

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2014

Comprehensive Annual Financial Report

City of Spartanburg, South Carolina

For the Fiscal Year Ended June 30, 2014

Prepared by the City's Finance Division



City of
SPARTANBURG
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

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December 17, 2014

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, 2014. 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, 2014.

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, 2014 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 unmodified opinion that the City of Spartanburg’s financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor’s 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 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 95 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

Strong hospitality tax results indicate that the City’s role as a commercial and entertainment hub for the region continues to be a source of strength. Likewise we see increases in commercial development activity in the downtown and along our significant commercial corridors which bodes well for tax base growth in future years. Downtown residential and employment numbers continue to move in a positive direction. Those factors combine with several larger employment announcements within the region to support our belief that demand for residential properties in city neighborhoods is also poised for growth.

Financial Policies and Practices

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

Major Initiatives and Long-Term Financial Planning

The City’s long-term financial outlook continues to grow stronger. Operational streamlining implemented in prior years is proving to have produced sustained efficiencies. Steady progress is being made at addressing the City’s longer term financial challenges and opportunities.

We continue the implementation of a \$5 million capital program built around quality of life enhancement. We are adding neighborhood recreational amenities to improve the desirability of our neighborhoods and we are implementing significant public realm enhancements in the downtown to strengthen it as an office and entertainment focus.

The Northside Initiative is producing noteworthy momentum. We are well on our way to transforming this once struggling and costly geography into a stable mixed-use mixed-income neighborhood.

Finally, the City is beginning to earnestly address the important role public health plays in our social and economic wellbeing. We were one of five communities nationally selected to embark on the Way to Wellville, a five year endeavor to address obesity, kindergarten readiness, access to healthcare, and community pride. This is a significant new endeavor that will involve bold multiyear efforts.

Collectively these strategic undertakings will strengthen our community for years to come.

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 auditor 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, 2013. This was the 21st consecutive year that the City of Spartanburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



