</b>	<b>\$ 79,104,332</b>

# CITY OF SPARTANBURG, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities:

Net assets increased by approximately \$6,108,000 for fiscal year 2010 for governmental activities. Revenues increased by approximately \$588,000 (1%) to approximately \$48,786,000 from the prior year. This increase was primarily due to an increase in operating grants (approximately \$1,236,000) and property taxes (approximately \$806,000) partially offset by decreases in charges for services (approximately \$518,000) and capital grants (approximately \$822,000). Expenses decreased by approximately \$3,783,000 (8%) to approximately \$41,769,000 from the prior year. The decrease from the prior year was primarily due to a significant amount of capital outlay expenditures that were not capitalized in governmental activities in the prior year. In addition, there was a reorganization and staff reductions in the Public Works department that significantly reduced expenditures.

**Business-Type Activities:** Net assets decreased by approximately \$1,904,000 for fiscal year 2010 for business-type activities. In aggregate, business-type revenues decreased approximately 30% to \$3,924,000 compared to approximately \$5,628,000 in the prior year. Total expenses increased approximately \$1,535,000 (30%) to approximately \$6,736,000 compared to approximately \$5,201,000 in the prior year. The increase was primarily due to CC Woodson and the Spartanburg Parking Facility Corporation expenses.

### 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, 2010, the City's governmental funds reported a combined ending fund balance of approximately \$11,300,000, an increase of approximately \$1,972,000 in comparison with the prior year fund balance. Approximately 62% of this total amount (approximately \$7,006,000) 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 \$2,858,000), (2) to pay debt service (approximately \$1,063,000), or (3) for inventories and prepaids (approximately \$374,000).

**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 \$20,668,000. Factors concerning the operations of these seven funds have already been addressed in the discussion of the City's business-type activities.

#### General Fund Revenues

The General Fund is the principal fund that accounts for the daily operations of the City. Total revenue for 2010 was approximately \$32,729,000, a 2% decrease from the previous year. Property tax collections increased slightly to approximately \$13,591,000 (1%) compared to approximately \$13,516,000 for the previous year. Intergovernmental revenues decreased to approximately 3,831,000 (17%) compared to approximately \$4,609,000 for the previous year. This decrease was primarily due to a onetime payment for Storm Water Fee in 2009 for \$525,000.

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 personal property. Property taxes accounted for 42% or approximately \$13,591,000 of total General Fund revenue for the fiscal year ending June 30, 2010.

The City received approximately \$12,470,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$2,039,000, intergovernmental revenue of approximately \$3,831,000, fines and forfeitures of approximately \$543,000, and other revenues of approximately \$256,000.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2010**

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

General Fund Expenditures

General Fund expenditures at June 30, 2010 totaled approximately \$31,204,000, an 8% decrease over the previous fiscal year. This reflects decreases in salaries, overtime, health insurance, workers compensation, and general liability insurance. The largest General Fund departmental budget is Public Safety, which accounted for approximately 40% of total General Fund expenditures. Public Works accounted for the second largest departmental budget, which accounted for approximately 25% of total General Fund expenditures. Actual expenditures for these departments, not including capital outlay, were approximately \$12,554,000 for Public Safety and approximately \$7,648,000 for Public Works. As comparison for FY 2009 – 2010, the Public Safety departmental budget accounted for approximately 38% and Public Works accounted for approximately 24% of total General Fund expenditures. The remaining 35% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$4,279,000, Parks, Recreation, and Special Events – approximately \$2,109,000, Community Development – approximately \$2,087,000, Finance and Administrative Services – approximately \$1,677,000, and total Capital Outlay of approximately \$850,000.

General Fund Balance

Total fund balance in the General Fund increased by approximately \$938,000, from approximately \$4,129,000 at June 30, 2009 to approximately \$5,067,000 at June 30, 2010. The unreserved fund balance increased by approximately \$919,000, to approximately \$4,964,000. Unreserved undesignated fund balance represents 16% of total General Fund expenditures. The increase in fund balance was due primarily to a one-time transfer in from the Parking Facilities Corp. Fund (i.e. the St. John Street Parking garage capital project) for project management fees and interest reimbursement.

**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 \$33,952,000 (including other financing sources/uses) wasn’t adjusted during the fiscal year. More information about our budgetary process can be found in Note II.A of the notes to the basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2010, the City had approximately \$119,511,000 in capital assets, net of depreciation. The total increase in the City’s capital assets was approximately \$13,238,000 (12%). Total additions and other increases were approximately \$18,718,000, which was offset by depreciation expense of approximately \$4,973,000 and disposals, and other decreases of approximately of \$507,000. The following table shows capital asset balances (net of depreciation) at June 30, 2010 compared to June 30, 2009:

	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 27,956,223	27,896,415	2,102,668	1,740,567	30,058,891	\$ 29,636,982
Construction in Progress	1,259,813	924,913	10,219,245	3,594,188	11,479,058	4,519,101
Building & Improvements	18,741,766	19,013,138	24,943,547	20,128,188	43,685,313	39,141,326
Infrastructure	27,278,031	25,604,330	-	-	27,278,031	25,604,330
Machinery & Equipment	1,168,836	1,330,494	553,812	527,188	1,722,648	1,857,682
Vehicles	4,430,156	4,503,015	856,795	1,010,563	5,286,951	5,513,578
<b>Totals</b>	<b>\$ 80,834,825</b>	<b>79,272,305</b>	<b>38,676,067</b>	<b>27,000,694</b>	<b>119,510,892</b>	<b>\$ 106,272,999</b>

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, 2010**

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

**Long-Term Obligations**

At June 30, 2010, the City had long-term obligations of approximately \$62,761,000 versus approximately \$64,597,000 in the prior year, a decrease of approximately \$1,836,000 or 3%. The decrease was due primarily to principal debt reductions. During the year, the City also refinanced the 2000 Broad Street TIF Bonds.

The following table shows long-term obligation balances at June 30, 2010 compared to June 30, 2009:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Debt:						
Tax Increment Bonds	\$ 11,690,000	12,740,000	-	-	11,690,000	\$ 12,740,000
Certificates of Participation	12,100,000	12,740,000	-	-	12,100,000	12,740,000
Revenue Bonds	-	-	2,935,000	3,270,000	2,935,000	3,270,000
General Obligation Bonds	-	-	430,000	630,000	430,000	630,000
Promissory Note	-	-	20,600,000	20,600,000	20,600,000	20,600,000
HUD 108 Loan	3,635,000	3,770,000	-	-	3,635,000	3,770,000
Total Debt	<u>27,425,000</u>	<u>29,250,000</u>	<u>23,965,000</u>	<u>24,500,000</u>	<u>51,390,000</u>	<u>53,750,000</u>
Capital Leases	1,265,323	573,367	-	-	1,265,323	573,367
Landfill Rem/Post-Closure Liability	6,850,408	6,850,408	-	-	6,850,408	6,850,408
Compensated Absences	3,196,725	3,347,949	58,326	75,296	3,255,051	3,423,245
Total	<u>\$ 38,737,456</u>	<u>40,021,724</u>	<u>24,023,326</u>	<u>24,575,296</u>	<u>62,760,782</u>	<u>\$ 64,597,020</u>

The State limits the amount of general obligation debt that cities can issue to eight percent of the assessed value of all taxable property within the City's corporate limits. The City is authorized by state statute to exceed the legal debt margin of eight percent, if citizens of the City approve such additional debt. The City's outstanding general obligation debt is below this state-imposed legal debt limit of approximately \$11,578,000. The current amount of outstanding general obligation debt at June 30, 2010 is \$430,000 which leaves an unused legal debt margin of approximately \$11,148,000.

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

Moody's	Aa3
Standard & Poor's	A+

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2010**

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

The primary goal of the City of Spartanburg's 2010 – 2011 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 FY 2010 – 2011 budget was developed with several challenges in mind (i.e. resolution to the Arkwright Landfill, addressing a pension liability, increases in medical costs, completion of a new community center and parking facility, an increase in retirement contributions, and increased costs for worker compensation and general liability insurance). In addition, we continue to be faced with the burden of increased fuel, utility, and operating cost. Departments were asked to submit their funding requests with a projected reduction to their operating budgets. For the fifth consecutive year, capital funding for equipment replacement was reduced. As for revenues, the City was faced with a record number of delinquent taxes, slower growth in hospitality taxes due to a slowdown in the economy, and lost revenue in business licenses, insurance tax, and aid to subdivisions.

The Spartanburg City Council adopted the 2010 – 2011 budget plan in the amount of \$48,145,839. For FY 2010 – 2011, the City Council adopted a millage rate of 101.0 mils.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2010

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 12,027,423	25,447	\$ 12,052,870
Restricted Cash and Cash Equivalents	1,061,859	5,774,652	6,836,511
Investments	2,008,333	-	2,008,333
Restricted Investments	166,618	-	166,618
Property Taxes Receivable, Net	1,302,692	-	1,302,692
Other Receivables, Net:			
Mortgage	226,414	-	226,414
Commercial Loan	120,690	-	120,690
Other	2,910,483	612,504	3,522,987
Prepays and Inventories	373,716	248,969	622,685
Note Receivable	3,403,210	-	3,403,210
Other Assets	2,159,481	-	2,159,481
Bond Issuance Cost, Net	-	444,171	444,171
Deferred Outflow of Resources	-	771,227	771,227
Capital Assets:			
Non-Depreciable	29,216,036	12,321,913	41,537,949
Depreciable, Net	51,618,789	26,354,154	77,972,943
<b>TOTAL ASSETS</b>	<b>106,595,744</b>	<b>46,553,037</b>	<b>153,148,781</b>
<b>LIABILITIES</b>			
Accounts Payable	1,136,744	930,931	2,067,675
Accrued Interest Payable	348,975	32,257	381,232
Accrued Salaries and Benefits	1,485,560	25,304	1,510,864
Internal Balances	713,750	(713,750)	-
Retainage Payable	-	509,685	509,685
Intergovernmental Payable	315,618	-	315,618
Customer Deposits	157,405	32,808	190,213
Unclaimed Checks	23,762	-	23,762
Accrued Claims/Premiums	498,909	-	498,909
Unearned Revenues	536,283	273,407	809,690
Derivative Instrument	-	771,227	771,227
Non-Current Liabilities:			
Due Within One Year	4,174,494	625,717	4,800,211
Due in More Than One Year	34,562,962	23,397,609	57,960,571
<b>TOTAL LIABILITIES</b>	<b>43,954,462</b>	<b>25,885,195</b>	<b>69,839,657</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	55,779,502	19,354,866	75,134,368
Restricted For:			
Debt Service	487,752	-	487,752
Special Revenue	347,103	-	347,103
Unrestricted	6,026,925	1,312,976	7,339,901
<b>TOTAL NET ASSETS</b>	<b>\$ 62,641,282</b>	<b>20,667,842</b>	<b>\$ 83,309,124</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
Policy Formulation and Administration	\$ 6,653,577	-	-	-	(6,653,577)	-	\$ (6,653,577)
Public Safety	13,499,377	1,049,519	1,291,281	28,705	(11,129,872)	-	(11,129,872)
Parks, Recreation, and Special Events	2,550,485	255,177	-	-	(2,295,308)	-	(2,295,308)
Community Development	2,044,391	415,996	1,729,005	-	100,610	-	100,610
Public Works	8,402,885	3,264,799	846,449	3,750,755	(540,882)	-	(540,882)
Finance and Administrative Services	2,773,086	12,262,638	-	-	9,489,552	-	9,489,552
Operating	4,323,162	-	-	-	(4,323,162)	-	(4,323,162)
Interest and Other Charges	1,522,450	-	-	-	(1,522,450)	-	(1,522,450)
<b>Total Governmental Activities</b>	<b>41,769,413</b>	<b>17,248,129</b>	<b>3,866,735</b>	<b>3,779,460</b>	<b>(16,875,089)</b>	<b>-</b>	<b>(16,875,089)</b>
<b>Business-Type Activities:</b>							
Transit	1,936,117	291,211	975,280	-	-	(669,626)	(669,626)
Parking Enterprise	884,137	347,997	-	-	-	(536,140)	(536,140)
Sanitary Sewer	1,100,785	-	-	-	-	(1,100,785)	(1,100,785)
Airport	1,651,488	1,200,337	368,397	-	-	(82,754)	(82,754)
CC Woodson	538,612	48,000	-	-	-	(490,612)	(490,612)
Spartanburg Parking Facilities Corporation	522,162	-	-	536,000	-	13,838	13,838
Spartanburg Airport Facilities Corporation	102,509	27,322	-	-	-	(75,187)	(75,187)
<b>Total Business-Type Activities</b>	<b>6,735,810</b>	<b>1,914,867</b>	<b>1,343,677</b>	<b>536,000</b>	<b>-</b>	<b>(2,941,266)</b>	<b>(2,941,266)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 48,505,223</b>	<b>19,162,996</b>	<b>5,210,412</b>	<b>4,315,460</b>	<b>(16,875,089)</b>	<b>(2,941,266)</b>	<b>(19,816,355)</b>
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					14,344,269	-	14,344,269
Tax Increment					2,202,158	-	2,202,158
Motor Vehicle Taxes					768,532	-	768,532
Hospitality Taxes					3,364,211	-	3,364,211
Other Taxes					828,885	-	828,885
Intergovernmental Revenue - Unrestricted					1,091,766	-	1,091,766
Investment Income					46,866	125,010	171,876
Miscellaneous					727,412	594	728,006
Grants and Contributions Not Restricted to Specific Programs					595,453	-	595,453
Gain (Loss) on Sale of Assets					(77,404)	3,395	(74,009)
Transfers In (Out)					(908,638)	908,638	-
<b>Total General Revenues and Transfers</b>					<b>22,983,510</b>	<b>1,037,637</b>	<b>24,021,147</b>
<b>CHANGE IN NET ASSETS</b>					<b>6,108,421</b>	<b>(1,903,629)</b>	<b>4,204,792</b>
NET ASSETS, Beginning of Year					56,532,861	22,571,471	79,104,332
<b>NET ASSETS - End of Year</b>					<b>62,641,282</b>	<b>20,667,842</b>	<b>\$ 83,309,124</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 12,024,123	-	-	-	3,300	\$ 12,027,423
Restricted Cash and Cash Equivalents	-	-	-	480,834	511,829	992,663
Investments	2,008,333	-	-	-	-	2,008,333
Restricted Investments	-	-	-	-	166,618	166,618
Property Taxes Receivable, Net	1,240,663	-	-	1,962	60,067	1,302,692
Accounts Receivable, Net	1,451,458	-	290,754	-	274	1,742,486
Commercial Loan Receivables	-	-	-	-	120,690	120,690
Intergovernmental Receivables	-	-	-	-	1,156,764	1,156,764
Due From Other Funds	1,526,753	3,176,556	306,810	262,107	1,430,548	6,702,774
Prepays and Inventories	103,654	-	270,062	-	-	373,716
Note Receivable	-	-	-	3,403,210	-	3,403,210
Mortgages Receivable:						
Home Loans	-	-	-	-	136,331	136,331
Deferred Loans	-	-	-	-	38,928	38,928
SRDC	-	-	-	-	51,155	51,155
<b>TOTAL ASSETS</b>	<b>18,354,984</b>	<b>3,176,556</b>	<b>867,626</b>	<b>4,148,113</b>	<b>3,676,504</b>	<b>30,223,783</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts Payable	539,605	318,973	748	-	220,430	1,079,756
Accrued Salaries and Benefits	1,429,916	-	-	-	55,644	1,485,560
Customer Deposits	157,405	-	-	-	-	157,405
Unclaimed Checks	20,232	-	-	-	-	20,232
Intergovernmental Payable	315,618	-	-	-	-	315,618
Due To Other Funds	9,530,768	-	-	-	921,729	10,452,497
Unearned/Deferred Revenues:						
Taxes	1,120,445	-	-	1,106	4,443	1,125,994
Other	173,583	-	-	3,403,210	709,803	4,286,596
<b>TOTAL LIABILITIES</b>	<b>13,287,572</b>	<b>318,973</b>	<b>748</b>	<b>3,404,316</b>	<b>1,912,049</b>	<b>18,923,658</b>
<b>FUND BALANCES</b>						
Reserved:						
Prepays and Inventories	103,654	-	270,062	-	-	373,716
Debt Service	-	-	-	-	1,062,968	1,062,968
Unreserved, Designated For, Reported In:						
Capital Projects	-	2,857,583	-	-	-	2,857,583
Unreserved, Undesignated Reported In:						
General Fund	4,963,758	-	-	-	-	4,963,758
Special Revenue	-	-	596,816	-	701,487	1,298,303
Debt Service	-	-	-	743,797	-	743,797
<b>TOTAL FUND BALANCES</b>	<b>5,067,412</b>	<b>2,857,583</b>	<b>866,878</b>	<b>743,797</b>	<b>1,764,455</b>	<b>11,300,125</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,354,984</b>	<b>3,176,556</b>	<b>867,626</b>	<b>4,148,113</b>	<b>3,676,504</b>	<b>\$ 30,223,783</b>

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2010**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 11,300,125**

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 \$108,195,983 and the accumulated depreciation was \$31,359,882.	76,836,101
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.	1,125,994
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.	3,750,313
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	2,420,526
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.	(348,975)
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.	269,932
The City's net pension liability resulting from underfunded annual required contributions to its Pension Plan in prior years is not reported as an asset in the governmental funds but is in the Statement of Net Assets.	(530,977)
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.	5,290,376
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	(27,425,000)
Landfill Remediation Liability	(6,850,408)
Compensated Absences (Sick Pay and Vacations)	(3,196,725)
	(37,472,133)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 62,641,282**