Ed Memmott
City Manager



Dennis R. Locke, CGFO
Finance Director



James T. Kennedy II, CPA
Budget & Accounting Director



City of
SPARTANBURG
south carolina



CITY COUNCIL

Junie White, Mayor

Jan Scalisi, Mayor Pro Tem

W. Sterling Anderson, Councilmember

Erica Brown, Councilmember

Robert Reeder, Councilmember

Jerome Rice Jr., Councilmember

Cate Brandt Ryba, Councilmember

APPOINTED OFFICIALS

Ed Memmott

City Manager

Cathy Hofer McCabe

City Attorney

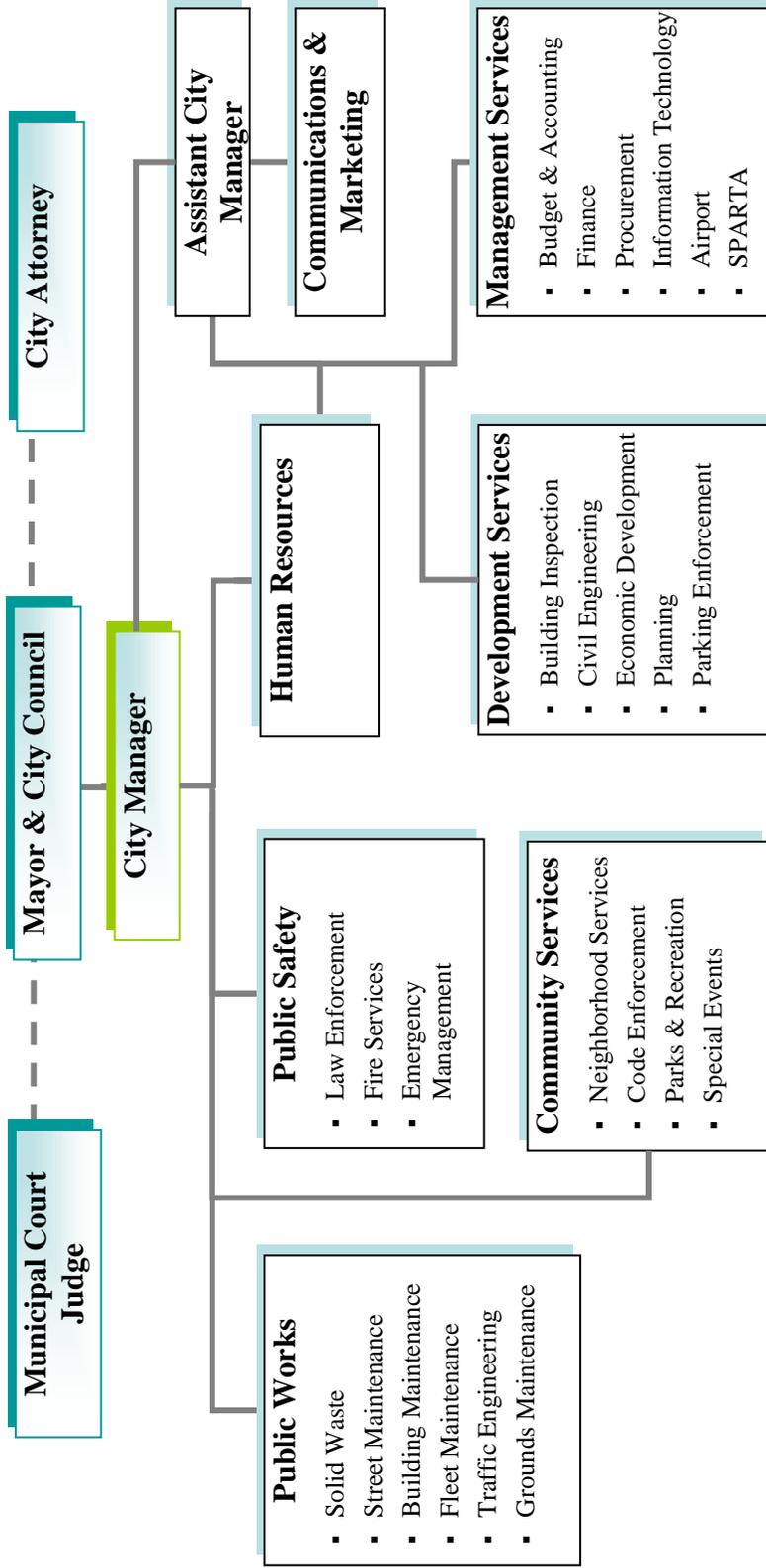
Erika McJimpsey

Chief Municipal Judge



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south carolina

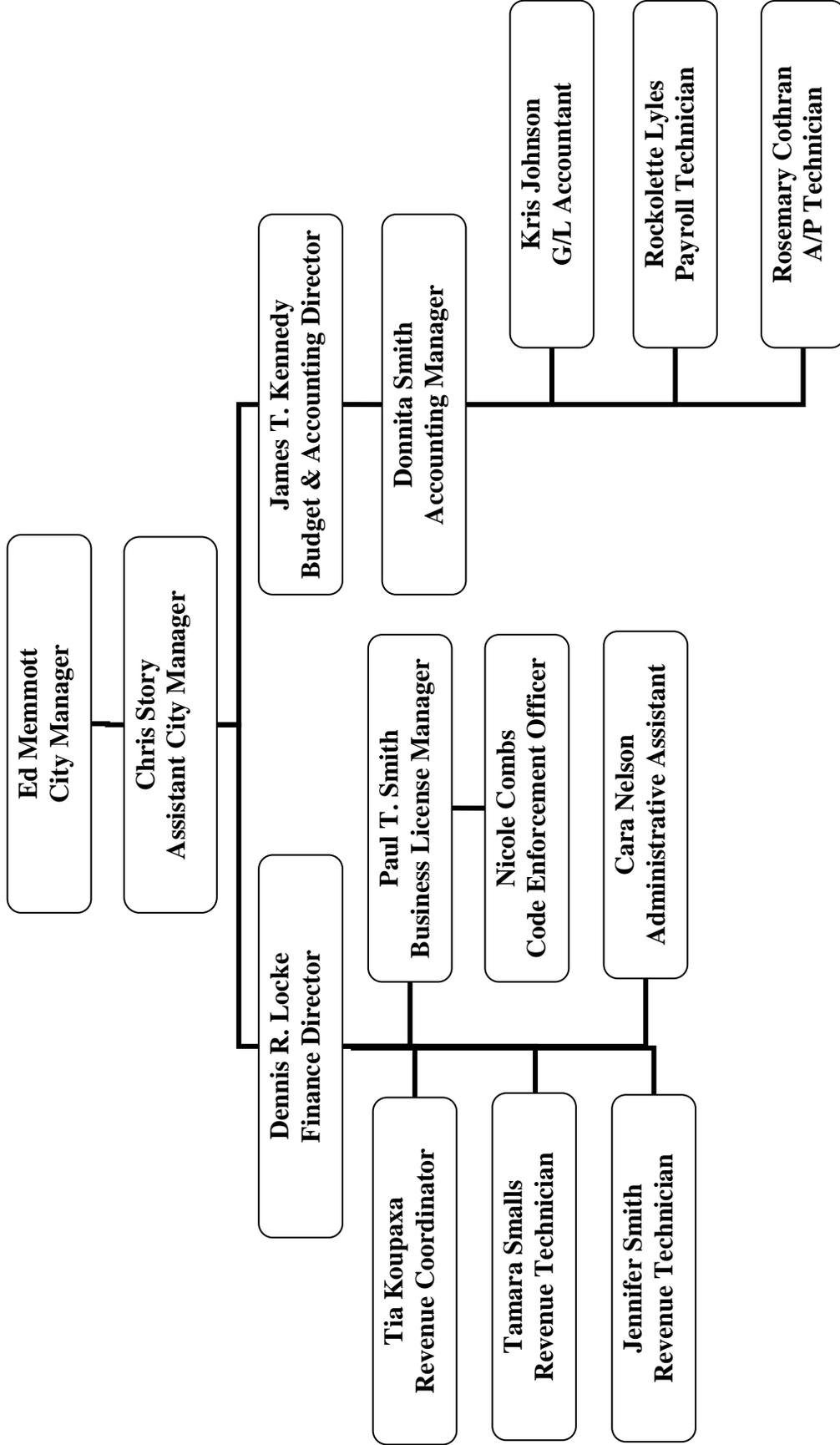
City of Spartanburg Organizational Chart





City of
SPARTANBURG
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Finance Division





City of
SPARTANBURG
south carolina



Government Finance Officers Association

**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, 2013

Executive Director/CEO



City of
SPARTANBURG
south carolina



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As discussed in Note I.B to the financial statements, the Retirement Plan of the City of Spartanburg adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 67, “*Financial Reporting for Pension Plans*” in 2014. Our opinion is not modified with respect to this matter.

Pending Implementation of GASB Statement on Pensions

As discussed in Note IV.I, the Governmental Accounting Standards Board issued in June 2012 Statement No. 68, “*Accounting and Financial Reporting for Pensions*” (“Statement”). This Statement, which will be adopted by the City for the fiscal year ended June 30, 2015, will require the City to report a net pension liability on its applicable financial statements for the Retirement Plan of the City of Spartanburg and for its participation in the South Carolina Retirement System (“SCRS”) and the South Carolina Police Officers’ Retirement System (“SCPORS”). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the City’s share of the net pension liability associated with the SCRS and SCPORS plans will decrease the City’s beginning net position by approximately \$32,249,000. The effect of implementing the Statement as it relates to the Retirement Plan of the City of Spartanburg and its net pension liability is estimated to decrease the City’s beginning net position by approximately \$12,592,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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, supplementary information, statistical section, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 17, 2014