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, 2010

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$ 13,590,827	-	3,280,503	320,448	3,099,554	\$ 20,291,332
Fees, Licenses, and Permits	12,469,852	-	-	-	-	12,469,852
Fines and Forfeitures	542,713	-	-	-	-	542,713
State Government Contributions	-	-	-	-	978,951	978,951
Federal Government Contributions	-	-	-	-	2,874,063	2,874,063
Intergovernmental Revenues	3,830,517	-	-	-	-	3,830,517
Charges for Services	2,039,231	-	-	-	-	2,039,231
Investment Earnings	-	-	4,775	-	11,727	16,502
Confiscated Drug Funds	-	-	-	-	120,746	120,746
Donations	-	120,000	-	422,921	-	542,921
Ground Lease Rent	-	-	-	200,000	-	200,000
Other	255,742	-	2,550	-	626,400	884,692
<b>TOTAL REVENUES ALL SOURCES</b>	<b>32,728,882</b>	<b>120,000</b>	<b>3,287,828</b>	<b>943,369</b>	<b>7,711,441</b>	<b>44,791,520</b>
<b>EXPENDITURES:</b>						
Current:						
Policy Formulation and Administration	4,278,734	-	-	-	-	4,278,734
Public Safety	12,553,639	-	-	-	-	12,553,639
Parks, Recreation, and Special Events	2,109,339	-	-	-	-	2,109,339
Community Development	2,086,943	-	-	-	-	2,086,943
Public Works	7,648,214	-	-	-	-	7,648,214
Finance and Administrative Services	1,676,899	-	-	-	1,099,326	2,776,225
Operating	-	-	762,122	-	3,561,040	4,323,162
Capital Outlay	849,804	995,311	-	-	724,201	2,569,316
Debt Service:						
Principal Retirement	-	-	-	445,000	1,450,000	1,895,000
Interest	-	-	-	558,340	870,222	1,428,562
Other	-	-	-	26,734	86,279	113,013
<b>TOTAL EXPENDITURES</b>	<b>31,203,572</b>	<b>995,311</b>	<b>762,122</b>	<b>1,030,074</b>	<b>7,791,068</b>	<b>41,782,147</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,525,310</b>	<b>(875,311)</b>	<b>2,525,706</b>	<b>(86,705)</b>	<b>(79,627)</b>	<b>3,009,373</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	1,511,580	1,421,460	-	-	2,001,667	4,934,707
Transfers Out	(2,146,792)	(269,236)	(2,879,916)	-	(816,848)	(6,112,792)
Bond Proceeds	-	-	-	-	4,795,000	4,795,000
Defeasement of Debt	-	-	-	-	(4,725,000)	(4,725,000)
Proceeds from Sale of Capital Assets	48,314	-	-	-	22,148	70,462
Total Other Financing Sources (Uses)	(586,898)	1,152,224	(2,879,916)	-	1,276,967	(1,037,623)
<b>NET CHANGES IN FUND BALANCES</b>	<b>938,412</b>	<b>276,913</b>	<b>(354,210)</b>	<b>(86,705)</b>	<b>1,197,340</b>	<b>1,971,750</b>
FUND BALANCES, Beginning of Year	4,129,000	2,580,670	1,221,088	830,502	567,115	9,328,375
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,067,412</b>	<b>2,857,583</b>	<b>866,878</b>	<b>743,797</b>	<b>1,764,455</b>	<b>\$ 11,300,125</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,971,750</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	512,093
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases also increases long term liabilities in the Statement of Net Assets.	(4,795,000)
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.	6,620,000
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.	49,045
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.	246,464
The City's net pension liabilities resulting from underfunded annual required contributions to its Pension Plan in prior years is not reported as an asset in the governmental funds. This amount represents the change in this liability during the current year is reported in the Statement of Activities.	(724,275)
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.	(160,482)
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.	151,224
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.	(213,513)
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.	(83,359)
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.	776,074
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 (\$4,683,554) exceeded depreciation expense (\$2,925,154) in the current period.	<u>1,758,400</u>
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 6,108,421</u></b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS

JUNE 30, 2010

	TRANSIT	PARKING	SANITARY SEWER
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 25,447	-	-
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable, Net	380,391	23,427	-
Due From Other Funds	-	238,310	546,392
Prepays and Inventories	77,107	-	-
Total Current Assets	<u>482,945</u>	<u>261,737</u>	<u>546,392</u>
Non-Current Assets:			
Deferred Outflow of Resources	-	-	-
Capital Assets:			
Non-Depreciable	179,840	-	-
Depreciable, Net	4,752,855	12,853,196	-
Deferred Charges - Bond Issuance Costs, Net	-	-	-
Total Non-Current Assets	<u>4,932,695</u>	<u>12,853,196</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>5,415,640</u></b>	<b><u>13,114,933</u></b>	<b><u>546,392</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	47,401	1,679	-
Accrued Interest Payable	-	32,257	-
Accrued Salaries and Benefits	-	5,255	-
Retainage Payable	-	-	-
Customer Deposits	-	32,808	-
Due To Other Funds	259,955	-	-
Unearned Revenue	1,450	1,895	-
Unclaimed Checks	-	-	-
Accrued Claims/Premiums	-	-	-
Current Portion of Compensated Absences	-	-	-
Current Portion of Debt/Capital Leases	-	580,000	-
Total Current Liabilities	<u>308,806</u>	<u>653,894</u>	<u>-</u>
Long-Term Liabilities:			
Derivative Instrument	-	-	-
Compensated Absences, Less Current Portion	-	-	-
Debt/Capital Leases, Less Current Portion	-	2,785,000	-
Total Long-Term Liabilities	<u>-</u>	<u>2,785,000</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>308,806</u></b>	<b><u>3,438,894</u></b>	<b><u>-</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,932,695	9,488,196	-
Unrestricted	174,139	187,843	546,392
<b>TOTAL NET ASSETS</b>	<b><u>5,106,834</u></b>	<b><u>9,676,039</u></b>	<b><u>546,392</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,415,640</u></b>	<b><u>13,114,933</u></b>	<b><u>546,392</u></b>

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

<b>AIRPORT</b>	<b>CC WOODSON</b>	<b>SPARTANBURG PARKING FACILITIES CORPORATION</b>	<b>SPARTANBURG AIRPORT FACILITIES CORPORATION</b>	<b>TOTALS</b>	<b>TOTAL INTERNAL SERVICE FUNDS</b>
-	-	-	-	25,447	\$ -
-	551,812	1,583,145	3,639,695	5,774,652	69,196
198,434	-	-	10,252	612,504	11,233
-	200,166	309,512	24,392	1,318,772	3,035,973
171,862	-	-	-	248,969	-
<b>370,296</b>	<b>751,978</b>	<b>1,892,657</b>	<b>3,674,339</b>	<b>7,980,344</b>	<b>3,116,402</b>
-	-	571,613	199,614	771,227	-
1,606,763	488,948	9,809,996	236,366	12,321,913	-
1,157,070	7,591,033	-	-	26,354,154	3,998,724
-	202,406	151,299	90,466	444,171	-
<b>2,763,833</b>	<b>8,282,387</b>	<b>10,532,908</b>	<b>526,446</b>	<b>39,891,465</b>	<b>3,998,724</b>
<b>3,134,129</b>	<b>9,034,365</b>	<b>12,425,565</b>	<b>4,200,785</b>	<b>47,871,809</b>	<b>7,115,126</b>
86,574	160,576	523,160	111,541	930,931	56,988
-	-	-	-	32,257	-
20,049	-	-	-	25,304	-
-	24,215	485,470	-	509,685	-
-	-	-	-	32,808	-
345,067	-	-	-	605,022	-
-	270,062	-	-	273,407	-
-	-	-	-	-	3,530
-	-	-	-	-	498,909
45,717	-	-	-	45,717	-
-	-	-	-	580,000	189,856
<b>497,407</b>	<b>454,853</b>	<b>1,008,630</b>	<b>111,541</b>	<b>3,035,131</b>	<b>749,283</b>
-	-	571,613	199,614	771,227	-
12,609	-	-	-	12,609	-
-	5,600,000	11,117,592	3,882,408	23,385,000	1,075,467
<b>12,609</b>	<b>5,600,000</b>	<b>11,689,205</b>	<b>4,082,022</b>	<b>24,168,836</b>	<b>1,075,467</b>
510,016	6,054,853	12,697,835	4,193,563	27,203,967	1,824,750
2,763,833	2,779,346	(581,782)	(27,422)	19,354,866	2,733,401
(139,720)	200,166	309,512	34,644	1,312,976	2,556,975
<b>2,624,113</b>	<b>2,979,512</b>	<b>(272,270)</b>	<b>7,222</b>	<b>20,667,842</b>	<b>5,290,376</b>
<b>3,134,129</b>	<b>9,034,365</b>	<b>12,425,565</b>	<b>4,200,785</b>	<b>47,871,809</b>	<b>\$ 7,115,126</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	<u>TRANSIT</u>	<u>PARKING</u>	<u>SANITARY SEWER</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 249,688	347,997	-
Contributions	-	-	-
Other Revenues	41,523	-	-
Sale of Inventory	-	-	-
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b>291,211</b>	<b>347,997</b>	<b>-</b>
<b>OPERATING EXPENSES</b>			
Personal Services	-	90,802	-
Amortization of Bond Issuance Costs	-	-	-
Depreciation	447,969	462,940	-
Other Services and Charges	1,488,148	166,929	1,100,785
Claims/Premiums	-	-	-
Cost of Goods Sold	-	-	-
Maintenance	-	19,902	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,936,117</b>	<b>740,573</b>	<b>1,100,785</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,644,906)</b>	<b>(392,576)</b>	<b>(1,100,785)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Contributed Capital	-	-	-
Gain (Loss) on Sale of Assets	-	-	-
Federal and State Contributions	975,280	-	-
Interest Expense	-	(143,564)	-
Investment Earnings	-	2,088	23,549
Other Revenues (Expenses)	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>975,280</b>	<b>(141,476)</b>	<b>23,549</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(669,626)</b>	<b>(534,052)</b>	<b>(1,077,236)</b>
Transfers In	500,960	771,323	-
Transfers Out	-	-	(204,490)
<b>CHANGE IN NET ASSETS</b>	<b>(168,666)</b>	<b>237,271</b>	<b>(1,281,726)</b>
NET ASSETS, Beginning of Year	5,275,500	9,438,768	1,828,118
<b>NET ASSETS, End of Year</b>	<b>\$ 5,106,834</b>	<b>9,676,039</b>	<b>546,392</b>

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

<b>AIRPORT</b>	<b>CC WOODSON</b>	<b>SPARTANBURG PARKING FACILITIES CORPORATION</b>	<b>SPARTANBURG AIRPORT FACILITIES CORPORATION</b>	<b>TOTALS</b>	<b>TOTAL INTERNAL SERVICE FUNDS</b>
232,219	48,000	-	27,322	905,226	\$ 810,460
-	-	-	-	-	3,842,664
-	-	594	-	42,117	136
968,118	-	-	-	968,118	-
<b>1,200,337</b>	<b>48,000</b>	<b>594</b>	<b>27,322</b>	<b>1,915,461</b>	<b>4,653,260</b>
396,319	-	-	-	487,121	-
-	33,734	14,296	6,674	54,704	-
84,192	331,887	-	-	1,326,988	720,497
217,276	148,026	-	-	3,121,164	454,544
-	-	-	-	-	3,808,037
662,972	-	-	-	662,972	-
6,064	-	-	-	25,966	-
1,366,823	513,647	14,296	6,674	5,678,915	4,983,078
<b>(166,486)</b>	<b>(465,647)</b>	<b>(13,702)</b>	<b>20,648</b>	<b>(3,763,454)</b>	<b>(329,818)</b>
-	-	536,000	-	536,000	-
(204,618)	3,395	-	-	(201,223)	(64,507)
368,397	-	-	-	1,343,677	-
-	(22,389)	(488,660)	(85,283)	(739,896)	(29,920)
-	9,482	88,511	1,380	125,010	283
(80,047)	(2,576)	(19,206)	(10,552)	(112,381)	(5,967)
83,732	(12,088)	116,645	(94,455)	951,187	(100,111)
<b>(82,754)</b>	<b>(477,735)</b>	<b>102,943</b>	<b>(73,807)</b>	<b>(2,812,267)</b>	<b>(429,929)</b>
168,090	80,000	1,079,415	81,029	2,680,817	269,447
(179,289)	-	(1,388,400)	-	(1,772,179)	-
<b>(93,953)</b>	<b>(397,735)</b>	<b>(206,042)</b>	<b>7,222</b>	<b>(1,903,629)</b>	<b>(160,482)</b>
2,718,066	3,377,247	(66,228)	-	22,571,471	5,450,858
<b>2,624,113</b>	<b>2,979,512</b>	<b>(272,270)</b>	<b>7,222</b>	<b>20,667,842</b>	<b>\$ 5,290,376</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2010

	TRANSIT	PARKING	SANITARY SEWER
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 251,138	349,911	-
Receipts from Contributions	-	-	-
Receipts from Sale of Inventory	-	-	-
Receipts from Other Revenues	41,523	-	-
Payments for Personal Services	-	(90,261)	-
Payments for Services and Charges	(1,564,430)	(193,066)	(1,100,425)
Payments for Cost of Goods Sold	-	-	-
Payments for Claims/Premiums	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,271,769)</u>	<u>66,584</u>	<u>(1,100,425)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	203,821	614,737	1,111,408
Transfers to Other Funds	-	-	(204,490)
Non-Operating State and Federal Grants	1,265,081	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>1,468,902</u>	<u>614,737</u>	<u>906,918</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(180,098)	-	-
Proceeds on Sale of Capital Assets	-	-	-
Capital Contribution	-	-	-
Bond, Note and Capital Lease Proceeds	-	-	-
Bond, Note, and Capital Lease Principal Payments	-	(535,000)	-
Bond, Note, and Capital Lease Interest Payments	-	(148,409)	-
Other Receipts (Payments)	-	-	-
Bond Issuance Cost	-	-	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(180,098)</u>	<u>(683,409)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	-	2,088	23,549
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>2,088</u>	<u>23,549</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,035</b>	<b>-</b>	<b>(169,958)</b>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	8,412	-	169,958
<b>CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year</b>	<b>\$ 25,447</b>	<b>-</b>	<b>-</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (1,644,906)	(392,576)	(1,100,785)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	447,969	462,940	-
Bond Amortization	-	-	-
Change in Accounts Representing Operating Activities:			
Accounts Receivable	-	1,796	-
Other Assets	-	-	-
Prepays and Inventories	(2,173)	-	-
Accounts Payable/Deposits Payable	(74,109)	(6,235)	360
Accrued Salaries and Benefits	-	541	-
Customer Deposits	-	1,914	-
Compensated Absences	-	-	-
Claims/Premiums	-	-	-
Deferred Revenue	1,450	(1,796)	-
Unclaimed Checks	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,271,769)</u>	<u>66,584</u>	<u>(1,100,425)</u>
Supplemental Disclosures of Cash Flow Information Noncash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Not Yet Paid For	\$ -	-	-

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

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
232,219	-	-	17,070	850,338	\$ 810,460
-	-	-	-	-	3,831,431
968,118	-	-	-	968,118	-
-	-	594	-	42,117	136
(415,106)	-	-	-	(505,367)	-
(162,045)	(148,026)	865,825	111,541	(2,190,626)	(399,018)
(670,590)	-	-	-	(670,590)	-
-	-	-	-	-	(3,832,585)
<b>(47,404)</b>	<b>(148,026)</b>	<b>866,419</b>	<b>128,611</b>	<b>(1,506,010)</b>	<b>410,424</b>
168,090	80,000	702,387	56,637	2,937,080	269,447
(2,592)	(216,674)	(1,388,400)	-	(1,812,156)	(606,204)
435,816	-	-	-	1,700,897	-
<b>601,314</b>	<b>(136,674)</b>	<b>(686,013)</b>	<b>56,637</b>	<b>2,825,821</b>	<b>(336,757)</b>
(473,863)	(4,278,131)	(9,113,431)	(236,366)	(14,281,889)	(837,081)
-	3,395	-	-	3,395	158,631
-	-	536,000	-	536,000	-
-	-	-	3,882,408	3,882,408	829,000
-	-	(3,882,408)	-	(4,417,408)	(137,045)
-	(22,389)	(488,660)	(85,283)	(744,741)	(29,920)
(80,047)	(2,576)	(19,206)	(10,552)	(112,381)	-
-	-	-	(97,140)	(97,140)	-
<b>(553,910)</b>	<b>(4,299,701)</b>	<b>(12,967,705)</b>	<b>3,453,067</b>	<b>(15,231,756)</b>	<b>(16,415)</b>
-	9,482	88,511	1,380	125,010	283
-	9,482	88,511	1,380	125,010	283
-	<b>(4,574,919)</b>	<b>(12,698,788)</b>	<b>3,639,695</b>	<b>(13,786,935)</b>	<b>57,535</b>
-	5,126,731	14,281,933	-	19,587,034	11,661
<b>-</b>	<b>551,812</b>	<b>1,583,145</b>	<b>3,639,695</b>	<b>5,800,099</b>	<b>\$ 69,196</b>
(166,486)	(465,647)	(13,702)	20,648	(3,763,454)	\$ (329,818)
84,192	331,887	-	-	1,326,988	720,497
-	33,734	14,296	6,674	54,704	-
-	-	-	(10,252)	(8,456)	(11,233)
3,786	-	-	-	3,786	-
(7,618)	-	-	-	(9,791)	-
57,509	-	865,825	111,541	954,891	55,526
(1,817)	-	-	-	(1,276)	-
-	-	-	-	1,914	-
(16,970)	-	-	-	(16,970)	-
-	-	-	-	-	(25,153)
-	(48,000)	-	-	(48,346)	-
-	-	-	-	-	605
<b>(47,404)</b>	<b>(148,026)</b>	<b>866,419</b>	<b>128,611</b>	<b>(1,506,010)</b>	<b>\$ 410,424</b>
-	-	865,825	111,541	977,366	\$ -

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2010**

	<b>PENSION TRUST</b>	<b>AGENCY</b>
	General Employees'	Donation Fund
<b>ASSETS</b>		
Restricted Cash and Cash Equivalents	\$ 500	\$ -
Restricted Investments:		
Commingled Bond Funds	2,128,920	-
Commingled Common-Stock Funds	5,736,162	-
Money Market Mutual Funds	779,373	-
Accounts Receivable:		
Interest	7,535	-
Other	-	71,973
<b>TOTAL ASSETS</b>	<b>8,652,490</b>	<b>71,973</b>
<b>LIABILITIES</b>		
Accounts Payable	-	3,035
Due to Others	-	68,938
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>71,973</b>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	8,652,490	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 8,652,490</b>	<b>\$ 71,973</b>

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2010**

	<b>PENSION TRUST</b>
	<u>General Employees'</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 39,244
Member	27,607
Total Contributions	<u>66,851</u>
Investment Earnings:	
Interest	102,767
Realized and Unrealized Appreciation in Fair Value of Investments	752,636
Total Investment Earnings	<u>855,403</u>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<b><u>922,254</u></b>
<b>DEDUCTIONS</b>	
Pension Benefits	1,805,707
Administrative Expense	16,942
TOTAL DEDUCTIONS	<u>1,822,649</u>
<b>CHANGE IN NET ASSETS</b>	<b>(900,395)</b>
NET ASSETS, Beginning of Year	<u>9,552,885</u>
<b>NET ASSETS, End of Year</b>	<b><u>\$ 8,652,490</u></b>

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

# CITY OF SPARTANBURG, SOUTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

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

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

#### **Blended Component Unit**

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

**Blended Component Unit (Continued)**

**Spartanburg Recreational Facilities Corporation**

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

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

**Spartanburg Parking Facilities Corporation**

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

**Blended Component Unit (Continued)**

***Spartanburg Airport Facilities Corporation***

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 came in significantly lower than budgeted. In December 2009, the City Council approved transferring/loaning proceeds of approximately \$3,882,000 from the Parking Project to the Spartanburg Airport Facilities Corporation ("SAFC") (a new blended component unit) for various airport improvements. These funds along with a 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.

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

**Related Organizations**

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

Spartanburg Water System	Spartanburg Housing Authority
Spartanburg Sanitary Sewer District	Preservation Trust of Spartanburg, Inc.
Spartanburg Development Corporation	

***Major Operations***

The City's major governmental operations include police and fire protection, parks and recreation, economic and community development, public works and general administrative services. In addition, the City operates seven enterprise funds as of June 30, 2010, consisting of Transit, Parking, Sanitary Sewer, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation.

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

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **government-wide basic financial statements** 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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 seven major Enterprise Funds:

- i. The **Sanitary Sewer Fund** is used to account for sanitary sewer services to residents of the City. Effective January 1, 2008 the City transferred the sewer system to the Spartanburg Sanitary Sewer District. After the transfer, the City had \$1.8 million in net assets. \$1.1 million was restricted for a future city sewer project. This contractual obligation was fulfilled in fiscal year 2010.
- 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.
- vii. The **Spartanburg Airport Facilities Corporation Fund** is used to account for the design, renovation, and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangers.

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

The City has the following Internal Service Funds:

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

- (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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. *Receivables and Payables (Continued)*

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, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

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

7. *Fund Balance*

In 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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

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

**11. Pension and OPEB Plans**

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

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

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

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

**12. Comparative Data**

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

**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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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 2010. The level at which expenditures may not legally exceed appropriations is therefore the total revised appropriations amount.

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City deposits might not be recovered. The City does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of the City's non-pension trust fund bank balances of approximately \$11,229,000 (book balance of approximately \$10,774,000) were uncollateralized and exposed to custodial credit risk.

*Investments*

As of June 30, 2010, 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	*	\$ 10,290,938	~
Total Primary Government		\$ 10,290,938	

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

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

**Interest Rate Risk:** The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2010, none of City's investments were exposed to custodial credit risk.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

A. Deposits and Investments (Continued)

*Investments (Continued)*

**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.

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, 2010 is as shown in the following table. The trust reports its investments at fair value.

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
<b><u>Fiduciary - Pension Trust Fund</u></b>			
Money Market Mutual Funds	NR	\$ 779,373	Greater than 5 yrs
Commingled Bonds	NR	2,128,920	Greater than 5 yrs
Commingled Stocks	NR	5,736,162	Greater than 5 yrs
Total Pension Trust		\$ 8,644,455	

NR – Not rated.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

A. Deposits and Investments (Continued)

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

**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, 2010, 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, 2010. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds are excluded from this disclosure requirement.

B. Receivables and Deferred Revenue

**Property Taxes Receivables and Loan Receivables**

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

Assessed values for real estate are established annually by the County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. Real property in the City for the 2009 tax levy was assessed at approximately \$120,353,000. 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 2009 assessed value was approximately \$20,059,000 for personal property. The City's operating tax rate is currently 101.0 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$1,241,000 and \$62,000 (which is net of an allowance for uncollectibles of approximately \$414,000 and \$21,000 respectively) for general operations and for its tax increment districts, respectively, at June 30, 2010.

The City has outstanding mortgage and commercial loans receivables of approximately \$347,000 (which are net of an allowance for uncollectibles of approximately \$811,000) at June 30, 2010.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

B. Receivables and Deferred Revenue (Continued)

Note Receivable

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

The City recorded the initial amount of the promissory note on its governmental balance sheet and the portion of the notes receivable not collected within 60 days was deferred. Subsequent to its initial recording, the City also accrues interest on any outstanding balances but defers all amounts not collected within 60 days in its governmental funds. The City’s outstanding note receivable at June 30, 2010 was approximately \$3,403,000 for which all has been deferred at June 30, 2010 (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, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable (General Fund, St. John Daniel Morgan TIF Fund, and Debt Service Funds) - Deferred	\$ 1,125,994
Note Receivable and Interest Receivable (St. John Daniel Morgan TIF Fund) - Deferred	3,403,210
Mortgage and Loan Receivables (Special Revenue Funds) - Deferred	364,553
Other Unearned Revenue (General Fund, Capital Projects Fund, and Special Revenue Funds) - Unearned	518,833
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,412,590</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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, 2010, was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 27,896,415	59,808	-	-	\$ 27,956,223
Construction In Progress ("CIP")	924,913	533,192	82,479	(115,813)	1,259,813
<b>Total Capital Assets, Non-Depreciable</b>	<b>28,821,328</b>	<b>593,000</b>	<b>82,479</b>	<b>(115,813)</b>	<b>29,216,036</b>
Capital Assets, Depreciable					
Buildings and Improvements	25,585,780	114,050	11,418	115,813	25,804,225
Infrastructure	44,255,969	3,750,755	-	-	48,006,724
Machinery and Equipment	5,616,411	201,227	239,040	-	5,578,598
Vehicles	10,816,484	855,636	600,032	-	11,072,088
Furniture and Fixtures	26,353	-	-	-	26,353
<b>Total Capital Assets, Depreciable</b>	<b>86,300,997</b>	<b>4,921,668</b>	<b>850,490</b>	<b>115,813</b>	<b>90,487,988</b>
Less: Accumulated Depreciation for:					
Buildings and Improvements	6,572,642	501,236	11,419	-	7,062,459
Infrastructure	18,651,639	2,077,054	-	-	20,728,693
Machinery and Equipment	4,285,917	318,499	194,654	-	4,409,762
Vehicles	6,313,469	748,862	420,399	-	6,641,932
Furniture and Fixtures	26,353	-	-	-	26,353
<b>Total Accumulated Depreciation</b>	<b>35,850,020</b>	<b>3,645,651</b>	<b>626,472</b>	<b>-</b>	<b>38,869,199</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>50,450,977</b>	<b>1,276,017</b>	<b>224,018</b>	<b>115,813</b>	<b>51,618,789</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 79,272,305</b>	<b>1,869,017</b>	<b>306,497</b>	<b>-</b>	<b>\$ 80,834,825</b>

The cost of equipment recorded under capital lease was approximately \$1,667,000. Accumulated amortization was approximately \$306,000 June 30, 2010. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Depreciation expense for governmental activities (which includes internal service fund depreciation expense of approximately \$720,000) was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Policy Formulation and Administration	\$ 82,885
Public Safety	775,665
Parks, Recreation, and Special Events	506,548
Community Development	4,349
Public Works	2,274,661
Finance and Administrative Services	1,543
<b>Totals - Governmental Activities</b>	<b>\$ 3,645,651</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

C. Capital Assets (Continued)

The City receives from time to time donated infrastructure for new subdivisions/projects from various developers and other entities. The City received approximately \$3,751,000 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.

Capital asset activity for the City's business-type activities for the year ended June 30, 2010, was as follows:

<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>CIP Transfers</u>	<u>Ending Balance</u>
Capital Assets, Non-Depreciable:					
Land	\$ 1,740,567	362,101	-	-	\$ 2,102,668
Construction In Progress	3,594,188	9,522,678	204,616	(2,693,005)	10,219,245
Total Capital Assets, Non-Depreciable	<u>5,334,755</u>	<u>9,884,779</u>	<u>204,616</u>	<u>(2,693,005)</u>	<u>12,321,913</u>
Capital Assets, Depreciable:					
Buildings and Improvements	31,068,678	3,100,444	611,074	2,693,005	36,251,053
Machinery and Equipment	1,000,048	133,180	32,450	-	1,100,778
Vehicles	3,047,273	85,180	595,728	-	2,536,725
Total Capital Assets, Depreciable	<u>35,115,999</u>	<u>3,318,804</u>	<u>1,239,252</u>	<u>2,693,005</u>	<u>39,888,556</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	10,940,490	981,484	614,468	-	11,307,506
Machinery and Equipment	472,860	106,556	32,450	-	546,966
Vehicles	2,036,710	238,948	595,728	-	1,679,930
Total Accumulated Depreciation	<u>13,450,060</u>	<u>1,326,988</u>	<u>1,242,646</u>	<u>-</u>	<u>13,534,402</u>
Total Capital Assets, Depreciable, Net	<u>21,665,939</u>	<u>1,991,816</u>	<u>(3,394)</u>	<u>2,693,005</u>	<u>26,354,154</u>
Business-Type Activities Capital Assets, Net	<u>\$ 27,000,694</u>	<u>11,876,595</u>	<u>201,222</u>	<u>-</u>	<u>\$ 38,676,067</u>

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

<u>Functions/Programs</u>	<u>Depreciation Expense</u>
Transit	\$ 447,969
Parking	462,940
Airport	84,192
CC Woodson	331,887
Totals - Business-Type Activities	<u>\$ 1,326,988</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations

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

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

Details for each debt issue and outstanding capital lease as of June 30, 2010, are as follows:

Principal Outstanding  
at Year End

***Tax Increment Bonds***

\$6,690,000	Series 2002 A – Bonds issued May 1, 2002, in an original amount of \$7,235,000. The rate of interest begins at 4% and increases to 5%. The bonds mature April 1, 2025. Interest payments are due April 1 <sup>st</sup> and October 1 <sup>st</sup> of each calendar year. Annual principal payments of \$100,000 begin year 2006, and increase in amounts annually until the annual payment reaches \$630,000 in year 2025. The proceeds of these bonds were primarily used to: (a) purchase land for the Renaissance Park Project and (b) fund improvements for Barnet Park.
\$205,000	Series 2002 B – Bonds issued May 1, 2002, in an original amount of \$1,355,000. The rate of interest begins at 4.25% and increases to 6%. The bonds mature April 1, 2011. Interest payments are due April 1 <sup>st</sup> and October 1 <sup>st</sup> of each calendar year. Annual principal payments of \$140,000 begin year 2004, and increase in amounts annually until the annual payment reaches \$205,000 in year 2011. The proceeds of these bonds were primarily used to: (a) purchase land for the Renaissance Park project and (b) fund improvements for Barnet Park.
\$4,795,000	Series 2010 – Bonds issued March 31, 2010, in an original amount of \$4,795,000 with an interest rate of 2.47%. The bond matures April 1, 2015. Interest payments are due April 1 <sup>st</sup> of each calendar year. Annual principal payments of \$915,000 begin April 1, 2011, and increase in amounts annually until the annual payment reaches \$1,008,000 in year 2015. The proceeds of these bonds were primarily used to currently redeem the 2000 Series TIFs which were issued to: (a) finance a portion of the costs of construction of a municipal parking facility, the development of off-street public parking and the construction of streetscape improvements all within the Broad Street Redevelopment Project Area, and (b) defease certain outstanding debt.

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 by \$342,723 over the next 5 years and resulted in an economic gain of \$323,715.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Certificates of Participation ("COPS")*

\$9,685,000 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 15<sup>th</sup> and September 15<sup>th</sup> of each year. Principal payments began April 1, 2003, at \$290,000 and increase in amounts annually until the annual payment reaches \$690,000 in year 2020. The certificates are subject to optional and mandatory redemption prior to their stated maturity dates. The proceeds of these certificates were primarily used to construct the Renaissance Park Conference Center.

\$2,415,000 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*

\$3,635,000 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 1<sup>st</sup> and August 1<sup>st</sup> of each calendar year. Annual principal payments of \$40,000 begin August 2005, and increase until the annual payment reaches \$415,000 in year 2021.

*Capital Leases*

\$493,528 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).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Capital Leases (Continued)*

\$771,795 In December 2009, the City entered into a 7-year capital lease to purchase two automated side loader trucks, one utility truck, and twelve vehicles. The rate of interest is 3.69%. The lease is due in full in October 2016. The lease requires semi-annual payments (interest and principal) of \$67,316. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

*General Obligation Bonds*

\$430,000 Series 2002 – Bonds issued in December of 2002, in an original amount of \$1,845,000. The rate of interest ranges from 3.0% to 5.0%. The bond matures in April of 2012. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$160,000 begin April 1, 2004, and increase in amounts annually until the annual payment reaches \$220,000 in year 2012. The proceeds of these bonds were primarily used in constructing the Magnolia parking garage.

*Revenue Bonds*

\$2,935,000 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 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Principal payments are due annually on April 1<sup>st</sup>. Principal payments begin April 1, 2009, at \$295,000 and increase in amounts annually until the annual payment reaches \$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).

*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 \$253,008 were incurred and recorded related to this issue.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Promissory Notes – Blended Component Units (Continued)*

\$5,152,901 SPFC Promissory Note A1 (“Note A1”) – Note A1 issued February 5, 2009, in an original amount of \$8,000,000. Note A1 consists of an interest only term and a principal and interest term. The interest only term concludes February 5, 2016 and the principal and interest term concludes February 5, 2021. The interest rate is London Interbank Offered Rate (“LIBOR”) plus 2.5%. The proceeds of Note A1 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.

In February 2010, the City split \$2,847,099 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit).

\$2,847,099 SAFC Promissory Note A1 (“Note A1”) – Note A1 was issued February 5, 2009, in an original amount of \$8,000,000. In February 2010, the City split \$2,847,099 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The interest terms remain unchanged from the original agreement. Issuance costs of \$97,140 were incurred and recorded related to this issue and were amortized over the life of the split Note B.

\$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 deposit from an interested party which will be used at the note maturity date to pay off the debt subject to various terms and conditions.

\$2,964,691 SPFC Promissory Note B (“Note B”) – Note B issued February 5, 2009, in an original amount of \$4,000,000. Note B consists of an interest only term and a deferred payment term. The interest only term concludes February 5, 2016 and the deferred payment term concludes February 5, 2049. The interest rate is LIBOR plus 0.5%. The proceeds of Note B will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$46,000 were 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.

In February 2010, the City split \$1,035,309 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

\$1,035,309 SAFC Promissory Note B (“Note B”) – Note B was issued February 5, 2009, in an original amount of \$4,000,000. In February 2010, the City split \$1,035,309 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The interest terms remain unchanged from the original agreement. Issuance costs of \$97,140 were incurred and recorded related to this issue. These are the same issuance costs that were listed above for the split Note A.

Following is a summary of changes in governmental activities long-term obligations for fiscal year 2010:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
Tax Increment Bonds:					
2000 Series	\$ 5,535,000	-	5,535,000	-	\$ -
2002 Series A	6,810,000	-	120,000	6,690,000	120,000
2002 Series B	395,000	-	190,000	205,000	205,000
2010 Series	-	4,795,000	-	4,795,000	915,000
<b>Total Tax Increment Bonds</b>	<b>12,740,000</b>	<b>4,795,000</b>	<b>5,845,000</b>	<b>11,690,000</b>	<b>1,240,000</b>
Certificates of Participation					
2002 COPS	10,125,000	-	440,000	9,685,000	460,000
2005 COPS	2,615,000	-	200,000	2,415,000	205,000
<b>Total Certificates of Participation</b>	<b>12,740,000</b>	<b>-</b>	<b>640,000</b>	<b>12,100,000</b>	<b>665,000</b>
HUD Section 108 Loan	3,770,000	-	135,000	3,635,000	165,000
<b>Total Debt</b>	<b>29,250,000</b>	<b>4,795,000</b>	<b>6,620,000</b>	<b>27,425,000</b>	<b>2,070,000</b>
Capital Leases:					
2005 Capital Lease	573,367	-	79,839	493,528	82,723
2010 Capital Lease	-	829,000	57,205	771,795	107,133
<b>Total Capital Leases</b>	<b>573,367</b>	<b>829,000</b>	<b>137,044</b>	<b>1,265,323</b>	<b>189,856</b>
Landfill Rem. and Post-Closure Care Liability	6,850,408	-	-	6,850,408	-
Compensated Absences	3,347,949	1,647,690	1,798,914	3,196,725	1,914,638
<b>Total Governmental Activities</b>	<b>\$ 40,021,724</b>	<b>7,271,690</b>	<b>8,555,958</b>	<b>38,737,456</b>	<b>\$ 4,174,494</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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 2010:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
GOB - 2002 Series	\$ 630,000	-	200,000	430,000	\$ 210,000
RB - 2008	3,270,000	-	335,000	2,935,000	370,000
PN - Note A (CC Woodson)	5,600,000	-	-	5,600,000	-
PN - Note A1 (SPFC)	8,000,000	-	2,847,099	5,152,901	-
PN - Note A1 (SAFC)	-	2,847,099	-	2,847,099	-
PN - Note A2	3,000,000	-	-	3,000,000	-
PN - Note B (SPFC)	4,000,000	-	1,035,309	2,964,691	-
PN - Note B (SAFC)	-	1,035,309	-	1,035,309	-
Total Debt	24,500,000	3,882,408	4,417,408	23,965,000	580,000
Compensated Absences	75,296	27,567	44,537	58,326	45,717
Total Business-Type Activities	\$ 24,575,296	3,909,975	4,461,945	24,023,326	\$ 625,717

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

Year Ending June 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2011	\$ 2,070,000	1,209,882	189,856	44,426	\$ 3,514,164
2012	2,159,000	1,134,864	196,833	37,449	3,528,146
2013	2,287,000	1,057,994	204,065	30,217	3,579,276
2014	2,376,000	975,364	211,563	22,719	3,585,646
2015	2,463,000	887,532	219,337	14,944	3,584,813
2016-2020	8,375,000	3,206,359	243,669	8,104	11,833,132
2021-2025	7,695,000	1,133,362	-	-	8,828,362
Totals	\$ 27,425,000	9,605,357	1,265,323	157,859	\$ 38,453,539
<b>Business-Type Activities</b>					
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	435,000	854,116	-	-	1,289,116
2016-2020	15,247,700	2,474,635	-	-	17,722,335
2021	6,272,300	219,250	-	-	6,491,550
Totals	\$ 23,965,000	7,143,762	-	-	\$ 31,108,762

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

**D. Long-Term Obligations (Continued)**

The General Fund (via transfers out) and the Debt Service funds (General Debt Service Fund and the Broad Street TIF Fund) resources have been used to liquidate the governmental activities debt, capital lease obligations, and landfill remediation and post-closure care liability. The General Fund (via transfers out) and the Parking Fund have been used to liquidate the business-type activities general obligation bonds and revenue bonds. The promissory note debt will be liquidated by the respective blended component unit (CC Woodson, SPFC, or SAFC). 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, 2010, the City had \$430,000 of bonded debt subject to the 8% legal debt limit of approximately \$11,578,000 resulting in an unused legal debt margin of approximately \$11,148,000.