City of
SPARTANBURG
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014. 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, financial statements, and notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$79,070,000 (Net Position). Of this amount, approximately \$3,245,000 (unrestricted Net Position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total Net Position increased by approximately \$1,533,000 which consisted of a increase in governmental activities of approximately \$1,231,000 and an increase in business-type activities of approximately \$302,000. The increase was due primarily to unspent capital lease proceeds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$14,716,000, an increase of approximately \$2,366,000 or approximately 19% in comparison with the prior year fund balance of approximately \$12,350,000. The fund balance for the General Fund increased approximately \$768,000 (12%) to approximately \$7,369,000 at June 30, 2014 compared to the prior year fund balance of approximately \$6,602,000. The increase is primarily due to an increase in tax collections from the prior year. Approximately \$102,000 of the General Fund balance at year end is nonspendable (prepaids and inventories). Approximately \$1,129,000 is assigned for utility projects and \$250,000 is assigned for worker's compensation, with the remainder unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately 18% of total General Fund expenditures (approximately \$32,007,000).
- The City's total capital assets decreased by approximately \$4,648,000 (4%) during the current fiscal year. Total additions and other increases were approximately \$1,585,000 which was offset by depreciation expense of approximately \$5,674,000 and disposals, and other decreases of approximately \$559,000
- The City's long-term obligations decreased by approximately \$4,135,000 or 8% during the fiscal year. The decrease was due primarily to scheduled debt payments.
- The City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65" or "Statement") in 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, this Statement requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. This Statement supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the City in 2013. The City's former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs and deferred revenue liability (for unavailable – property taxes and unavailable – notes receivable) in its statements of financial position. Under this Statement, (a) bond issuance costs were written off as an adjustment to beginning Net Position and (b) deferred revenue that was not available or deferred revenue that was received by a government but was applicable to a future year was no longer be shown as a liability but was be reclassified and shown as a component of deferred inflows of resources.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The 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 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.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any), with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position 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 Position changed during the most recent fiscal year. All changes in Net Position 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 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, Development Services, Public Works, Finance and Administrative Services, Operating, and Interest and Other Charges. The business-type activities of the City are Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation. The government-wide financial statements can be found as listed in the table of contents of this report.

Fund Financial Statements. The remaining 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 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 financial statements. However, unlike the government-wide financial statements, governmental fund 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 financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 financial statements can be found as listed in the table of contents of this report.

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the 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 Development Services 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, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1				
Major Features of the City of Spartanburg’s Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund 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"> ▪ Statement of Net Position ▪ Statement of activities 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of revenues, expenses, and changes in Net Position ▪ Statement of cash flows 	<ul style="list-style-type: none"> ▪ Statement of fiduciary Net Position ▪ Statement of changes in fiduciary Net Position
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 balance sheet information	All balance sheet types – both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) that are expected to be used and liabilities and deferred inflows of resources (if any) that come due during the year or soon thereafter. No capital assets or long-term debt are included.	All balance sheet types - 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, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$79,069,979 at the close of the most recent fiscal year. The following table provides a summary of the City's Net Position at June 30, 2014 compared to June 30, 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013*	2014	2013*
Assets						
Current & Other Assets	\$ 28,726,074	\$ 25,402,807	1,409,679	1,188,338	30,135,753	\$ 26,591,145
Capital Assets, Net	65,282,706	69,003,033	44,111,571	45,039,300	109,394,277	114,042,333
Total Assets	94,008,780	94,405,840	45,521,250	46,227,638	139,530,030	140,633,478
Deferred Outflow of Resources	-	-	980,233	1,093,346	980,233	1,093,346
Total Assets and Deferred Outflow of Resources	94,008,780	94,405,840	46,501,483	47,320,984	140,510,263	141,726,824
Liabilities						
Long-Term Liabilities	30,881,650	34,586,289	21,986,126	22,414,376	52,867,776	57,000,665
Other Liabilities	9,684,572	7,608,221	(1,112,064)	(418,990)	8,572,508	7,189,231
Total Liabilities	40,566,222	42,194,510	20,874,062	21,995,386	61,440,284	64,189,896
Net Position						
Net Investment in Capital Assets	43,048,637	46,374,702	22,224,018	23,034,331	65,272,655	69,409,033
Restricted	7,148,564	4,816,041	-	-	7,148,564	4,816,041
Unrestricted	3,245,357	1,020,587	3,403,403	2,291,267	6,648,760	3,311,854
Total Net Position	\$ 53,442,558	\$ 52,211,330	25,627,421	25,325,598	79,069,979	\$ 77,536,928

* Certain amounts have been restated see Note I.B for more details.

The Net Position of the City's governmental activities increased by approximately 2% (approximately \$53,443,000 compared to the prior year balance of approximately \$52,211,000). The various components of the City's governmental activities Net Position changed as follows:

- The Net Investment in Capital Assets decreased by approximately \$3,326,000 or approximately 7%, primarily due to net capital asset decreases of approximately \$3,720,000, offset by a decrease in related debt of approximately \$394,000.
- Restricted Net Position increased by approximately \$2,333,000 primarily due to increased amounts restricted for capital projects, debt service and special revenue.
- Unrestricted Net Position, the part of Net Position 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 \$1,021,000 at June 30, 2013 to approximately \$3,245,000 at June 30, 2014 as a result of a decrease in long term liabilities.

The Net Position of business-type activities increased by approximately 1% (approximately \$25,627,000 in the current year compared to the restated balance of approximately \$25,326,000 in the prior year) for the year ended June 30, 2014. The various components of the business-type activities changed as follows:

- The Net Investment in Capital Assets decreased by approximately \$810,000 or approximately 3% primarily due to decreases in net capital assets of approximately \$928,000; partially offset by decreases in related debt of approximately \$118,000.
- Unrestricted Net Position increased by approximately \$1,112,000. The increase was due primarily due to a decrease in outstanding debt and operating gains during the year.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in Net Position for fiscal year 2014 compared to 2013.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 17,674,837	17,506,119	3,526,127	3,057,475	21,200,964	\$ 20,563,594
Operating Grants	1,118,576	2,850,594	-	-	1,118,576	2,850,594
Capital Grants	-	-	1,747,784	2,930,941	1,747,784	2,930,941
General Revenue:						
Property Taxes	17,611,333	16,694,744	-	-	17,611,333	16,694,744
Other Taxes	4,937,734	4,768,209	-	-	4,937,734	4,768,209
Intergovernmental Revenue	798,466	799,823	-	-	798,466	799,823
Other	5,518,634	1,623,402	52,687	54,229	5,571,321	1,677,631
Total Revenues	47,659,580	44,242,891	5,326,598	6,042,645	52,986,178	50,285,536
Program Expenses						
Policy Formulation & Administration	6,004,329	5,513,826	-	-	6,004,329	5,513,826
Public Safety	14,781,345	15,355,555	-	-	14,781,345	15,355,555
Parks, Recreation, and Special Events	2,075,383	2,338,124	-	-	2,075,383	2,338,124
Development Services	2,635,403	1,504,594	-	-	2,635,403	1,504,594
Public Works	9,059,910	9,901,909	-	-	9,059,910	9,901,909
Finance and Administrative Services	3,029,842	2,291,448	-	-	3,029,842	2,291,448
Operating	5,403,591	4,786,784	-	-	5,403,591	4,786,784
Interest and Other Charges	1,216,595	1,228,999	-	-	1,216,595	1,228,999
Transit	-	-	2,006,752	1,995,486	2,006,752	1,995,486
Parking	-	-	874,213	1,021,561	874,213	1,021,561
Storm Water	-	-	1,166,062	1,162,763	1,166,062	1,162,763
Airport	-	-	1,412,982	1,543,868	1,412,982	1,543,868
CC Woodson	-	-	410,073	443,947	410,073	443,947
St. John Parking Facility	-	-	980,169	961,788	980,169	961,788
Spartanburg Airport Facilities Corp.	-	-	396,478	291,632	396,478	291,632
Total Expenses	44,206,398	42,921,239	7,246,729	7,421,045	51,453,127	50,342,284
Change in Net Position						
Before Transfers	3,453,182	1,321,652	(1,920,131)	(1,378,400)	1,533,051	(56,748)
Special Item- Impairment of Asset	-	(1,244,765)	-	-	-	(1,244,765)
Transfers In (Out)	(2,221,954)	(2,374,778)	2,221,954	2,374,778	-	-
Change in Net Position	1,231,228	(2,297,891)	301,823	996,378	1,533,051	(1,301,513)
Net Position - Beginning of Year	52,211,330	54,509,221	25,577,794	24,581,416	77,789,124	79,090,637
Net Position - Period Adjustments	-	-	(252,196)	-	(252,196)	-
Net Position - Beginning of Year, Restated	52,211,330	54,509,221	25,325,598	24,581,416	77,536,928	79,090,637
Net Position - End Year	\$ 53,442,558	52,211,330	25,627,421	25,577,794	79,069,979	\$ 77,789,124

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities:

Net Position increased by approximately \$1,231,000 for fiscal year 2014 for governmental activities. Revenues increased by approximately \$3,417,000 (8%) to approximately \$47,660,000 from the prior year. This increase was primarily due to an increase in grants and contributions due to the early payoff of the garage loan. Expenses increased by approximately \$1,285,000 (8%) to approximately \$44,206,000 from the prior year. The increase in expenses from the prior year was primarily due to an increase in operating expenditures due to the increase in operating grants.

Business-Type Activities:

Net Position increased by approximately \$302,000 for fiscal year 2014 for business-type activities. In aggregate, business-type revenues decreased approximately 13% to \$5,327,000 compared to approximately \$6,043,000 in the prior year. The decrease in revenue was primarily due to a decrease in grant revenue of approximately \$1,183,000. Total expenses decreased approximately \$174,000 (2%) to approximately \$7,247,000 compared to approximately \$7,421,000 in the prior year. The decrease was primarily due a decrease in repairs for the parking garages.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resource available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City.

At June 30, 2014, the City's governmental funds reported a combined ending fund balance of approximately \$14,716,000, an increase of approximately \$2,366,000 in comparison with the prior year fund balance. Approximately 40% of this total amount (approximately \$5,889,000) constitutes unassigned fund balance. The remainder of fund balance is assigned, restricted, committed, or nonspendable. The amounts are nonspendable (approximately \$180,000), committed for special revenue (approximately \$160,000), assigned for utility projects (approximately \$1,129,000), assigned for insurance (approximately \$250,000), restricted for debt service (approximately \$2,897,000), special revenue (\$2,417,000), and capital projects (approximately \$1,794,000).

The Capital Projects Fund fund balance increased by approximately \$854,000 during the current fiscal year to approximately \$1,794,000, as donations and other financing sources of approximately \$2,319,000 exceeded capital expenditures of approximately \$1,465,000.

The Hospitality Tax fund balance increased by approximately \$187,000 during the current fiscal year to approximately \$1,549,000, as revenues of approximately \$3,944,000 exceeded expenditures and transfers out of approximately \$3,757,000.

Proprietary Funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements but in more detail. Net Position of the Enterprise Funds at the end of the fiscal year amounted to approximately \$25,627,000. 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 2014 was approximately \$33,297,000, an increase of 4% from the previous year. Property tax collections increased to approximately \$14,018,000 (6%) compared to approximately \$13,257,000 for the previous year. Intergovernmental revenues increased to approximately \$3,402,000 (2%) compared to approximately \$3,324,000 for the previous year. These increases were primarily due to the increased collection of property taxes.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

As with most municipalities in the State of South Carolina, the City is dependent on property taxes to pay for many of the services provided to its citizens. The current millage rate for property taxes is 103.0 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 \$13,257,000 of total General Fund revenue for the fiscal year ending June 30, 2014.

The City received approximately \$13,412,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$1,734,000, intergovernmental revenue of approximately \$3,402,000, fines and forfeitures of approximately \$469,000, and other revenues of approximately \$229,000.