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, 2010.

**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 and SAFC's variable interest rate to an approximate synthetic fixed rate of 6.10% and 3.70%, respectively, (subject to the "credit risk" and other matters described below).

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

**Terms:** Debt in the original principal amounts of \$8,000,000 (Note A1) and \$4,000,000 (Note B) was issued on February 5, 2009, whereas an Interest Rate Swap with Carolina First was entered into 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

**Interest on Promissory Note A1 and Note B:** Promissory Note A1 and Note B are variable rate notes with interest accrued and computed at the applicable London Interbank Offered Rates for United States Dollar deposits (“LIBOR”) as published by the British Banker’s Association plus the LIBOR margin. The LIBOR margin for Note 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.

**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 and SAFC are 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 and SAFC are 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 and SAFC did not receive or pay any amount to Carolina First (i.e., any “upfront” payment) when the Interest Rate Swap was initiated.

	<u>Changes in Fair Values</u>		<u>Fair Values at June 30, 2010</u>		<u>Notional Amount</u>
	<u>Reported as</u>	<u>Amount</u>	<u>Reported as</u>	<u>Amount</u>	
<u>Reported in:</u>					
<i>Business-Type Activities</i>					
Note A-1					
Cash Flow Hedges	Deferred outflow of	\$ (597,768)	Derivative Instrument	\$ (524,768)	\$ 8,000,000
Interest Rate Swaps	resources		Liability		
Note B					
Cash Flow Hedges	Deferred outflow of	\$ (240,459)	Derivative Instrument	\$ (246,459)	\$ 4,000,000
Interest Rate Swaps	resources		Liability		

**Fair Value of the Interest Rate Swaps for Note A1 and Note B:** The Interest Rate Swaps had a positive/(negative) fair value of approximately (\$525,000) for Note A1 and approximately (\$246,000) for Note B as of June 30, 2010. 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 counterparty credit rating was “B+” by Standard & Poor’s with a negative outlook as of March 05, 2010. In March 2010, Carolina First was purchased by TD Bank Financial. TD Bank’s counterparty credit rating was “Aaa” by Moody’s and AA- by Standard & Poor’s as of December 2, 2010.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

**Termination Risk:** The Interest Rate Swaps use the 1992 version of the International Swaps and Derivatives Association, Inc. (ISDA®) Master Agreement (Local Currency – Single Jurisdiction) together with a Schedule and Credit Support Annex. The Master Agreement includes standard termination events such as failure to pay, breach of the agreement, default under applicable credit support, misrepresentations, default under other specified transactions, bankruptcy and illegality. Following any event of default or termination event, the SPFC, SAFC, 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 or SAFC obtains a substitute interest rate swap to the extent available to the SPFC or SAFC in the financial markets. Also, if at the time of termination the Interest Rate Swaps have a negative (positive) fair value, the SPFC or SAFC 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, 2010 of 2.85% on Note A1 and 0.85% 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		
2011	\$ -	262,000	374,000	\$ 636,000
2012	-	262,000	374,000	636,000
2013	-	262,000	374,000	636,000
2014	-	262,000	374,000	636,000
2015	-	262,000	374,000	636,000
2016-2020	5,727,700	1,057,850	1,251,315	8,036,865
2021	6,272,300	102,434	116,816	6,491,550
Totals	\$ 12,000,000	2,470,284	3,238,131	\$ 17,708,415

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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

Interfund balances at June 30, 2010, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,526,753	\$ 9,530,768
Capital Projects Fund	3,176,556	-
Hospitality Tax Fund	306,810	-
St. John - Daniel Morgan TIF Fund	262,107	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	259,955
Parking Fund	238,310	-
Sanitary Sewer Fund	546,392	-
Airport Fund	-	345,067
CC Woodson Fund	200,166	-
Spartanburg Parking Facilities Corporation Fund	309,512	-
Spartanburg Airport Facility Corp	24,392	-
<b><u>Non-Major Funds - In Aggregate by Type</u></b>		
Special Revenue Funds	761,406	921,729
Debt Service Funds	669,142	-
Internal Service Funds	3,035,973	-
Totals	\$ 11,057,519	\$ 11,057,519

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 Special Revenue, Debt Service, Hospitality Tax, and Enterprise Funds. The Transit Fund, the Airport Fund, and the Special Revenue Fund payables are for expenses paid by the General Fund and are expected to be paid within one year.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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

Transfers between funds for the year ended June 30, 2010, consist of the following:

Fund	Transfers Out	Transfers In
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 2,146,792	\$ 1,511,580
Capital Projects Fund	269,236	1,421,460
Hospitality Tax Fund	2,879,916	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	500,960
Parking Fund	-	771,323
Sanitary Sewer Fund	204,490	-
Airport Fund	179,289	168,090
CC Woodson	-	80,000
Spartanburg Parking Facilities Corporation Fund	1,388,400	1,079,415
Airport Facilities Corp	-	81,029
<b><u>Non-Major Funds - In Aggregate By Type</u></b>		
Special Revenue Funds	385,525	441,204
Debt Service Funds	431,323	1,560,463
Internal Service Fund	-	269,447
Total	<u>\$ 7,884,971</u>	<u>\$ 7,884,971</u>

General Fund

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

Capital Project Fund

Transfers into the Capital Project Fund were primarily to fund capital outlays and to cover project deficits. Transfers out of the Capital Projects Fund were to fund additional expenditures in the CC Woodson project, cover project deficits and to record the transfer of retainage funds for the Renaissance Project to the Debt Service Fund

Hospitality Tax Fund

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

Special Revenue Funds

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

Debt Service Funds

Transfers in and out were primarily for debt service payments.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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

Transit Fund

Transfer in was to cover operating costs.

Parking Fund

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

Sanitary Sewer Fund

Transfers out were primarily for Roll Carts.

Airport Fund

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

CC Woodson Fund

The transfer in was a payment for the Capital Projects Fund to cover additional expenditures.

Spartanburg Parking Facilities Corporation Fund

Transfers in were to make debt service payments and to record the various fund contributions to pay for project expenditures.

Spartanburg Airport Facilities Corporation Fund

Transfer in were to make debt service payments.

Internal Service Fund

Transfer in from General Fund for the purchase of rollcars in the equipment replacement and the remainder of the transfer was to cover the deficit in the Medical Reimbursement Fund.

IV. OTHER INFORMATION

A. Agreements

**Renaissance Park Project**

*Ground Lease Agreement*

In February 2002, the City entered into a Ground Lease whereby the City leased 4.85 acres to Renaissance Park Hotel, LLC (the "Developer") or its successor, to construct, manage, and operate an approximately 250 room hotel, a portion of an approximately 38,000 square foot conference center and a parking garage of approximately 313 spaces to serve the public, including without limitation, patrons of the Hotel and Conference Center. The Developer (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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

**A. Agreements (Continued)**

*Conference Center Lease Agreement*

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

*Installment Sale Agreement*

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

**New Market Tax Agreements**

**CC Woodson**

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

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

**A. Agreements (Continued)**

**New Market Tax Agreements (Continued)**

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). As the Parking Project progressed during 2010 it was determined that the cost would be substantially lower than expected. As a result of this the City formed another blended component unit, the Spartanburg Airport Facility Corporation ("SAFC"), to make use of the excess note proceeds. Approximately \$3,882,000 of the original \$15,000,000 notes became a liability of the SAFC. The terms of the notes and the interest rate swap agreements were not changed and the interest swap was still an effective hedge.

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

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

**Spartanburg Airport Facilities Corporation**

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies

Commitments

*Southside Retail Partners Development Project*

From time to time, the City has formed public-private partnerships to promote redevelopment, stimulate private investment, create jobs, and improve the quality of 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.

*Renaissance Park Infrastructure*

The City has a commitment related to the Infrastructure Renaissance Park which is a capital project in the Spartanburg Parking Facilities Corporation. At June 30, 2010, the total outstanding balance to finish is approximately \$1,032,000.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

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

**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, 2010.

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

**C. Risk Management**

***Participation in Public Entity Risk Pools***

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended June 30, 2010, the City made premium payments totaling approximately \$598,000. 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, 2009, totaled approximately \$25,402,000. 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, 2010, the City made premium payments totaling approximately \$906,000. 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, 2009, totaled approximately \$34,484,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

***Self-Insurance Health Plan***

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

*Self-Insurance Health Plan (Continued)*

The claims liability of \$502,439 (which includes unclaimed checks of \$3,530) reported in the medical insurance internal service fund at June 30, 2010 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
2007 - 2008	\$ 444,588	3,529,999	(3,553,526)	\$ 421,061
2008 - 2009	421,061	4,098,273	(3,992,347)	526,987
2009 - 2010	\$ 526,987	3,808,037	(3,832,585)	\$ 502,439

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

D. Pension Disclosures

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

City employees, except for fire and police department employees and those employees electing to remain in the Pension Plan, described later in this section, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City police officers and firemen participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Total employee salaries for the City, for employees covered in the SCRS or SCPORS for the year ended June 30, 2010, were approximately \$16,924,000 which, \$8,927,000 and \$7,997,000 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Pension Disclosures (Continued)**

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

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, 2010, were approximately \$825,000 and 9.24%; and \$580,000 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were approximately \$884,000 and 11.05%; and \$520,000 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
2008	\$ 1,411,914	100%	\$ 1,391,480	100%
2009	1,494,772	100%	1,459,844	100%
2010	\$ 1,405,170	100%	\$ 1,403,423	100%

\* Required employer and employee contribution.

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

*Plan Description*

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

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 113; vested inactive employees not yet receiving benefits – 5; and active employees – 8. Covered payroll for year ended December 31, 2009, was approximately \$308,000; average pay was \$37,000; average age was 52.8; and average past service was 22.0 years.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

*Plan Description (Continued)*

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 approximately \$764,000 for the current year consisted of (a) annual required contribution (employer) of approximately \$740,000; (b) interest on the net pension obligation of (\$15,000); and (c) adjustments to annual required contributions of approximately \$39,000 (reflects an amortization period equal to the present value of future earnings/current earnings for active participants under the age of 65).

*Actuarially Determined Contribution Requirements and Contributions Made*

The Pension Plan's funding policy provides for actuarially determined rates deemed sufficient to pay benefits as due. The assumptions used to compute the contribution requirement are the same as those used to compute pension benefits earned as previously described under funding status and progress. Contributions to the Pension Plan for 2010, of \$39,000 for the employer and \$28,000 for the employees were made.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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	Actual	Annual Required	Annual	Pension Cost	Percentage	Net Pension
30		Contributions (a)	Contributions (b)	Percentage	(c)	Contributed (a/c)	Obligation
				Contributed (a/b)			(Asset)
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)
2010		\$ 39,244	739,797	5.30%	763,519	5.14%	\$ 530,977

*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	Actuarial Value	Actuarial Accrued	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a
Date	of Assets	Liability (AAL)	(UAAL)	(a/b)	(c)	Percentage Of
	(a)	Aggregate	(b-a)			covered Payroll
		(b)				((b-a)/c)
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%
01/01/10	\$ 10,842,514	15,947,108	5,104,594	67.99%	\$ 264,820	1927.57%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions

*Plan Description*

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

- **Participants who retire by December 31, 2008** – retirees who were employed by the City for at least 10 years and eligible for retirement through one of the City's retirement plans are provided health insurance up to age 65 and their spouse up to the earlier of age 65 or death of the retiree. The surviving spouse is eligible for COBRA. Currently the City contributes \$100 per month for each retiree for their health premiums.
- **Participants who retire between January 1, 2009 and December 31, 2010** – retirees who were employed by the City for at least 20 years and eligible for retirement through one of the City's retirement plans are provided health insurance for up to 10 years but no later than age 65 and their spouse for up to 10 years, but no later than the earlier of the spouse's age 65 or the death of the retiree. The retiree and spouse rate are the COBRA rate per month less \$200 (the COBRA rate is currently \$515.36 per month for single coverage and \$1,169.56 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 \$515.36 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

*Actuarial Methods and Assumptions*

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

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

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

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

Actuarial Valuation Date:	July 1, 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, 2010 was 29 years.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

**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 2010) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$	(23,468)
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)		504,000
6.	Net Contributions Made for the Plan Year		750,464
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)		(246,464)
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	\$	(269,932)

*Schedule of Employer Contributions*

Contributions include \$104,000 paid by the City to the OPEB Plan to pre-fund benefits and approximately \$646,000 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 and 2010 were as follows:

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$ 504,000	527,468	104.66%	\$ (23,468)
June 30, 2010	\$ 504,000	750,464	148.90%	\$ (269,932)

*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:

Applicable to Fiscal Year Ending	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)
June 30, 2009	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, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

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

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

As of June 30, 2010, 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, 2010.

In accordance with accounting guidance provided by GASB 18 "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure 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. On July 8, 2010, the City had an estimate performed as to the remaining costs associated with the liability. The estimate did not change materially from the prior year, and thus the total landfill remediation and post-closure care liability of \$6,850,000 at June 30, 2010 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, 2010 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, 2010 of \$6,850,000, to be its' best estimate for these costs as of June 30, 2010.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Conduit Debt**

The Spartanburg Water System (“Water System”) has issued the following Bonds in the name of the City: \$25,050,000 in November 1998; \$14,925,000 in March 2002; \$81,445,000 in February 2008; \$31,200,000 in March 2008; \$33,935,000 in August 2009; and a 2009 BAN issued for \$6,829,950. The purpose of these bonds was to fund capital improvements. At June 30, 2010, the outstanding balances on these bonds were approximately \$156,945,000 (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, 2010:

Spartanburg Parking Facilities Corporation	\$	272,270
Miscellaneous Grant Fund	\$	9,545

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**

**Debt**

In November, the City issued Series 2010 TIF Refunding Bonds in the amount of \$6,830,000 with an interest rate of 3.24%. City used the proceeds to advance defease/refund the Series 2002A TIF Bonds.

In November, the City issued Series 2010 Special Revenue Refunding Bonds in the amount of \$9,495,000 with an interest rate of 3.17%. City used the proceeds to advance defease/refund the Series 2002 COPs.

In December, the City issued Series 2010 GO Bonds in the amount of \$6,995,000. Interest rates ranging from 3.5% - 4.5%. City plans on using the proceeds toward the Arkwright Dump and planned improvements to Stewart Park.

In December, the City approved an ordinance to acquire a five year Capital Lease for approximately \$1,038,000 with an interest rate of 2.24%. These funds will be used to purchase equipment for the Public Works, Public Safety, and Parks and Recreation and Grounds Maintenance departments.