General Fund Expenditures

General Fund expenditures at June 30, 2014 total approximately \$32,007,000 a 4% increase over the previous fiscal year. This reflects increases in overtime, general liability and worker's compensation insurance, and health insurance. The largest General Fund departmental budget is Public Safety, which accounted for approximately 44% of total General Fund expenditures. Public Works accounted for the second largest departmental budget, which accounted for approximately 18% of total General Fund expenditures. Actual expenditures for these departments were approximately \$14,013,000 for Public Safety and approximately \$5,881,000 for Public Works. As comparison for FY 2012 – 2013, the Public Safety department budget accounted for approximately 46% and Public Works accounted for approximately 22% of total General Fund expenditures. The remaining 38% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$5,661,000, Parks, Recreation, and Special Events - \$1,595,000, Development Services \$2,285,000, Finance and Administrative Services - \$1,558,000.

General Fund Balance

Total fund balance in the General Fund increased by approximately \$768,000 from approximately \$6,602,000 at June 30, 2013 to \$7,369,000 at June 30, 2014. The unassigned fund balance increase by approximately \$534,000 to approximately \$5,888,000. Unassigned fund balance represents 18% of total General Fund expenditures. The increase in unassigned fund balance was due to additional revenue collections from property taxes, fees, licenses, and permits.

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 \$33,630,000 (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 financial statements.

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the City had approximately \$109,394,000 in capital assets, net of depreciation. The total decrease in the City's capital assets was approximately \$4,648,000 (4%). Total additions and other increases were approximately \$1,585,000 which was offset by depreciation expense of approximately \$5,674,000 and disposals, and other decreases of approximately of \$559,000. The following table shows capital asset balances (net of depreciation) at June 30, 2013 compared to June 30, 2014:

	Government Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 27,257,465	\$ 27,713,155	2,326,732	2,219,703	29,584,197	\$ 29,932,858
Construction in Progress	191,495	5,511	706,160	3,825,100	897,655	3,830,611
Building & Improvements	13,018,007	13,707,843	32,476,082	33,803,318	45,494,089	47,511,161
Infrastructure	19,455,593	21,396,453	6,563,490	2,814,247	26,019,083	24,210,700
Machinery & Equipment	819,560	940,428	300,933	371,569	1,120,493	1,311,997
Vehicles	4,540,586	5,239,643	1,738,174	2,005,363	6,278,760	7,245,006
Totals	\$ 65,282,706	69,003,033	44,111,571	45,039,300	109,394,277	\$ 114,042,333

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

Long-Term Obligations

At June 30, 2014, the City had long-term obligations of approximately \$57,868,000 versus approximately \$57,002,000 in the prior year, a decrease of approximately \$4,135,000 or 7%. The decrease was due primarily to regularly scheduled principal payments.

The following table shows long-term obligation balances at June 30, 2014 compared to June 30, 2013:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Debt:						
Tax Increment Bonds	\$ 6,853,000	8,274,000	-	-	6,853,000	\$ 8,274,000
Certificates of Participation	1,545,000	1,775,000	-	-	1,545,000	1,775,000
Hospitality Tax Bonds	8,250,000	8,725,000	-	-	8,250,000	8,725,000
Revenue Bonds	-	-	1,355,000	1,775,000	1,355,000	1,775,000
General Obligation Bonds	6,180,000	6,460,000	-	-	6,180,000	6,460,000
Promissory Note	1,000,000	-	20,600,000	20,600,000	21,600,000	20,600,000
HUD 108 Loan	-	3,030,000	-	-	-	3,030,000
Total Debt	23,828,000	28,264,000	21,955,000	22,375,000	45,783,000	50,639,000
Capital Leases	3,631,904	2,856,934	-	-	3,631,904	2,856,934
Landfill Rem./Post-Closure Liability	38,000	111,926	-	-	38,000	111,926
Compensated Absences	3,383,745	3,354,414	31,126	39,376	3,414,871	3,393,790
Total	\$ 30,881,649	34,587,274	21,986,126	22,414,376	52,867,775	\$ 57,001,650

CITY OF SPARTANBURG, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The State limits the amount of general obligation debt that cities can issue to 8% 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 \$11,523,000. The current amount of outstanding general obligation debt at June 30, 2014 is \$6,180,000 which leaves an unused legal debt margin of approximately \$5,343,000.

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

Standard & Poor's AA-

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 financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Based on overall economic forecasts for South Carolina, the City expects to see a slow but steady recovery in fiscal year 2014 - 2015. Economic forecasts project the Greenville-Spartanburg-Anderson metropolitan area will continue to see job growth. The unemployment rate for the Spartanburg metropolitan statistical area decreased from 8.0% in July 2013 to 5.7% in June 2014.

The primary goal of the City of Spartanburg's 2014 – 2015 budget appropriation is to provide a financial plan for City officials to carry out both short-term and long-term priorities set by City Council to meet the expectations of our citizens.

General Fund revenues are budgeted at \$34,642,217 for fiscal year 2014 -2015, an increase of approximately one million or 3% over fiscal year 2013 – 2014. Property tax collections and insurance franchise fees are expected to increase slightly. Due to a new contractual agreement water system estimated payments declined by \$100,000 or (8%). Most of the General Fund expenditure increases will result in needed technology upgrades.

Key items that factored into the preparation of the budget for the year ending June 30, 2015, are listed below:

- The budget provides for a 1.5% cost-of-living adjustment for employees
- 2.0 mil increase from 103.0 to 105.0 adopted for FY 2014 - 2015
- \$6 increase in annual Residential Trash Fee
- 28% increase in transfer to the General Fund from the Hospitality Tax Fund
- Adoption of a quality of life targeted, capital investment, Capital Improvement Plan
- New debt service for park projects

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 West Broad Street, Spartanburg, South Carolina, 29304



City of
SPARTANBURG
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 20,644,867	6,527	\$ 20,651,394
Restricted Cash and Cash Equivalents	2,451,255	311,999	2,763,254
Restricted Investments	7,850	-	7,850
Property Taxes Receivable, Net	1,468,382	-	1,468,382
Other Receivables, Net:			
Mortgage	107,356	-	107,356
Commercial Loan	81,600	-	81,600
Other	2,971,800	823,636	3,795,436
Other Asset	813,066	-	813,066
Prepays and Inventories	179,898	267,517	447,415
Capital Assets:			
Non-Depreciable	27,448,960	3,032,893	30,481,853
Depreciable, Net	37,833,746	41,078,678	78,912,424
TOTAL ASSETS	94,008,780	45,521,250	139,530,030
DEFERRED OUTFLOW OF RESOURCES			
Hedging Derivative Instrument	-	980,233	980,233
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 94,008,780	46,501,483	\$ 140,510,263
LIABILITIES			
Accounts Payable	\$ 2,022,382	618,867	\$ 2,641,249
Accrued Interest Payable	182,988	26,924	209,912
Accrued Salaries and Benefits	1,032,881	12,993	1,045,874
Other Liabilities	2,216,648	-	2,216,648
Internal Balances	2,872,958	(2,872,958)	-
Retainage Payable	73,156	-	73,156
Intergovernmental Payable	250,545	-	250,545
Customer Deposits	240,089	42,565	282,654
Unclaimed Checks	32,293	-	32,293
Accrued Claims/Premiums	545,356	-	545,356
Unearned Revenues	215,277	79,312	294,589
Derivative Instrument	-	980,233	980,233
Non-Current Liabilities:			
Due Within One Year	5,889,000	451,126	6,340,126
Due in More Than One Year	24,992,649	21,535,000	46,527,649
TOTAL LIABILITIES	40,566,222	20,874,062	61,440,284
NET POSITION			
Net Investment in Capital Assets	43,048,637	22,224,018	65,272,655
Restricted For:			
Debt Service	2,761,176	-	2,761,176
Special Revenue	2,593,622	-	2,593,622
Capital Projects	1,793,766	-	1,793,766
Unrestricted	3,245,357	3,403,403	6,648,760
TOTAL NET POSITION	\$ 53,442,558	25,627,421	\$ 79,069,979

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
Policy Formulation and Administration	\$ 6,004,329	-	-	-	(6,004,329)	-	\$ (6,004,329)
Public Safety	14,781,345	884,408	607,124	-	(13,289,813)	-	(13,289,813)
Parks, Recreation, and Special Events	2,075,383	154,449	-	-	(1,920,934)	-	(1,920,934)
Development Services	2,635,403	341,919	-	-	(2,293,484)	-	(2,293,484)
Public Works	9,059,910	2,716,693	511,452	-	(5,831,765)	-	(5,831,765)
Finance and Administrative Services	3,029,842	13,577,368	-	-	10,547,526	-	10,547,526
Operating	5,403,591	-	-	-	(5,403,591)	-	(5,403,591)
Interest and Other Charges	1,216,595	-	-	-	(1,216,595)	-	(1,216,595)
Total Governmental Activities	44,206,398	17,674,837	1,118,576	-	(25,412,985)	-	(25,412,985)
Business-Type Activities:							
Transit	2,006,752	296,982	-	855,002	-	(854,768)	(854,768)
Parking Enterprise	874,213	419,370	-	-	-	(454,843)	(454,843)
Storm Water	1,166,062	1,631,758	-	-	-	465,696	465,696
Airport	1,412,982	969,613	-	892,782	-	449,413	449,413
CC Woodson	410,073	48,000	-	-	-	(362,073)	(362,073)
Spartanburg Parking Facilities Corporation	980,169	18,750	-	-	-	(961,419)	(961,419)
Spartanburg Airport Facilities Corporation	396,478	141,654	-	-	-	(254,824)	(254,824)
Total Business-Type Activities	7,246,729	3,526,127	-	1,747,784	-	(1,972,818)	(1,972,818)
TOTAL - PRIMARY GOVERNMENT	\$ 51,453,127	21,200,964	1,118,576	1,747,784	(25,412,985)	(1,972,818)	(27,385,803)
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					13,911,802	-	13,911,802
Tax Increment					2,506,919	-	2,506,919
Motor Vehicle Taxes					1,192,612	-	1,192,612
Hospitality Taxes					4,128,299	-	4,128,299
Other Taxes					809,435	-	809,435
Intergovernmental Revenue - Unrestricted					798,466	-	798,466
Investment Income					11,797	52,687	64,484
Miscellaneous					919,488	-	919,488
Grants and Contributions Not Restricted to Specific Programs					4,040,241	-	4,040,241
Gain (Loss) on Sale of Assets					547,108	-	547,108
Transfers In (Out)					(2,221,954)	2,221,954	-
Total General Revenues and Transfers					26,644,213	2,274,641	28,918,854
CHANGE IN NET POSITION					1,231,228	301,823	1,533,051
NET POSITION, Beginning of Year					52,211,330	25,577,794	77,789,124
Cumulative Adjustment - Adoption of GASB Statement No. 65					-	(252,196)	(252,196)
NET POSITION, Beginning of Year, Restated					52,211,330	25,325,598	77,536,928
NET POSITION- End of Year					53,442,558	25,627,421	\$ 79,069,979