**Capital Assets**

In August 2010, the City’s blended component unit, Spartanburg Airport Facilities Corporation, entered into a construction contract with Harper Corporation in the amount of approximately \$2,526,000 for construction and renovation work at the airport

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
<b>REVENUES</b>				
Taxes	\$13,645,460	13,645,460	13,590,827	\$ (54,633)
Fees, Licenses, and Permits	12,887,831	12,887,831	12,469,852	(417,979)
Fines and Forfeitures	568,000	568,000	542,713	(25,287)
Intergovernmental Revenues	4,117,931	4,117,931	3,830,517	(287,414)
Charges for Services	1,811,487	1,811,487	2,039,231	227,744
Other Revenues	242,500	242,500	255,742	13,242
<b>TOTAL REVENUES ALL SOURCES</b>	<b>33,273,209</b>	<b>33,273,209</b>	<b>32,728,882</b>	<b>(544,327)</b>
<b>EXPENDITURES</b>				
Policy Formulation and Administration	4,028,196	4,028,196	4,358,590	(330,394)
Public Safety	13,352,279	13,352,279	12,887,112	465,167
Parks, Recreation, and Special Events	2,211,465	2,211,465	2,109,339	102,126
Community Development	2,181,529	2,181,529	2,104,169	77,360
Public Works	8,506,723	8,506,723	8,063,060	443,663
Finance and Administrative Services	1,733,021	1,733,021	1,681,302	51,719
<b>TOTAL EXPENDITURES</b>	<b>32,013,213</b>	<b>32,013,213</b>	<b>31,203,572</b>	<b>809,641</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,259,996</b>	<b>1,259,996</b>	<b>1,525,310</b>	<b>265,314</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	679,289	679,289	1,511,580	832,291
Transfers Out	(1,939,285)	(1,939,285)	(2,146,792)	(207,507)
Proceeds from Sale of Capital Assets	-	-	48,314	48,314
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,259,996)</b>	<b>(1,259,996)</b>	<b>(586,898)</b>	<b>673,098</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>938,412</b>	<b>938,412</b>
FUND BALANCES, Beginning of Year	4,129,000	4,129,000	4,129,000	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 4,129,000</b>	<b>4,129,000</b>	<b>5,067,412</b>	<b>\$ 938,412</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND

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

YEAR ENDED JUNE 30, 2010

	<b>HOSPITALITY TAX FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Hospitality Taxes	\$ 3,300,000	3,300,000	3,280,503	\$ (19,497)
Investment Earnings	60,000	60,000	4,775	(55,225)
Other Revenues	1,000	1,000	2,550	1,550
<b>TOTAL REVENUES ALL SOURCES</b>	<b>3,361,000</b>	<b>3,361,000</b>	<b>3,287,828</b>	<b>(73,172)</b>
<b>EXPENDITURES</b>				
Operating	724,875	724,875	762,122	(37,247)
<b>TOTAL EXPENDITURES</b>	<b>724,875</b>	<b>724,875</b>	<b>762,122</b>	<b>(37,247)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,636,125</b>	<b>2,636,125</b>	<b>2,525,706</b>	<b>(110,419)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,797,278)	(2,797,278)	(2,879,916)	(82,638)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,797,278)</b>	<b>(2,797,278)</b>	<b>(2,879,916)</b>	<b>(82,638)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(161,153)</b>	<b>(161,153)</b>	<b>(354,210)</b>	<b>(193,057)</b>
FUND BALANCES, Beginning of Year	1,221,088	1,221,088	1,221,088	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,059,935</b>	<b>1,059,935</b>	<b>866,878</b>	<b>\$ (193,057)</b>

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED JUNE 30, 2010**

Fiscal year 2009 was the first year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, comparative data is only available since that date. In future years, three-year trend information will be presented.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$ 504,000	527,468	104.66%	\$ (23,468)
June 30, 2010	\$ 504,000	750,464	148.90%	\$ (269,932)

**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)
June 30, 2009	July 1, 2007	\$ 100,984	5,936,000	5,835,016	1.70%	\$ 15,922,000	36.65%

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

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



CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current	\$ 12,745,460	12,670,865	\$ (74,595)
Prior Years, Including Penalties and Execution Fees	900,000	919,962	19,962
<b>Total Taxes</b>	<b>13,645,460</b>	<b>13,590,827</b>	<b>(54,633)</b>
<b>Fees, Licenses, and Permits:</b>			
Business Licenses and Penalties	9,410,000	8,812,895	(597,105)
Utility Franchise Fees	2,956,831	3,246,840	290,009
Building Permits	300,000	266,957	(33,043)
Electrical Permits	40,000	22,354	(17,646)
Plumbing Permits	25,000	11,844	(13,156)
Heating & Air Conditioning Permits	25,000	20,539	(4,461)
Miscellaneous Inspections/License Fees	131,000	88,423	(42,577)
<b>Total Fees, Licenses, and Permits</b>	<b>12,887,831</b>	<b>12,469,852</b>	<b>(417,979)</b>
<b>Fines and Forfeitures:</b>			
Criminal Fines	80,000	83,100	3,100
Traffic Fines	408,000	393,404	(14,596)
Parking Tickets	80,000	66,209	(13,791)
<b>Total Fines and Forfeitures</b>	<b>568,000</b>	<b>542,713</b>	<b>(25,287)</b>
<b>Intergovernmental Revenues:</b>			
Local Government Funds	1,084,024	1,091,766	7,742
General Government Funds	646,470	324,231	(322,239)
Accommodations Tax	30,000	29,406	(594)
County Recreation Supplement	2,000	9,222	7,222
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	5,763	5,946	183
Payment in Lieu of Taxes (Housing Authority)	23,000	26,169	3,169
Sunday Alcohol Sales	65,000	72,568	7,568
Water System Payments	1,545,878	1,516,729	(29,149)
Worker's Compensation Recoveries	21,000	59,684	38,684
<b>Total Intergovernmental Revenues</b>	<b>\$ 4,117,931</b>	<b>3,830,517</b>	<b>\$ (287,414)</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Charges for Services:</b>			
District 6 & 7 School Guards	\$ 259,987	243,742	\$ (16,245)
Dorman High School Security	57,000	50,145	(6,855)
Parks and Recreation	121,000	177,315	56,315
Fleet Charges	55,000	41,920	(13,080)
Sanitation Service Charge	1,318,500	1,526,109	207,609
<b>Total Charges for Services</b>	<b>1,811,487</b>	<b>2,039,231</b>	<b>227,744</b>
<b>Other Revenues:</b>			
Fair Association	27,500	27,500	-
Interest	50,000	36,421	(13,579)
Miscellaneous	163,000	189,821	26,821
Rents	2,000	2,000	-
<b>Total Other Revenues</b>	<b>242,500</b>	<b>255,742</b>	<b>13,242</b>
<b>TOTAL REVENUES ALL SOURCES</b>	<b>33,273,209</b>	<b>32,728,882</b>	<b>(544,327)</b>
<b>EXPENDITURES</b>			
<b>Policy Formulation and Administration</b>			
Mayor and Council:			
Personnel Services	99,167	98,112	1,055
Operating Expenditures	96,414	80,586	15,828
	<u>195,581</u>	<u>178,698</u>	<u>16,883</u>
Boards and Commissions:			
Operating Expenditures	5,780	1,787	3,993
	<u>5,780</u>	<u>1,787</u>	<u>3,993</u>
City Attorney:			
Personnel Services	185,462	200,380	(14,918)
Operating Expenditures	166,325	138,879	27,446
	<u>351,787</u>	<u>339,259</u>	<u>12,528</u>
City Manager:			
Personnel Services	453,516	447,178	6,338
Operating Expenditures	36,020	27,131	8,889
Capital Outlay	1,340	1,340	-
	<u>\$ 490,876</u>	<u>475,649</u>	<u>\$ 15,227</u>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2010**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Communication and Marketing:			
Personnel Services	\$ 123,488	94,392	\$ 29,096
Operating Expenditures	165,952	66,121	99,831
	<u>289,440</u>	<u>160,513</u>	<u>128,927</u>
Community Relations:			
Personnel Services	265,528	271,937	(6,409)
Operating Expenditures	49,554	48,194	1,360
Capital Outlay	6,124	6,194	(70)
	<u>321,206</u>	<u>326,325</u>	<u>(5,119)</u>
Code Enforcement:			
Personnel Services	174,087	144,993	29,094
Operating Expenditures	23,845	23,261	584
Capital Outlay	2,314	2,314	-
	<u>200,246</u>	<u>170,568</u>	<u>29,678</u>
Municipal Court:			
Personnel Services	349,612	337,692	11,920
Operating Expenditures	60,116	56,285	3,831
	<u>409,728</u>	<u>393,977</u>	<u>15,751</u>
Non-Departmental Services:			
Operating Expenditures	(496,000)	203,553	(699,553)
	<u>(496,000)</u>	<u>203,553</u>	<u>(699,553)</u>
Worker's Compensation:			
Personnel Services	66,798	66,691	107
Operating Expenditures	1,046,678	1,022,301	24,377
	<u>1,113,476</u>	<u>1,088,992</u>	<u>24,484</u>
Human Resources:			
Personnel Services	206,267	209,707	(3,440)
Operating Expenditures	56,805	48,313	8,492
	<u>263,072</u>	<u>258,020</u>	<u>5,052</u>
Information Technology:			
Personnel Services	171,085	170,820	265
Operating Expenditures	429,402	393,587	35,815
Capital Outlay	87,170	70,008	17,162
	<u>\$ 687,657</u>	<u>634,415</u>	<u>\$ 53,242</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Employee Development:			
Personnel Services	\$ 86,000	86,000	\$ -
Operating Expenditures	109,347	40,834	68,513
	<u>195,347</u>	<u>126,834</u>	<u>68,513</u>
<b>Total Policy Formulation and Administration</b>	<b><u>4,028,196</u></b>	<b><u>4,358,590</u></b>	<b><u>(330,394)</u></b>
<b>Public Safety</b>			
Administration			
Director's Office:			
Personnel Services	480,410	493,105	(12,695)
Operating Expenditures	117,562	102,499	15,063
Capital Outlay	1,730	1,730	-
	<u>599,702</u>	<u>597,334</u>	<u>2,368</u>
Technical and Support Administration:			
Personnel Services	501,587	463,343	38,244
Operating Expenditures	279,990	258,149	21,841
Capital Outlay	5,656	5,656	-
	<u>787,233</u>	<u>727,148</u>	<u>60,085</u>
Total Administration	<u>1,386,935</u>	<u>1,324,482</u>	<u>62,453</u>
Law Enforcement			
Jail:			
Operating Expenditures	40,900	58,363	(17,463)
	<u>40,900</u>	<u>58,363</u>	<u>(17,463)</u>
Patrol:			
Personnel Services	4,329,481	3,979,585	349,896
Operating Expenditures	157,464	128,224	29,240
Capital Outlay	163,812	114,632	49,180
	<u>4,650,757</u>	<u>4,222,441</u>	<u>428,316</u>
Crime Prevention:			
Personnel Services	280,120	273,255	6,865
Operating Expenditures	18,225	17,220	1,005
	<u>298,345</u>	<u>290,475</u>	<u>7,870</u>
Investigations:			
Personnel Services	1,193,481	1,436,129	(242,648)
Operating Expenditures	163,157	126,152	37,005
Capital Outlay	28,846	28,846	-
	<u>\$ 1,385,484</u>	<u>1,591,127</u>	<u>\$ (205,643)</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Records:			
Personnel Services	\$ 278,193	273,552	\$ 4,641
Operating Expenditures	28,854	23,756	5,098
	<u>307,047</u>	<u>297,308</u>	<u>9,739</u>
Animal Control:			
Personnel Services	85,155	81,138	4,017
Operating Expenditures	84,195	69,302	14,893
Capital Outlay	9,665	3,665	6,000
	<u>179,015</u>	<u>154,105</u>	<u>24,910</u>
Law Enforcement Administration:			
Personnel Services	287,082	283,455	3,627
Operating Expenditures	14,805	12,423	2,382
	<u>301,887</u>	<u>295,878</u>	<u>6,009</u>
School Crossing Guard:			
Personnel Services	193,232	127,784	65,448
Operating Expenditures	900	630	270
	<u>194,132</u>	<u>128,414</u>	<u>65,718</u>
Foot Patrol:			
Personnel Services	88,492	120	88,372
	<u>88,492</u>	<u>120</u>	<u>88,372</u>
Total Law Enforcement	<u>7,446,059</u>	<u>7,038,231</u>	<u>407,828</u>
Fire			
Fire Administration:			
Personnel Services	470,991	502,943	(31,952)
Operating Expenditures	52,562	47,649	4,913
Capital Outlay	2,716	2,716	-
	<u>526,269</u>	<u>553,308</u>	<u>(27,039)</u>
Fire Suppression:			
Personnel Services	3,511,877	3,525,106	(13,229)
Operating Expenditures	304,911	269,757	35,154
Capital Outlay	176,228	176,228	-
	<u>3,993,016</u>	<u>3,971,091</u>	<u>21,925</u>
Total Fire	<u>4,519,285</u>	<u>4,524,399</u>	<u>(5,114)</u>
<b>Total Public Safety</b>	<b><u>\$ 13,352,279</u></b>	<b><u>12,887,112</u></b>	<b><u>\$ 465,167</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Parks, Recreation, and Special Events</b>			
Parks, Recreation, and Special Events Administration:			
Personnel Services	\$ 188,305	248,946	\$ (60,641)
Operating Expenditures	148,650	158,567	(9,917)
	<u>336,955</u>	<u>407,513</u>	<u>(70,558)</u>
Special Events:			
Personnel Services	199,974	200,512	(538)
Operating Expenditures	16,830	11,681	5,149
	<u>216,804</u>	<u>212,193</u>	<u>4,611</u>
Parks:			
Personnel Services	236,978	219,795	17,183
Operating Expenditures	83,765	85,966	(2,201)
	<u>320,743</u>	<u>305,761</u>	<u>14,982</u>
Recreation Centers:			
Personnel Services	710,332	494,432	215,900
Operating Expenditures	48,400	45,858	2,542
	<u>758,732</u>	<u>540,290</u>	<u>218,442</u>
Aquatics:			
Personnel Services	409,634	461,673	(52,039)
Operating Expenditures	30,801	39,831	(9,030)
	<u>440,435</u>	<u>501,504</u>	<u>(61,069)</u>
Athletics			
Personnel Services	48,266	50,599	(2,333)
Operating Expenditures	89,530	91,479	(1,949)
	<u>137,796</u>	<u>142,078</u>	<u>(4,282)</u>
	<b><u>2,211,465</u></b>	<b><u>2,109,339</u></b>	<b><u>102,126</u></b>
<b>Community Development</b>			
Economic Development:			
Personnel Services	143,811	116,797	27,014
Operating Expenditures	266,350	273,500	(7,150)
	<u>410,161</u>	<u>390,297</u>	<u>19,864</u>
Administration:			
Personnel Services	184,194	86,980	97,214
Operating Expenditures	220,245	228,415	(8,170)
	<u>\$ 404,439</u>	<u>315,395</u>	<u>\$ 89,044</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Civil Engineering:			
Personnel Services	\$ 334,817	358,781	\$ (23,964)
Operating Expenditures	44,640	45,938	(1,298)
Capital Outlay	6,013	6,013	-
	<u>385,470</u>	<u>410,732</u>	<u>(25,262)</u>
Community Enhancements:			
Personnel Services	236,815	255,632	(18,817)
Operating Expenditures	39,060	60,449	(21,389)
Capital Outlay	2,580	2,580	-
	<u>278,455</u>	<u>318,661</u>	<u>(40,206)</u>
Inspections:			
Personnel Services	497,201	464,305	32,896
Operating Expenditures	25,520	27,783	(2,263)
Capital Outlay	5,765	5,765	-
	<u>528,486</u>	<u>497,853</u>	<u>30,633</u>
Parking Enforcement:			
Personnel Services	78,128	79,499	(1,371)
Operating Expenditures	5,870	224	5,646
Capital Outlay	2,868	2,868	-
	<u>86,866</u>	<u>82,591</u>	<u>4,275</u>
Construction Management:			
Personnel Services	77,842	83,974	(6,132)
Operating Expenditures	9,810	4,666	5,144
	<u>87,652</u>	<u>88,640</u>	<u>(988)</u>
<b>Total Community Development</b>	<b><u>2,181,529</u></b>	<b><u>2,104,169</u></b>	<b><u>77,360</u></b>
<b>Public Works</b>			
Public Works Administration:			
Personnel Services	184,519	144,999	39,520
Operating Expenditures	4,500	2,530	1,970
Capital Outlay	1,496	1,496	-
	<u>190,515</u>	<u>149,025</u>	<u>41,490</u>
Street and Ground Maintenance:			
Personnel Services	1,193,951	1,129,970	63,981
Operating Expenditures	331,020	348,209	(17,189)
Capital Outlay	88,359	88,359	-
	<u>\$ 1,613,330</u>	<u>1,566,538</u>	<u>\$ 46,792</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2010

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Traffic Engineering:			
Personnel Services	\$ 406,894	417,474	\$ (10,580)
Operating Expenditures	556,440	598,497	(42,057)
Capital Outlay	13,757	13,757	-
	<u>977,091</u>	<u>1,029,728</u>	<u>(52,637)</u>
Storm Water:			
Personnel Services	519,132	514,795	4,337
Operating Expenditures	73,319	63,916	9,403
	<u>592,451</u>	<u>578,711</u>	<u>13,740</u>
Building Maintenance:			
Personnel Services	275,569	237,086	38,483
Operating Expenditures	695,700	653,137	42,563
Capital Outlay	5,335	5,335	-
	<u>976,604</u>	<u>895,558</u>	<u>81,046</u>
Fleet Maintenance:			
Personnel Services	652,505	568,181	84,324
Operating Expenditures	1,286,986	1,084,693	202,293
Capital Outlay	4,584	4,584	-
	<u>1,944,075</u>	<u>1,657,458</u>	<u>286,617</u>
Solid Waste:			
Personnel Services	1,721,480	1,704,586	16,894
Operating Expenditures	189,862	180,141	9,721
Capital Outlay	301,315	301,315	-
	<u>2,212,657</u>	<u>2,186,042</u>	<u>26,615</u>
<b>Total Public Works</b>	<b><u>8,506,723</u></b>	<b><u>8,063,060</u></b>	<b><u>443,663</u></b>
<b>Finance and Administrative Services</b>			
Administrative/Risk:			
Operating Expenditures	704,938	670,561	34,377
	<u>704,938</u>	<u>670,561</u>	<u>34,377</u>
Finance Administration:			
Personnel Services	536,348	543,925	(7,577)
Operating Expenditures	169,221	142,452	26,769
Capital Outlay	880	880	-
	<u>\$ 706,449</u>	<u>687,257</u>	<u>\$ 19,192</u>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2010**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Business License Code Enforcement:			
Personnel Services	\$ 122,294	127,523	\$ (5,229)
Operating Expenditures	6,075	8,918	(2,843)
Capital Outlay	974	974	-
	<u>129,343</u>	<u>137,415</u>	<u>(8,072)</u>
Procurement and Property:			
Personnel Services	132,842	124,528	8,314
Operating Expenditures	56,900	58,992	(2,092)
Capital Outlay	2,549	2,549	-
	<u>192,291</u>	<u>186,069</u>	<u>6,222</u>
<b>Total Finance and Administrative Services</b>	<b><u>1,733,021</u></b>	<b><u>1,681,302</u></b>	<b><u>51,719</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>32,013,213</u></b>	<b><u>31,203,572</u></b>	<b><u>809,641</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>1,259,996</u></b>	<b><u>1,525,310</u></b>	<b><u>265,314</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	679,289	1,511,580	832,291
Transfers Out	(1,939,285)	(2,146,792)	(207,507)
Proceeds from Sale of Capital Assets	-	48,314	48,314
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(1,259,996)</u></b>	<b><u>(586,898)</u></b>	<b><u>673,098</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b><u>938,412</u></b>	<b><u>938,412</u></b>
FUND BALANCES, Beginning of Year	<u>4,129,000</u>	<u>4,129,000</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 4,129,000</u></b>	<b><u>5,067,412</u></b>	<b><u>\$ 938,412</u></b>

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## **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

Hillcrest Mall Fund 380 – to account for revenue received from a multi-county industrial park.