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

CITY OF SPARTANBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 20,633,090	-	-	-	11,777	\$ 20,644,867
Restricted Cash and Cash Equivalents	-	-	-	-	859,078	859,078
Restricted Investments	-	-	-	-	7,850	7,850
Property Taxes Receivable, Net	1,417,482	-	-	6,448	44,452	1,468,382
Accounts Receivable, Net	1,683,431	148,102	338,374	-	-	2,169,907
Commercial Loan Receivables	-	-	-	-	81,600	81,600
Intergovernmental Receivables	-	-	-	-	801,893	801,893
Due From Other Funds	880,242	2,293,928	1,133,011	714,681	2,421,264	7,443,126
Prepays and Inventories	101,836	-	78,062	-	-	179,898
Mortgages Receivable:						
Home Loans	-	-	-	-	107,356	107,356
TOTAL ASSETS	\$ 24,716,081	2,442,030	1,549,447	721,129	4,335,270	\$ 33,763,957
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ 984,299	575,108	-	-	354,751	\$ 1,914,158
Accrued Salaries and Benefits	1,021,286	-	-	-	11,595	1,032,881
Customer Deposits	240,089	-	-	-	-	240,089
Unclaimed Checks	30,927	-	-	-	-	30,927
Retainage Payable	-	73,156	-	-	-	73,156
Intergovernmental Payable	250,545	-	-	-	-	250,545
Due To Other Funds	13,302,388	-	-	-	420,338	13,722,726
Unearned Revenues	172,159	-	-	-	43,118	215,277
TOTAL LIABILITIES	16,001,693	648,264	-	-	829,802	17,479,759
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes	1,345,025	-	-	6,448	40,245	1,391,718
Unavailable Note Receivable	-	-	-	-	176,588	176,588
TOTAL DEFERRED INFLOWS OF RESOURCES	1,345,025	-	-	6,448	216,833	1,568,306
FUND BALANCES						
Nonspendable:						
Prepays and Inventories	101,836	-	78,062	-	-	179,898
Restricted for:						
Debt Service	-	-	-	714,681	2,182,790	2,897,471
Capital Projects	-	1,793,766	-	-	-	1,793,766
Special Revenue	-	-	1,471,385	-	945,649	2,417,034
Committed for:						
Special Revenue	-	-	-	-	160,196	160,196
Assigned for:						
Utility Projects	1,128,933	-	-	-	-	1,128,933
Insurance	250,000	-	-	-	-	250,000
Unassigned	5,888,594	-	-	-	-	5,888,594
TOTAL FUND BALANCES	7,369,363	1,793,766	1,549,447	714,681	3,288,635	14,715,892
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,716,081	2,442,030	1,549,447	721,129	4,335,270	\$ 33,763,957

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

JUNE 30, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 14,715,892
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities (excluding internal service funds) are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$103,087,634 and the accumulated depreciation was \$42,387,111.	60,700,523
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 are considered unavailable in the governmental funds.	1,391,718
Note and accounts receivables which are expected to be collected in future years, but are not available soon enough to pay for the current period's expenditures are unavailable and not recognized in the governmental funds but are recognized in the Statement of Net Position.	176,588
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 Position	813,066
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.	(182,988)
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 Position.	288,277
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 Position.	(2,504,925)
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 Position.	5,294,152
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	(23,828,000)
Landfill Remediation Liability	(38,000)
Compensated Absences (Sick Pay and Vacations)	(3,383,745)
	(27,249,745)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 53,442,558

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	\$ 14,017,495	-	3,935,777	338,037	3,856,423	\$ 22,147,732
Fees, Licenses, and Permits	13,412,343	-	-	-	-	13,412,343
Fines and Forfeitures	469,079	-	-	-	-	469,079
State Government Contributions	-	-	-	-	760,701	760,701
Federal Government Contributions	-	-	-	-	2,292,837	2,292,837
Intergovernmental Revenues	3,402,420	-	-	-	-	3,402,420
Charges for Services	1,852,172	-	-	-	-	1,852,172
Investment Earnings	-	-	1,355	-	5,167	6,522
Confiscated Drug Funds	-	-	-	-	46,970	46,970
Donations	-	543,303	-	3,388,335	-	3,931,638
Ground Lease Rent	-	-	-	200,000	-	200,000
Other	110,392	-	7,090	-	833,479	950,961
TOTAL REVENUES ALL SOURCES	33,263,901	543,303	3,944,222	3,926,372	7,795,577	49,473,375
EXPENDITURES:						
Current:						
Policy Formulation and Administration	5,661,977	-	-	-	-	5,661,977
Public Safety	14,013,012	-	-	-	-	14,013,012
Parks, Recreation, and Special Events	1,595,250	-	-	-	-	1,595,250
Development Services	2,285,664	-	-	-	-	2,285,664
Public Works	5,881,653	-	-	-	-	5,881,653
Finance and Administrative Services	1,558,658	-	-	-	687,515	2,246,173
Operating	-	-	608,860	-	4,794,731	5,403,591
Capital Outlay	1,010,776	1,464,664	-	-	49,641	2,525,081
Debt Service:						
Principal Retirement	-	-	-	3,470,000	10,216,000	13,686,000
Interest	-	-	-	451,304	638,602	1,089,906
Other	-	-	-	24,436	163,140	187,576
TOTAL EXPENDITURES	32,006,990	1,464,664	608,860	3,945,740	16,549,629	54,575,883
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,256,911	(921,361)	3,335,362	(19,368)	(8,754,052)	(5,102,508)
OTHER FINANCING SOURCES (USES):						
Transfers In	1,300,935	446,179	-	-	2,063,986	3,811,100
Transfers Out	(1,823,445)	-	(3,148,680)	-	(1,060,929)	(6,033,054)
Bond Proceeds	-	1,000,000	-	-	8,250,000	9,250,000
Proceeds from Sale of Capital Assets	33,385	329,228	-	-	77,636	440,249
Total Other Financing Sources (Uses)	(489,125)	1,775,407	(3,148,680)	-	9,330,693	7,468,295
NET CHANGES IN FUND BALANCES	767,786	854,046	186,682	(19,368)	576,641	2,365,787
FUND BALANCES, Beginning of Year	6,601,577	939,720	1,362,765	734,049	2,711,994	12,350,105
FUND BALANCES, End of Year	\$ 7,369,363	1,793,766	1,549,447	714,681	3,288,635	\$ 14,715,892