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

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2010

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,300	-	\$ 3,300
Restricted Cash and Cash Equivalents	340,245	171,584	511,829
Restricted Investments	-	166,618	166,618
Property Taxes Receivable, Net	-	60,067	60,067
Accounts Receivable	274	-	274
Commercial Loan Receivables	120,690	-	120,690
Intergovernmental Receivables	1,156,764	-	1,156,764
Mortgages Receivable:			
Home Loans	136,331	-	136,331
Deferred Loans	38,928	-	38,928
SRDC	51,155	-	51,155
Due From Other Funds	761,406	669,142	1,430,548
<b>TOTAL ASSETS</b>	<b><u>2,609,093</u></b>	<b><u>1,067,411</u></b>	<b><u>3,676,504</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable	220,430	-	220,430
Accrued Salaries and Benefits	55,644	-	55,644
Due To Other Funds	921,729	-	921,729
Deferred Revenue	709,803	4,443	714,246
<b>TOTAL LIABILITIES</b>	<b><u>1,907,606</u></b>	<b><u>4,443</u></b>	<b><u>1,912,049</u></b>
<b>FUND BALANCES</b>			
Reserved For:			
Debt Service	-	1,062,968	1,062,968
Unreserved, Undesignated	701,487	-	701,487
<b>TOTAL FUND BALANCES</b>	<b><u>701,487</u></b>	<b><u>1,062,968</u></b>	<b><u>1,764,455</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,609,093</u></b>	<b><u>1,067,411</u></b>	<b><u>\$ 3,676,504</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Federal Government Contributions	\$ 2,874,063	-	\$ 2,874,063
State Government Contributions	978,951	-	978,951
Taxes	1,189,345	1,910,209	3,099,554
Investment Earnings	10,019	1,708	11,727
Confiscated Drug Funds	120,746	-	120,746
Other	626,400	-	626,400
<b>TOTAL REVENUES ALL SOURCES</b>	<b>5,799,524</b>	<b>1,911,917</b>	<b>7,711,441</b>
<b>EXPENDITURES:</b>			
Current:			
Finance and Administrative Services	1,099,326	-	1,099,326
Operating	3,561,040	-	3,561,040
Capital Outlay	724,201	-	724,201
Debt Service			
Principal Retirement	-	1,450,000	1,450,000
Interest	-	870,222	870,222
Other	-	86,279	86,279
<b>TOTAL EXPENDITURES</b>	<b>5,384,567</b>	<b>2,406,501</b>	<b>7,791,068</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>414,957</b>	<b>(494,584)</b>	<b>(79,627)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	441,204	1,560,463	2,001,667
Transfers Out	(385,525)	(431,323)	(816,848)
Bond Proceeds	-	4,795,000	4,795,000
Defeasement of Debt	-	(4,725,000)	(4,725,000)
Proceeds from Sale of Capital Assets	22,148	-	22,148
<b>Total Other Financing Sources (Uses)</b>	<b>77,827</b>	<b>1,199,140</b>	<b>1,276,967</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>492,784</b>	<b>704,556</b>	<b>1,197,340</b>
FUND BALANCES, Beginning of Year	208,703	358,412	567,115
<b>FUND BALANCES, End of Year</b>	<b>\$ 701,487</b>	<b>1,062,968</b>	<b>\$ 1,764,455</b>

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**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2010**

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Restricted Cash and Cash Equivalents	-	340,245
Accounts Receivable	-	-
Intergovernmental Receivables	-	454,629
Commercial Loan Receivables	-	-
Mortgages Receivable-Home Loans	136,331	-
Mortgages Receivable-Deferred	-	-
Mortgages Receivable-SRDC Loans	-	-
Due From Other Funds	143,728	-
<b>TOTAL ASSETS</b>	<b>280,059</b>	<b>794,874</b>
<b>LIABILITIES</b>		
Accounts Payable	2,408	118,534
Accrued Salaries and Benefits	-	36,318
Due To Other Funds	-	314,317
Deferred Revenue	136,330	335,250
<b>TOTAL LIABILITIES</b>	<b>138,738</b>	<b>804,419</b>
<b>FUND BALANCES</b>		
Unreserved - Undesignated	141,321	(9,545)
<b>TOTAL FUND BALANCES</b>	<b>141,321</b>	<b>(9,545)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 280,059</b>	<b>794,874</b>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	3,300	-	\$ -
-	-	-	-
-	274	-	-
-	-	391,858	-
-	-	-	-
-	-	-	-
-	-	-	-
231,324	114,402	-	75,100
<b>231,324</b>	<b>117,976</b>	<b>391,858</b>	<b>75,100</b>
972	28,012	2,358	11,262
268	3,695	-	-
-	-	380,119	-
-	10,000	-	-
1,240	41,707	382,477	11,262
230,084	76,269	9,381	63,838
230,084	76,269	9,381	63,838
<b>231,324</b>	<b>117,976</b>	<b>391,858</b>	<b>\$ 75,100</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Restricted Cash and Cash Equivalents	-	-
Accounts Receivable	-	-
Intergovernmental Receivables	27,157	142,226
Commercial Loan Receivables	-	120,690
Mortgages Receivable-Home Loans	-	-
Mortgages Receivable-Deferred	-	38,928
Mortgages Receivable-SRDC Loans	-	51,155
Due From Other Funds	43,781	-
<b>TOTAL ASSETS</b>	<b>70,938</b>	<b>352,999</b>
<b>LIABILITIES</b>		
Accounts Payable	13,959	19,346
Accrued Salaries and Benefits	-	15,363
Due To Other Funds	-	107,517
Deferred Revenue	-	210,773
<b>TOTAL LIABILITIES</b>	<b>13,959</b>	<b>352,999</b>
<b>FUND BALANCES</b>		
Unreserved - Undesignated	56,979	-
<b>TOTAL FUND BALANCES</b>	<b>56,979</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 70,938</b>	<b>352,999</b>

Fund 709	Fund 803	Fund 804		
Neighborhood Stabilization ARRA Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Combined Funds	
-	-	-	\$	3,300
-	-	-		340,245
-	-	-		274
140,894	-	-		1,156,764
-	-	-		120,690
-	-	-		136,331
-	-	-		38,928
-	-	-		51,155
-	16,264	136,807		761,406
<b>140,894</b>	<b>16,264</b>	<b>136,807</b>		<b>2,609,093</b>
3,668	4,611	15,300		220,430
-	-	-		55,644
119,776	-	-		921,729
17,450	-	-		709,803
140,894	4,611	15,300		1,907,606
-	11,653	121,507		701,487
-	11,653	121,507		701,487
<b>140,894</b>	<b>16,264</b>	<b>136,807</b>	<b>\$</b>	<b>2,609,093</b>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2010**

	Fund 210	Fund 320
	Federal Home Program Fund	Miscellaneous Grant Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ 95,600	1,034,524
State Government Contributions	-	256,757
Property Taxes	-	-
Investment Earnings	3,589	179
Miscellaneous	88,935	52,532
Total Revenues	188,124	1,343,992
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	717,610
Operating	101,454	706,403
Total Expenditures	101,454	1,424,013
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>86,670</b>	<b>(80,021)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	128,677
Transfers Out	-	(68,811)
Total Other Financing Sources (Uses)	-	59,866
<b>NET CHANGES IN FUND BALANCES</b>	<b>86,670</b>	<b>(20,155)</b>
FUND BALANCES, Beginning of Year	54,651	10,610
<b>FUND BALANCES, End of Year</b>	<b>\$ 141,321</b>	<b>(9,545)</b>

Fund 322	Fund 323	Fund 339	Fund 380
Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Hillcrest Mall Fund
-	-	-	-
-	-	722,194	-
-	-	124,255	981,382
-	-	-	896
71,965	405,264	-	-
71,965	405,264	846,449	982,278
46,025	44,266	-	-
-	408,750	768,674	679,283
46,025	453,016	768,674	679,283
<b>25,940</b>	<b>(47,752)</b>	<b>77,775</b>	<b>302,995</b>
-	101,400	-	-
(9,714)	-	-	(300,000)
(9,714)	101,400	-	(300,000)
<b>16,226</b>	<b>53,648</b>	<b>77,775</b>	<b>2,995</b>
213,858	22,621	(68,394)	60,843
<b>230,084</b>	<b>76,269</b>	<b>9,381</b>	<b>\$ 63,838</b>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2010**

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ -	1,026,060
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	83,708	-
Investment Earnings	515	2,846
Miscellaneous	-	7,704
Confiscated Drug Funds	-	-
Total Revenues	84,223	1,036,610
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	291,425
Operating	79,938	575,485
Capital Outlay	-	169,702
Total Expenditures	79,938	1,036,612
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,285</b>	<b>(2)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	211,127
Transfers Out	(7,000)	-
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	(7,000)	211,127
<b>NET CHANGES IN FUND BALANCES</b>	<b>(2,715)</b>	<b>211,125</b>
FUND BALANCES, Beginning of Year	59,694	(211,125)
<b>FUND BALANCES, End of Year</b>	<b>\$ 56,979</b>	<b>-</b>

Fund 709	Fund 803	Fund 804	Combined Funds
Neighborhood Stabilization ARRA Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	
717,879	-	-	\$ 2,874,063
-	-	-	978,951
-	-	-	1,105,637
-	-	-	83,708
-	723	1,271	10,019
-	-	-	626,400
-	-	120,746	120,746
<u>717,879</u>	<u>723</u>	<u>122,017</u>	<u>5,799,524</u>
-	-	-	1,099,326
164,910	58,684	17,459	3,561,040
552,969	1,271	259	724,201
<u>717,879</u>	<u>59,955</u>	<u>17,718</u>	<u>5,384,567</u>
<u>-</u>	<u>(59,232)</u>	<u>104,299</u>	<u>414,957</u>
-	-	-	441,204
-	-	-	(385,525)
-	-	22,148	22,148
<u>-</u>	<u>-</u>	<u>22,148</u>	<u>77,827</u>
<u>-</u>	<u>(59,232)</u>	<u>126,447</u>	<u>492,784</u>
<u>-</u>	<u>70,885</u>	<u>(4,940)</u>	<u>208,703</u>
<u>-</u>	<u>11,653</u>	<u>121,507</u>	<u>\$ 701,487</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

FEDERAL HOME PROGRAM FUND

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

YEAR ENDED JUNE 30, 2010

<b>FEDERAL HOME PROGRAM FUND</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 499,220	499,220	95,600	\$ (403,620)
Investment Earnings	7,476	7,476	3,589	(3,887)
Other Revenues	88,933	88,933	88,935	2
<b>TOTAL REVENUES ALL SOURCES</b>	<b>595,629</b>	<b>595,629</b>	<b>188,124</b>	<b>(407,505)</b>
<b>EXPENDITURES</b>				
Operating	595,629	595,629	101,454	494,175
<b>TOTAL EXPENDITURES</b>	<b>595,629</b>	<b>595,629</b>	<b>101,454</b>	<b>494,175</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>86,670</b>	<b>86,670</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>86,670</b>	<b>86,670</b>
FUND BALANCES, Beginning of Year	54,651	54,651	54,651	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 54,651</b>	<b>54,651</b>	<b>141,321</b>	<b>\$ 86,670</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2010

	<b>VICTIMS ASSISTANCE FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Other Revenues	\$ 71,000	71,000	71,965	\$ 965
<b>TOTAL REVENUES ALL SOURCES</b>	<b>71,000</b>	<b>71,000</b>	<b>71,965</b>	<b>965</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	71,000	71,000	46,025	24,975
<b>TOTAL EXPENDITURES</b>	<b>71,000</b>	<b>71,000</b>	<b>46,025</b>	<b>24,975</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>25,940</b>	<b>22,760</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	5,154
Transfers Out	-	-	(9,714)	(6,774)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(9,714)</b>	<b>(1,620)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>16,226</b>	<b>21,140</b>
FUND BALANCES, Beginning of Year	213,858	213,858	213,858	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 213,858</b>	<b>213,858</b>	<b>230,084</b>	<b>\$ 21,140</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2010

<b>COMMUNITY DEVELOPMENT FUND</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 1,435,762	1,435,762	1,026,060	\$ (409,702)
Investment Earnings	4,000	4,000	2,846	(1,154)
Other Revenues	11,000	11,000	7,704	(3,296)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,450,762</b>	<b>1,450,762</b>	<b>1,036,610</b>	<b>(414,152)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	292,929	292,929	291,425	1,504
Operating	964,703	964,703	575,485	389,218
Capital Outlay	193,130	193,130	169,702	23,428
<b>TOTAL EXPENDITURES</b>	<b>1,450,762</b>	<b>1,450,762</b>	<b>1,036,612</b>	<b>414,150</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	211,127	211,127
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>211,127</b>	<b>211,127</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>211,125</b>	<b>211,125</b>
FUND BALANCES, Beginning of Year	(211,125)	(211,125)	(211,125)	-
<b>FUND BALANCES, End of Year</b>	<b>\$ (211,125)</b>	<b>(211,125)</b>	<b>-</b>	<b>\$ 211,125</b>

## **DEBT SERVICE FUNDS**

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

GENERAL DEBT SERVICE FUND – to account for accumulation of resources and payment of bond principal interest and related costs. These particular funds were used for certain capital projects.

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



CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2010

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Restricted Cash and Cash Equivalents	\$ 171,584	-	\$ 171,584
Restricted Investments	166,618	-	166,618
Property Taxes Receivable, Net	-	60,067	60,067
Due From Other Funds	2,500	666,642	669,142
<b>TOTAL ASSETS</b>	<b>340,702</b>	<b>726,709</b>	<b>1,067,411</b>
<b>LIABILITIES</b>			
Deferred Tax Revenue	-	4,443	4,443
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>4,443</b>	<b>4,443</b>
<b>FUND BALANCE</b>			
Reserved for Debt Service	340,702	722,266	1,062,968
<b>TOTAL FUND BALANCES</b>	<b>340,702</b>	<b>722,266</b>	<b>1,062,968</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 340,702</b>	<b>726,709</b>	<b>\$ 1,067,411</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>REVENUES</b>			
Tax Increment	\$ -	1,910,209	\$ 1,910,209
Investment Earnings	1,708	-	1,708
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,708</b>	<b>1,910,209</b>	<b>1,911,917</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	640,000	810,000	1,450,000
Interest	581,449	288,773	870,222
Other	20	86,259	86,279
<b>TOTAL EXPENDITURES</b>	<b>1,221,469</b>	<b>1,185,032</b>	<b>2,406,501</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,219,761)</b>	<b>725,177</b>	<b>(494,584)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,560,463	-	1,560,463
Transfers Out	-	(431,323)	(431,323)
Bond Proceeds	-	4,795,000	4,795,000
Defeasement of Debt	-	(4,725,000)	(4,725,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,560,463</b>	<b>(361,323)</b>	<b>1,199,140</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>340,702</b>	<b>363,854</b>	<b>704,556</b>
FUND BALANCES, Beginning of Year	-	358,412	358,412
<b>FUND BALANCES, End of Year</b>	<b>\$ 340,702</b>	<b>722,266</b>	<b>\$ 1,062,968</b>

## **INTERNAL SERVICE FUNDS**

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

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

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



CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF NET ASSETS - ALL INTERNAL SERVICE FUNDS

JUNE 30, 2010

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ 61,685	7,511	\$ 69,196
Accounts Receivable	-	11,233	11,233
Due From Other Funds	3,035,973	-	3,035,973
Total Current Assets	<u>3,097,658</u>	<u>18,744</u>	<u>3,116,402</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	3,998,724	-	3,998,724
Total Non-Current Assets	<u>3,998,724</u>	<u>-</u>	<u>3,998,724</u>
<b>TOTAL ASSETS</b>	<b><u>7,096,382</u></b>	<b><u>18,744</u></b>	<b><u>7,115,126</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	56,933	55	56,988
Claims/Premiums	-	498,909	498,909
Unclaimed Checks	-	3,530	3,530
Current Portion of Capital Lease Payable	189,856	-	189,856
Total Current Liabilities	<u>246,789</u>	<u>502,494</u>	<u>749,283</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	1,075,467	-	1,075,467
Total Long-Term Liabilities	<u>1,075,467</u>	<u>-</u>	<u>1,075,467</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,322,256</u></b>	<b><u>502,494</u></b>	<b><u>1,824,750</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,733,401	-	2,733,401
Unrestricted	3,040,725	(483,750)	2,556,975
<b>TOTAL NET ASSETS</b>	<b><u>5,774,126</u></b>	<b><u>(483,750)</u></b>	<b><u>5,290,376</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,096,382</u></b>	<b><u>18,744</u></b>	<b><u>\$ 7,115,126</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2010

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 810,460	-	\$ 810,460
Contributions	-	3,842,664	3,842,664
Other	-	136	136
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b><u>810,460</u></b>	<b><u>3,842,800</u></b>	<b><u>4,653,260</u></b>
<b>OPERATING EXPENSES</b>			
Services and Charges	397,061	57,483	454,544
Claims/Premiums	-	3,808,037	3,808,037
Depreciation	720,497	-	720,497
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,117,558</u></b>	<b><u>3,865,520</u></b>	<b><u>4,983,078</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(307,098)</u></b>	<b><u>(22,720)</u></b>	<b><u>(329,818)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	(64,507)	-	(64,507)
Interest Expense	(29,920)	-	(29,920)
Investment Earnings	280	3	283
Other	(5,967)	-	(5,967)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(100,114)</u></b>	<b><u>3</u></b>	<b><u>(100,111)</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b><u>(407,212)</u></b>	<b><u>(22,717)</u></b>	<b><u>(429,929)</u></b>
Transfers In	204,490	64,957	269,447
<b>CHANGE IN NET ASSETS</b>	<b><u>(202,722)</u></b>	<b><u>42,240</u></b>	<b><u>(160,482)</u></b>
NET ASSETS, Beginning of Year	5,976,848	(525,990)	5,450,858
<b>TOTAL NET ASSETS, End of Year</b>	<b><u>\$ 5,774,126</u></b>	<b><u>(483,750)</u></b>	<b><u>\$ 5,290,376</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2010

	<b>EQUIPMENT REPLACEMENT</b>	<b>MEDICAL INSURANCE TRUST</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 810,460	-	\$ 810,460
Receipts from Contributions	-	3,831,431	3,831,431
Receipts from Other Revenues	-	136	136
Payments for Services and Charges	(341,590)	(57,428)	(399,018)
Payments for Claims/Premiums	-	(3,832,585)	(3,832,585)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>468,870</u>	<u>(58,446)</u>	<u>410,424</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	204,490	64,957	269,447
Transfers to Other Funds	(595,540)	(10,664)	(606,204)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(391,050)</u>	<u>54,293</u>	<u>(336,757)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(837,081)	-	(837,081)
Proceeds on Sale of Capital Assets	158,631	-	158,631
Capital Lease Proceeds	829,000	-	829,000
Capital Lease Payments	(137,045)	-	(137,045)
Interest Paid	(29,920)	-	(29,920)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,415)</u>	<u>-</u>	<u>(16,415)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	280	3	283
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>280</u>	<u>3</u>	<u>283</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>61,685</b>	<b>(4,150)</b>	<b>57,535</b>
<b>RESTRICTED AND UNRESTRICTED</b>			
CASH AND CASH EQUIVALENTS - Beginning of Year	-	11,661	11,661
<b>RESTRICTED AND UNRESTRICTED</b>			
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b><u>\$ 61,685</u></b>	<b><u>7,511</u></b>	<b><u>\$ 69,196</u></b>
Reconciliation of Operating Loss to Net Cash from Operating Activities:			
Net Operating Loss	\$ (307,098)	(22,720)	\$ (329,818)
Adjustments to Reconcile Operating Loss to Cash Provided by (Used in) Operating Activities			
Depreciation Expense	720,497	-	720,497
Change in:			
Accounts Receivable	-	(11,233)	(11,233)
Accounts Payable	55,471	55	55,526
Claims/Premiums	-	(25,153)	(25,153)
Unclaimed Checks	-	605	605
Net Cash Provided by (Used in) Operating Activities	<u>\$ 468,870</u>	<u>(58,446)</u>	<u>\$ 410,424</u>
Supplemental Disclosures of Cash Flow Information			
Noncash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Not Yet Paid For	\$ -	-	\$ -

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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, 2010**

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	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2010</u>
<b>ASSETS</b>				
Other Receivables	\$ 54,822	94,622	77,471	\$ 71,973
<b>TOTAL ASSETS</b>	<u>54,822</u>	<u>94,622</u>	<u>77,471</u>	<u>71,973</u>
<b>LIABILITIES</b>				
Accounts Payable	4,756	3,035	4,756	3,035
Amounts Held for Custody for Others	50,066	91,587	72,715	68,938
<b>TOTAL LIABILITIES</b>	<u>\$ 54,822</u>	<u>94,622</u>	<u>77,471</u>	<u>\$ 71,973</u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2010**

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Court Fines and Assessments:

Court Fines Collected	\$ 989,446
Court Fines and Assessments Retained by City	(548,494)
Total Court Fines and Assessments Remitted to the State Treasurer	<u>440,952</u>

Court Surcharges:

Court Surcharges Remitted to State Treasurer	<u>277,385</u>
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Victims Services:

Funds Available for Carryforward, Beginning of the Year	213,858
Court Assessments allocated to Victim Services	55,525
Court Surcharges allocated to Victim Services	16,440
Victim Services Expenditures	(55,739)
Funds Available for Carryforward, End of Year	<u>\$ 230,084</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	131
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	137
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>	141
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>	149
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>	152

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	2010	
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 11,380,518	24,040,173	36,111,112	50,983,377	51,634,856	48,671,539	53,074,516	53,384,024	\$ 55,779,502	
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	834,855	
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	6,026,925	
<b>Total Governmental Activities Net Assets</b>	<b>38,432,588</b>	<b>41,064,573</b>	<b>42,045,694</b>	<b>58,659,536</b>	<b>61,966,675</b>	<b>59,040,661</b>	<b>58,727,724</b>	<b>56,532,861</b>	<b>62,641,282</b>	
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related Debt	10,322,974	21,122,491	20,667,619	20,814,506	20,887,730	27,110,873	17,282,372	20,908,586	19,354,866	
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	1,312,976	
<b>Total Business-Type Activities Net Assets</b>	<b>13,410,674</b>	<b>23,424,355</b>	<b>22,824,150</b>	<b>21,772,038</b>	<b>21,962,261</b>	<b>28,681,347</b>	<b>18,730,121</b>	<b>22,571,471</b>	<b>20,667,842</b>	
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	21,703,492	45,162,664	56,778,731	71,797,883	72,522,586	75,782,412	70,356,888	74,292,610	75,134,368	
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	834,855	
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	7,339,901	
<b>Total Primary Government Net Assets</b>	<b>\$ 51,843,262</b>	<b>64,488,928</b>	<b>64,869,844</b>	<b>80,431,574</b>	<b>83,928,936</b>	<b>87,722,008</b>	<b>77,457,845</b>	<b>79,104,332</b>	<b>\$ 83,309,124</b>	

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

Note: Governmental 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						
	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>							
Governmental Activities:							
Policy Formulation and Administration	\$ 3,659,975	2,147,426	3,376,444	4,383,247	9,011,543	5,931,181	\$ 6,653,577
Public Safety	12,268,358	12,364,117	12,704,299	12,198,601	13,118,630	13,645,106	13,499,377
Parks, Recreation, and Special Events	1,566,061	1,652,550	2,326,567	2,423,902	2,434,395	2,137,461	2,550,485
Community Development	3,348,220	6,019,523	5,063,632	2,441,514	1,677,517	2,362,617	2,044,391
Public Works	9,348,159	10,036,742	11,404,120	10,650,667	12,948,923	12,355,374	8,402,885
Finance and Administrative Services	5,874,750	249,930	225,424	3,539,901	2,441,508	2,491,167	2,773,086
Operating	1,878,675	1,124,743	1,035,138	5,578,284	4,246,284	5,066,442	4,323,162
Interest and Other Charges	1,645,958	1,738,012	1,724,908	1,707,435	1,641,700	1,563,341	1,522,450
Total Governmental Activities Expenses	<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>	<u>41,769,413</u>
Business-Type Activities:							
Transit	1,484,837	1,773,856	1,759,885	1,755,525	1,806,189	1,927,191	1,936,117
Parking	995,967	1,060,901	1,063,605	992,650	985,169	1,049,102	884,137
Sanitary Sewer	1,006,352	1,046,756	983,794	1,031,238	621,073	954	1,100,785
Airport	1,621,998	1,609,275	1,540,616	1,669,122	1,936,607	1,613,828	1,651,488
CC Woodson	-	-	-	-	-	295,900	538,612
Spartanburg Parking Facilities Corporation	-	-	-	-	-	313,769	522,162
Spartanburg Airport Facilities Corporation	-	-	-	-	-	-	102,509
Total Business-Type Activities Expenses	<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>	<u>6,735,810</u>
Total Primary Government Expenses	<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>	<u>48,505,223</u>
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services:							
Public Safety	792,734	856,813	854,356	1,037,145	1,191,111	1,285,197	1,049,519
Parks, Recreation, and Special Events	85,147	498,030	250,129	244,783	219,537	229,714	255,177
Community Development	479,680	418,235	505,902	666,295	737,226	474,247	415,996
Public Works	1,095,882	1,143,193	1,195,221	1,760,990	2,230,552	3,521,417	3,264,799
Finance and Administrative Services	9,974,226	10,125,533	10,588,927	11,652,370	12,026,190	12,255,309	12,262,638
Operating Grants and Contributions							
Public Safety	869,155	979,847	955,071	1,510,345	1,886,705	957,197	1,291,281
Community Development	2,450,901	1,374,662	1,859,746	1,978,525	-	1,006,376	1,729,005
Public Works	236,464	302,031	52,181	749,816	530,695	667,390	846,449
Capital Grants and Contributions							
Public Safety	-	-	-	-	-	-	28,705
Parks, Recreation, and Special Events	-	13,648,798	-	-	-	3,642,158	-
Community Development	341,346	259,417	482,744	187,500	60,000	-	-
Public Works	8,103,100	843,151	3,664,155	5,124,710	3,366,293	959,063	3,750,755
Total Governmental Activities Program Revenues	<u>24,428,635</u>	<u>30,449,710</u>	<u>20,408,432</u>	<u>24,912,479</u>	<u>22,248,309</u>	<u>24,998,068</u>	<u>24,894,324</u>
Business-Type Activities:							
Charges for Services:							
Transit	216,120	270,214	261,968	273,133	314,853	275,932	291,211
Parking	258,378	248,297	266,147	263,264	278,605	304,189	347,997
Sanitary Sewer	1,642,691	1,710,176	1,801,254	1,820,404	1,019,003	35,016	-
Airport	1,476,377	1,400,469	1,478,539	1,494,258	1,728,105	1,195,722	1,200,337
CC Woodson	-	-	-	-	-	17,938	48,000
Spartanburg Airport Facilities Corporation	-	-	-	-	-	-	27,322
Operating Grants and Contributions							
Transit	848,151	712,806	803,453	783,505	880,601	1,236,057	975,280
Airport	32,715	-	3,291	373,844	607,099	338,229	368,397
Capital Grants and Contributions							
CC Woodson	-	-	-	-	-	2,150,000	-
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	536,000
Total Business-Type Activities Program Revenues	<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>	<u>3,794,544</u>
Total Primary Government Program Revenues	<u>\$ 28,903,067</u>	<u>34,791,672</u>	<u>25,023,084</u>	<u>29,920,887</u>	<u>27,076,575</u>	<u>30,551,151</u>	<u>\$ 28,688,868</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>Net (Expense)/Revenue</b>							
Governmental Activities	\$ (15,161,521)	(4,883,333)	(17,452,100)	(18,011,072)	(25,272,191)	(20,554,621)	\$ (16,875,089)
Business-Type Activities	(634,722)	(1,148,826)	(733,248)	(440,127)	(520,772)	352,339	(2,941,266)
Total Primary Government Net (Expense)/Revenue	<u>(15,796,243)</u>	<u>(6,032,159)</u>	<u>(18,185,348)</u>	<u>(18,451,199)</u>	<u>(25,792,963)</u>	<u>(20,202,282)</u>	<u>(19,816,355)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Taxes by Source:							
Property Taxes Levied for General Purposes	8,597,110	10,273,227	11,615,207	12,389,702	12,776,753	13,483,193	14,344,269
Tax Increment	819,316	2,006,125	2,129,608	2,183,246	2,280,212	2,048,264	2,202,158
Motor Vehicle Taxes	1,252,501	1,377,475	1,161,207	1,184,182	1,161,680	977,093	768,532
Hospitality Taxes	2,554,822	2,885,187	3,011,080	3,290,344	3,497,438	3,423,105	3,364,211
Other Taxes	825,301	821,351	830,608	825,297	826,975	807,585	828,885
Intergovernmental Revenue - Unrestricted	1,053,447	1,064,374	1,217,526	1,140,963	1,273,314	1,273,314	1,091,766
Unrestricted Investment Earnings	178,864	160,281	379,126	441,941	322,073	109,092	46,866
Miscellaneous	167,648	886,101	894,831	375,682	2,200,286	449,662	727,412
Grants/Contributions Not Restricted to Specific Programs	841,005	1,047,194	377,552	504,731	426,450	617,505	595,453
Gains (Loss) on Disposal/Sale of Capital Assets	21,504	89,124	37,826	915,231	64,850	11,148	(77,404)
Special Item - Impairment of Asset **	-	-	-	-	-	(1,425,841)	-
Transfers	(15,476)	(40,773)	(324,821)	(560,459)	(204,258)	(3,414,362)	(908,638)
Total Governmental Activities	<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>	<u>22,983,510</u>
Business-Type Activities:							
Investment Income	27,609	30,941	59,808	127,121	131,693	74,649	125,010
Miscellaneous	-	-	-	-	-	-	594
Gains (Loss) on Disposal/Sale of Capital Assets	(8,568)	25,000	10,155	28,341	100	-	3,395
Special Item - Loss on Transfer of Net Sewer Assets *	-	-	-	-	(9,766,505)	-	-
Transfers	15,476	40,773	324,821	560,459	204,258	3,414,362	908,638
Contributed Capital	-	-	-	-	-	-	-
Total Business-Type Activities	<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>	<u>1,037,637</u>
Total Primary Government	<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>	<u>24,021,147</u>
<b>Change in Net Assets:</b>							
Governmental Activities	1,134,521	15,686,333	3,877,650	4,679,788	(646,418)	(2,194,863)	6,108,421
Business-Type Activities	(600,205)	(1,052,112)	(338,464)	275,794	(9,951,226)	3,841,350	(1,903,629)
Total Primary Government	<u>\$ 534,316</u>	<u>14,634,221</u>	<u>3,539,186</u>	<u>4,955,582</u>	<u>(10,597,644)</u>	<u>1,646,487</u>	<u>\$ 4,204,792</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**

	<b>Fiscal Year</b>						
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General Fund							
Reserved	\$ 74,844	77,267	97,446	94,826	95,441	84,409	\$ 103,654
Unreserved	5,474,559	5,595,358	4,903,232	4,847,512	4,775,526	4,044,591	4,963,758
<b>Total General Fund</b>	<b>5,549,403</b>	<b>5,672,625</b>	<b>5,000,678</b>	<b>4,942,338</b>	<b>4,870,967</b>	<b>4,129,000</b>	<b>5,067,412</b>
All Other Governmental Funds							
Reserved, Reported In:							
Special Revenue Funds	-	-	-	-	-	318,062	270,062
Capital Projects Funds	-	-	470,675	462,243	163,542	165,086	-
Debt Service Funds	-	15,668	37,382	41,468	262,145	358,412	1,062,968
Unreserved, Reported In:							
Special Revenue Funds	2,028,440	2,825,537	3,626,906	2,600,048	3,063,166	1,111,729	1,298,303
Capital Projects Funds	1,349,394	2,973,812	2,536,144	3,743,918	2,556,208	2,415,584	2,857,583
Debt Service Funds	(47,159)	476,049	826,517	192,628	928,763	830,502	743,797
<b>Total All Other Governmental Funds</b>	<b>\$ 3,330,675</b>	<b>6,291,066</b>	<b>7,497,624</b>	<b>7,040,305</b>	<b>6,973,824</b>	<b>5,199,375</b>	<b>\$ 6,232,713</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 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	\$ 20,291,332
Fees, Licenses and Permits	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	12,469,852
Fines and Forfeitures	698,163	577,438	571,785	477,550	470,104	469,367	552,608	566,601	548,396	542,713
State Government Contributions	997,043	11,392,171	1,015,135	396,125	796,914	3,402,406	2,510,496	1,535,012	552,757	978,951
Federal Government Contributions	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	2,874,063
Intergovernmental Revenue	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	3,830,517
Charges for Services	1,161,767	971,968	617,498	452,869	557,621	650,044	658,605	921,596	2,037,283	2,039,231
Investment Earnings	607,004	250,527	367,779	146,081	91,581	227,427	261,269	167,550	63,889	16,502
Confiscated Drug Funds	-	18,191	17,225	2,443	24,358	41,265	90,732	74,020	20,236	120,746
Donations	1,222,608	19,443	38,720	155,431	833,473	275,000	438,482	393,000	507,500	542,921
Ground Lease Rent	-	-	-	-	200,000	200,000	-	400,000	200,000	200,000
Other	820,656	858,160	629,619	842,361	1,313,054	1,373,497	1,011,336	2,217,240	1,235,719	884,692
<b>Total Revenues</b>	<b>30,847,238</b>	<b>40,232,481</b>	<b>32,551,774</b>	<b>33,657,659</b>	<b>36,580,364</b>	<b>41,922,850</b>	<b>42,544,089</b>	<b>45,189,624</b>	<b>44,437,567</b>	<b>44,791,520</b>

**Expenditures**

Current:										
Policy Formulation and Administration	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	4,278,734
Public Safety	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	12,553,639
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	2,109,339
Community Development	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	2,086,943
Public Works	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	7,648,214
Finance and Administrative Services	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	2,776,225
Operating	2,417,880	-	3,434,581	4,968,699	3,084,983	3,322,576	5,578,284	4,246,284	5,066,442	4,323,162
Capital Outlay	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	2,569,316
Debt Service:										
Principal Retirement	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	1,895,000
Interest	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	1,428,562
Other	60,005	12,304	11,440	26,181	10,266	22,621	41,143	50,116	51,662	113,013
<b>Total Expenditures</b>	<b>41,801,662</b>	<b>43,117,842</b>	<b>47,434,328</b>	<b>39,825,957</b>	<b>36,626,078</b>	<b>42,491,637</b>	<b>42,552,745</b>	<b>45,126,326</b>	<b>45,413,461</b>	<b>41,782,147</b>

Excess of Revenues Over (Under) Expenditures \$ (10,954,424) (2,885,361) (14,882,554) (6,168,298) (45,714) (568,787) (8,656) 63,298 (975,894) \$ 3,009,373

(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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 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	\$ 4,934,707
Transfers Out	(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)	(6,112,792)
2005 COPS Issued	-	-	-	-	3,310,000	-	-	-	-	-
Proceeds from Bond Issue	9,723,824	27,642,978	3,498,604	-	-	-	-	-	-	4,795,000
Defeasement of Debt	-	-	-	-	-	-	-	-	-	(4,725,000)
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	70,462
Total Other Financing Sources (Uses)	7,824,583	29,603,205	3,214,994	(329,291)	3,282,727	632,723	(74,363)	(201,150)	(1,540,522)	(1,037,623)
Net Change in Fund Balances	(3,129,841)	26,717,844	(11,667,560)	(6,497,589)	3,237,013	63,936	(83,019)	(137,852)	(2,516,416)	1,971,750
Capital Asset Expenditures	\$ 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	\$ 904,094
Debt Service as a										
Percentage of Noncapital Expenditures	6.4%	10.2%	8.2%	8.6%	8.5%	9.4%	8.5%	8.4%	8.2%	8.4%

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
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%
2010	\$ 110,320,512	10,032,747	10,141,344	9,917,900	198,090	140,214,413	101.0	\$ 2,474,535,519	5.7%

Source: Spartanburg County Assessor & Auditor's Office

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>City Direct Rates:</b>										
Basic Rate	97.00	97.00	97.00	93.30	93.30	103.20	103.20	104.70	101.00	101.00
Total Direct Rate	97.00	97.00	97.00	93.30	93.30	103.20	103.20	104.70	101.00	101.00
<b>County Rates:</b>										
Spartanburg County	69.80	69.80	69.40	66.20	68.70	65.10	64.80	70.00	68.40	69.50
<b>School District Rates:</b>										
School District #7	213.60	215.10	215.20	214.70	214.90	215.50	215.50	229.50	227.20	273.90
<b>Sewer District Rates:</b>										
Spartanburg Sewer District	5.20	5.20	8.00	7.70	8.20	8.20	8.20	8.20	7.50	7.50

Source: Spartanburg County Tax Auditor's Office

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Taxpayer</b>	<b>2010</b>			<b>2001</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Duke Energy Corp	\$ 3,431,140	1	3.4%	\$ 3,397,940	2	3.1%
Yeomans Charles L III et al	3,403,290	2	3.4%	3,832,200	1	3.5%
Bellsouth Telecommunications	2,567,380	3	2.5%	2,840,730	3	2.6%
Inland Western Spartanburg	2,373,630	4	2.3%			
ERP Hillcrest LLC	1,536,020	5	1.5%			
J M Smith Corporation	1,274,240	6	1.3%			
Yeomans Susan E	1,105,810	7	1.1%	449,920	10	0.4%
Costco Wholesale Management	809,350	8	0.8%			
Walmart Real Estate Business	803,600	9	0.8%			
White Oak Manor Inc	799,690	10	0.8%			
Piedmont Natural Gas				993,070	4	0.9%
Spartan International				883,510	5	0.8%
Spartanburg Market Square				687,620	6	0.6%
Spartanburg Realty Inc				660,000	7	0.6%
Cello Partnership				578,310	8	0.5%
Riverwind Aprtments				460,920	9	0.4%
<b>Totals</b>	<b>\$ 18,104,150</b>		<b>17.9%</b>	<b>\$ 14,784,220</b>		<b>13.5%</b>

Source: Spartanburg County Tax Auditor's Office

Note: Some Taxable Assessed Value from last year included County values and were incorrectly stated in the 2009 CAFR.

**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
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%
2010	\$ 13,433,992		(747,671)		14,181,663	12,836,305	90.5%	919,962	\$ 13,756,267	97.0%

Source: Spartanburg County Auditor's Office

CITY OF SPARTANBURG, SOUTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds/Debt	Capital Leases	General Obligation Bonds	Other Bonds	Promissory Notes			
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	7.7%	1,399
2010	\$ -	27,425,000	1,265,322	430,000	2,935,000	20,600,000	52,655,322	6.0%	\$ 1,304

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2003	\$ 1,675,000	N/A	1,675,000	0.1%	\$ 43
2004	1,515,000	N/A	1,515,000	0.1%	39
2005	1,350,000	N/A	1,350,000	0.1%	35
2006	1,180,000	N/A	1,180,000	0.1%	31
2007	1,005,000	N/A	1,005,000	0.0%	26
2008	820,000	N/A	820,000	0.0%	21
2009	630,000	N/A	630,000	0.0%	16
2010	\$ 430,000	N/A	430,000	0.0%	\$ 11

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.

Detailed information for 2001 and 2002 was not available.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**AS OF JUNE 30, 2010**

**UNAUDITED**

<b>Governmental Unit</b>	<b>Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>County:</b>			
General County Purpose	\$ 30,570,000	13.0%	\$ 3,974,100
<b>School District:</b>			
School District 7	56,174,195	83.0%	46,624,582
School District 6	11,790,000	17.0%	2,004,300
<b>Sewer District:</b>			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 25,650,000	45.0%	11,542,500
Subtotal, Overlapping Debt			<u>64,145,482</u>
City of Spartanburg Direct Debt (1)			<u>27,425,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 91,570,482</u></u>

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

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

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

(1) Excludes capital lease obligations.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 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	\$ 11,577,932
Total Net Debt Applicable to Debt Limit	8,500,000	-	1,675,000	1,515,000	1,350,000	1,180,000	1,005,000	820,000	630,000	430,000
Legal Debt Margin	\$ 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	\$ 11,147,932
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	96.9%	0.0%	18.7%	15.5%	13.4%	11.4%	10.3%	7.9%	5.5%	3.7%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed Value*	\$ 140,214,413
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	144,724,153
Debt Limit (8% of Total Assessed Value)	11,577,932
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	430,000
Total Amount of Debt Applicable to Debt Limit	430,000
Legal Debt Margin	\$ 11,147,932

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	Debt Service Principal	Debt Service Interest	Coverage	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2001	N/A	N/A	N/A	N/A	492,128	N/A	492,128	355,000	520,436	0.56	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	493,382	N/A	493,382	330,000	520,285	0.58	N/A	N/A	N/A	N/A	N/A
2003	\$ 2,458,508	290,000	518,284	3.04	641,294	N/A	641,294	495,000	887,969	0.46	1,929,126	985,723	32,809	\$ 389,812	2.23
2004	2,595,537	355,000	280,300	4.09	819,316	N/A	819,316	660,000	899,264	0.53	1,978,342	1,075,520	108,972	499,316	1.48
2005	2,931,030	365,000	567,875	3.14	2,481,221	N/A	2,481,221	695,000	868,614	1.59	2,233,505	1,186,328	140,177	493,544	1.65
2006	3,160,111	515,000	641,750	2.73	2,611,392	N/A	2,611,392	925,000	835,329	1.45	2,390,855	1,164,970	196,425	485,304	1.80
2007	3,400,824	570,000	649,432	2.79	1,692,322	N/A	1,692,322	965,000	791,419	0.96	2,190,393	1,164,691	247,716	475,071	1.42
2008	3,530,454	595,000	627,731	2.89	3,131,220	N/A	3,131,220	1,015,000	744,455	1.78	1,837,147	811,975	324,054	462,424	1.30
2009	3,375,863	620,000	605,059	2.76	2,260,476	N/A	2,260,476	1,070,000	693,785	1.28	797,618	433,991	365,000	381,407	0.49
2010	\$ 3,287,828	660,000	581,449	2.65	2,430,657	N/A	2,430,657	1,120,000	640,086	1.38	852,418	395,951	470,000	\$ 335,212	0.57

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

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

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

The numbers for FY 2009 Revenue Bonds: Revenue and Operating Expenses were revised.

N/A: Not Applicable.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SECURITY FOR THE SERIES 2000 BONDS**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<u>Fiscal Year</u>	<u>Franchise Fees</u>	<u>CPW Payments</u>	<u>Totals</u>
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
2010	\$ 3,246,839	1,400,000	\$ 4,646,839

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**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>(1) Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
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
2010	\$ 1,176,998	6,229,395	5,052,397	452	1,910,208	4,646,839	\$ 6,557,047

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

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
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
2010	\$ 657,060	1,737,267	1,080,207	452	320,448	4,646,839	\$ 4,967,287

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

N/A: Not Applicable.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Personal Income</b>	<b>(2) Per Capita Personal Income</b>	<b>(3) Median Age</b>	<b>(4) School Enrollment</b>	<b>(5) Unemployment Rate</b>
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%
2010	40,387	\$ 923,125,659	\$ 22,857	33.7	7,367	11.5%

Data Sources:

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2010</b>			<b>2001 *</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Spartanburg Regional	5,600	1	13.87%			
Spartanburg County	1,450	2	3.59%			
Spartanburg County Courthouse	1,413	3				
Spartanburg School District #7	1,235	4	3.06%			
Wal-Mart	622	5	1.54%			
Wofford College	500	6	1.24%			
City of Spartanburg	482	7	1.19%			
QSI Headquarters	428	8	1.06%			
Denny's Corporation	277	9	0.69%			
Spartanburg County Social Services	253	10				
<b>Totals</b>	<b>12,260</b>		<b>26.23%</b>	<b>-</b>		<b>-</b>

Source: City of Spartanburg Economic Development Division

\* Note A: Detailed information was not available for 2001.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<b>Fiscal Year</b>	<b>Number of Units</b>	<b>Commercial Building Permit Value (A)</b>	<b>Number of Units</b>	<b>Residential Building Permit Value (A)</b>	<b>Commercial</b>	<b>Residential</b>
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
2010	12	\$ 32,652,274	35	6,845,804	926,242,482	\$ 763,829,407

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities										
Finance and Administrative Services	15	14	14	14	14	13	12	10	12	14
Community Development	34	40	43	42	40	41	43	44	41	22
Parks, Recreation, and Special Events	4	4	8	8	22	20	23	24	23	17
Policy Formulation and Administration	35	34	36	36	36	39	40	38	40	40
Public Safety	219	216	233	231	213	214	217	217	215	221
Public Works	93	105	106	96	108	104	103	115	107	100
Business-Type Activities										
Parking Enterprise	-	-	1	1	1	1	3	3	2	2
Airport	9	9	9	9	9	9	9	11	9	8
Sewer	15	13	13	12	11	12	10	-	-	-
<b>Total</b>	<b>424</b>	<b>435</b>	<b>463</b>	<b>449</b>	<b>454</b>	<b>453</b>	<b>460</b>	<b>462</b>	<b>449</b>	<b>424</b>

Source: City Payroll

Notes: The City's transit function is provided with the use of outside contract personnel.

Schedule does not include part-time and seasonal workers which are primarily employed by the Parks, Recreation, and Special Events Department.  
 Effective January 1, 2008, sewer employees were transferred to Public Works due to the City's transferral of the sewer to Spartanburg Sewer District.

CITY OF SPARTANBURG, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	5,567
Courtesy Summons Issued	601	621	522	790	1,206	1,023	976	826	824	610
Community Development										
Building Permits Issued	2,913	2,841	2,841	4,505	3,921	4,061	4,220	4,227	2,929	3,026
Building Inspections Conducted	8,557	7,302	6,020	7,936	7,636	7,475	7,513	7,667	5,846	5,042
Policy Formulation and Management										
Judicial Cases	15,328	14,673	14,526	13,202	12,223	14,334	14,683	14,797	13,822	15,319
Public Safety - Police										
Calls for Service	71,890	72,837	72,424	76,938	75,218	76,766	76,312	62,563	62,470	75,313
Physical Arrests	5,530	4,992	4,262	4,476	4,801	4,615	5,645	3,804	3,757	4,073
Traffic Violations	10,769	9,672	11,278	9,370	9,742	12,004	12,082	11,434	11,597	11,793
Public Safety - Fire										
Emergency Responses	2,024	2,155	2,210	2,107	2,140	2,242	2,172	2,031	2,228	2,127
Fires Extinguished	370	411	319	371	323	345	301	328	347	277
Inspections	2,171	2,361	2,864	3,574	3,140	3,325	2,556	3,863	3,085	3,466
Public Works										
Roads Maintained (miles)	160	162	168	170	171	171	173	173	173	174
Refuse Collection (tons)	30,032	29,322	19,415	11,971	12,795	11,100	11,260	10,924	10,581	9,291
Yard Waste Collection (tons)	-	-	-	-	-	-	-	-	-	6,791
Recycling Collection (tons)	-	-	-	-	-	-	-	-	-	835
Transit										
Passengers per Year	534,535	517,678	475,610	481,530	500,942	542,000	547,418	534,688	534,599	519,084
Parking										
Garages	1	2	3	3	3	3	3	3	3	4
Parking Lots	4	4	4	4	4	5	5	5	5	5
Total Public Spaces	919	1,577	2,131	2,131	2,131	2,261	2,261	2,261	2,261	3,011
Airport										
Fuel Gallons Sold	163,528	283,073	259,325	243,100	236,560	258,302	246,987	247,649	162,360	193,796
Hours of Aircraft Maintenance	1,218	2,377	2,012	2,609	2,306	1,784	1,659	1,455	898	1,370

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	2010
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	80	80
Public Safety - Fire										
Fire Station	5	5	5	5	5	5	5	5	5	5
Fire Trucks	12	12	12	12	12	12	12	12	12	13
Public Works										
Streets (in Miles)	160	162	168	170	170	171	173	173	173	174
Collection/Refuse Trucks	39	39	39	39	39	39	38	37	34	30
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	30
Transit										
Passenger Buses	11	11	11	11	11	11	11	11	11	11
Parking										
Garages	1	2	3	3	3	3	3	3	3	4
Airport										
Community Hangars	4	4	4	4	4	4	4	4	4	4
Maintenance Hangars	1	1	1	1	1	1	1	1	1	1
T-Hangars	30	30	30	30	30	30	30	30	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, 2010**

<b>Program</b>	<b>CFDA Number</b>	<b>Grant / Contract Number</b>	<b>Expenditures</b>
<b>DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			
Direct:			
CDBG Entitlement Grant, 33rd	14.218	B-07-MC-45-0004	\$ 257,555
CDBG Entitlement Grant, 34th	14.218	B-08-MC-45-0004	754,155
ARRA - CDBG	14.253	B-09-MY-45-0004	104,055
		Subtotal 14.218	<u>1,115,765</u>
Home Program Year 2001	14.239	M-01-45-0207	16,371
Home Program Year 2002	14.239	M-02-45-0207	11,061
Home Program Year 2008	14.239	M-08-45-0207	51,842
Home Program Year 2009	14.239	M-09-45-0207	16,326
		Subtotal 14.239	<u>95,600</u>
ARRA Neighborhood Stabilization Program	14.256	08-NSP110	717,879
<b>Total Department of Housing / Urban Development</b>			<b><u>1,929,244</u></b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Direct:			
FEMA	97.044	EMW-2009-FO-08433	26,042
<b>Pass Through City of Anderson</b>			
Upstate Regional Type III Incident Management Team	97.067	9SHSP13	218
<b>Total Department of Homeland Security</b>			<b><u>26,260</u></b>
<b>DEPARTMENT OF JUSTICE</b>			
Direct:			
Secure Our Schools	16.710	2009-CK-WX-0495	9,525
Cops 2008 Universal Hiring Program	16.710	2008-UM-WX-0013	72,853
ARRA Cops Hiring Recovery Program	16.710	2009-RK-WX-0772	28,989
		Subtotal 16.710	<u>111,367</u>
Justice Assistance Grant	16.738	2006-DJ-BX-0776	39,941
Justice Assistance Grant	16.738	2008-DJ-BX-0505	13,013
Justice Assistance Grant	16.738	2009-DJ-BX-0670	44,377
		Subtotal 16.738	<u>97,331</u>
ARRA 2009 JAG Recovery	16.804	2009-SB-B9-0937	38,926
VAWA / Supplement	16.590	2005-WE-AX-0046	165,263
Bulletproof Vest Partnership	16.607	3016139	8,366
Weed & Seed	16.595	2005-WS-Q5-0058	60,909
Weed & Seed	16.595	2009-WS QX-0104	119,037
		Subtotal 16.595	<u>\$ 179,946</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF JUSTICE (CONTINUED)</b>			
Pass Through SC Department of Public Safety:			
Law Enforcement to Assist Victims	16.575	1V09087	\$ 37,574
Brochures for Victims	16.588	1K09009	1,058
Gun Reduction Officer Project Safe Neighborhoods	16.744	1PG07012	31,977
Gang Investigator	16.803	1GS09017	58,265
ARRA Forensic Enhancement	16.803	1GS09057	56,783
		Subtotal 16.803	<u>115,048</u>
Spartanburg Alternatives to Detention	16.540	1J06007	18,934
Federal Juvenile Accountability Block Grant	16.523	1JS08006	13,825
National Institute of Justice	16.742	2008-CD-BX-0058	1,960
SPSD Traffic Enforcement	20.600	2H08020	7,423
SPSD Traffic Enforcement	20.600	2H09020	36,204
		Subtotal 20.600	<u>43,627</u>
Direct:			
Bureau of Alcohol, Tobacco and Firearms:			
Gang Resistance Education and Training	16.737	2007-JV-FX-0021	3,935
<b>Total Department of Justice</b>			<b><u>869,137</u></b>
<b>US Environmental Protection Agency</b>			
Brownfield Grant	66.818	BF-95409108-0	82,302
<b>Total US Environmental Protection Agency</b>			<b><u>82,302</u></b>
<b>Department of Energy</b>			
ARRA Energy Efficiency & Conservation Block Grant	81.128	DE-EE0001989	57,940
<b>Total Department of Energy</b>			<b><u>57,940</u></b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Drug-Free Communities	93.276	2H79SP012354-06	26,812
Drug-Free Communities	93.276	2H79SP012354-07	62,403
		Subtotal 93.276	<u>89,215</u>
<b>Total Department of Health and Human Services</b>			<b><u>\$ 89,215</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)	20.106	3-45-0051-12	\$ 239,127
		Subtotal 20.106	<u>239,127</u>
Federal Transit Administration:			
Operating Assistance	20.507	SC-90-X166-00	19,209
Operating Assistance	20.507	SC-90-X207-00	124,787
Operating Assistance	20.507	SC-90-X217-00	301,283
Operating Assistance	20.507	SC-90-X240-00	244,753
ARRA Capital Assistance	20.507	SC 96-X006-00	149,022
		Subtotal 20.507	<u>839,054</u>
Pass Through FHWA and SC Department of Highways:			
ARRA Highway Planning and Construction	20.205		72,361
<b>Total Department of Transportation</b>			<u><b>1,150,542</b></u>
<b>GRAND TOTALS</b>			<u><u><b>\$ 4,204,640</b></u></u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2010**

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**A. – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Spartanburg, South Carolina (the “City”) for the year ended June 30, 2010. 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, 2010, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 17, 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter dated December 17, 2010.

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

This report is intended solely for the information and use of the City Council, audit committee, management, others within the city, 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  
December 17, 2010

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

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

Compliance

We have audited the City of Spartanburg, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the City Council, audit committee, management, others within the entity, 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  
December 17, 2010



**CITY OF SPARTANBURG, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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**Section II – Findings – Current Year Financial Statements Audit**

**2010-1: FAILURE TO RETAIN CONTRACTS**

- Condition:** During our testing we noted numerous instances where the City did not have on file contracts for hanger rental at the airport and the parking garages.
- Criteria:** The City should have adequate internal controls in place to ensure contracts for all customers exist and are readily available.
- Effect:** There is a higher risk that the City would be unable to enforce an agreement if the contract was not retained and a higher risk the City would be unable to determine the proper rate to charge the customers.
- Cause:** There have been several changes in management and the location at which contracts were kept.
- Recommendation:** The City should take the necessary steps to ensure all contracts are retained.
- Response:** The City will take the necessary steps to ensure all contracts are retained and readily available.
- 

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

None Noted

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2010**

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**FINDINGS – 2009 FINANCIAL STATEMENTS**

**2009-1: NONCOMPLIANCE ISSUE AND SIGNIFICANT DEFICIENCY RELATED TO DAVIS-BACON ACT COMPLIANCE REQUIREMENT**

**Federal Agency: US Department of Transportation  
Direct Program  
Operating and Capital Assistance – CFDA # 20.507  
Award Year: July 1, 2008 through June 30, 2009**

**Questioned Costs**

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.

None

Status: The City has taken steps to ensure compliance in the future.