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's 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, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,365,787
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.	106,795
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 Position.	(9,250,000)
Landfill remediation payments reduces the long-term the liability in the Statement of Net Position, but is an expenditure in the governmental funds.	73,926
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.	13,686,000
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.	114,956
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.	127,058
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.	(159,795)
Internal service funds are used by management to charge the costs of medical insurance and replacement of equipment in the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities in the Statement of Activities.	(55,740)
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.	(30,317)
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 Position.	(2,504,023)
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 Position differs from the change in fund balance by the net book value of the capital assets sold.	(482,007)
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.	(69,502)
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 (\$233,768) were exceeded by depreciation expense (\$2,925,678) in the current period.	(2,691,910)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,231,228

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2014

	TRANSIT	PARKING	STORM WATER
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,527	-	-
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable, Net	174,336	-	28,351
Due From Other Funds	302,463	1,265,998	1,110,527
Prepays and Inventories	116,588	-	-
Total Current Assets	<u>599,914</u>	<u>1,265,998</u>	<u>1,138,878</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	179,840	-	-
Depreciable, Net	4,841,490	11,039,812	-
Total Non-Current Assets	<u>5,021,330</u>	<u>11,039,812</u>	<u>-</u>
TOTAL ASSETS	<u>5,621,244</u>	<u>12,305,810</u>	<u>1,138,878</u>
DEFERRED OUTFLOW OF RESOURCES			
Hedging Derivative Instruments	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 5,621,244</u></u>	<u><u>12,305,810</u></u>	<u><u>1,138,878</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 88,562	15,876	70,971
Accrued Interest Payable	-	26,924	-
Accrued Salaries and Benefits	-	2,705	-
Customer Deposits	-	42,565	-
Due To Other Funds	-	-	-
Unearned Revenue	1,250	-	-
Unclaimed Checks	-	-	-
Accrued Claims/Premiums	-	-	-
Current Portion of Compensated Absences	-	-	-
Current Portion of Debt/Capital Leases	-	420,000	-
Total Current Liabilities	<u>89,812</u>	<u>508,070</u>	<u>70,971</u>
Long-Term Liabilities:			
Derivative Instrument	-	-	-
Debt/Capital Leases, Less Current Portion	-	935,000	-
Total Long-Term Liabilities	<u>-</u>	<u>935,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>89,812</u>	<u>1,443,070</u>	<u>70,971</u>
NET POSITION			
Net Investment in Capital Assets	5,021,330	9,684,812	-
Unrestricted	510,102	1,177,928	1,067,907
TOTAL NET POSITION	<u>5,531,432</u>	<u>10,862,740</u>	<u>1,067,907</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 5,621,244</u></u>	<u><u>12,305,810</u></u>	<u><u>1,138,878</u></u>

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

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
-	-	-	-	6,527	\$ -
-	84,717	212,983	14,299	311,999	1,592,177
596,233	-	-	24,716	823,636	-
-	107,475	52,759	493,640	3,332,862	3,406,642
150,929	-	-	-	267,517	-
<u>747,162</u>	<u>192,192</u>	<u>265,742</u>	<u>532,655</u>	<u>4,742,541</u>	<u>4,998,819</u>
2,255,457	488,948	-	108,648	3,032,893	-
5,504,119	6,223,072	9,764,139	3,706,046	41,078,678	4,582,183
<u>7,759,576</u>	<u>6,712,020</u>	<u>9,764,139</u>	<u>3,814,694</u>	<u>44,111,571</u>	<u>4,582,183</u>
8,506,738	6,904,212	10,029,881	4,347,349	48,854,112	-
-	-	649,649	330,584	980,233	-
<u>8,506,738</u>	<u>6,904,212</u>	<u>10,679,530</u>	<u>4,677,933</u>	<u>49,834,345</u>	<u>\$ 9,581,002</u>
276,968	-	45,557	120,933	618,867	\$ 108,224
-	-	-	-	26,924	-
10,288	-	-	-	12,993	-
-	-	-	-	42,565	-
459,904	-	-	-	459,904	-
-	78,062	-	-	79,312	-
-	-	-	-	-	1,366
-	-	-	-	-	545,356
31,126	-	-	-	31,126	-
-	-	-	-	420,000	1,155,480
<u>778,286</u>	<u>78,062</u>	<u>45,557</u>	<u>120,933</u>	<u>1,691,691</u>	<u>1,810,426</u>
-	-	649,649	330,584	980,233	-
-	5,600,000	11,117,592	3,882,408	21,535,000	2,476,424
-	5,600,000	11,767,241	4,212,992	22,515,233	2,476,424
<u>778,286</u>	<u>5,678,062</u>	<u>11,812,798</u>	<u>4,333,925</u>	<u>24,206,924</u>	<u>4,286,850</u>
7,759,576	1,118,675	(1,186,027)	(174,348)	22,224,018	950,279
(31,124)	107,475	52,759	518,356	3,403,403	4,343,873
<u>7,728,452</u>	<u>1,226,150</u>	<u>(1,133,268)</u>	<u>344,008</u>	<u>25,627,421</u>	<u>5,294,152</u>
<u>8,506,738</u>	<u>6,904,212</u>	<u>10,679,530</u>	<u>4,677,933</u>	<u>49,834,345</u>	<u>\$ 9,581,002</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	TRANSIT	PARKING	STORM WATER
OPERATING REVENUES			
Charges for Services	\$ 262,446	363,384	1,631,758
Contributions	-	-	-
Other Revenues	34,536	55,986	-
Sale of Inventory	-	-	-
TOTAL OPERATING REVENUES ALL SOURCES	296,982	419,370	1,631,758
OPERATING EXPENSES			
Personal Services	-	95,141	448,053
Depreciation	473,533	476,645	-
Other Services and Charges	1,533,219	170,679	718,009
Claims/Premiums	-	-	-
Cost of Goods Sold	-	-	-
Maintenance	-	62,168	-
TOTAL OPERATING EXPENSES	2,006,752	804,633	1,166,062
OPERATING INCOME (LOSS)	(1,709,770)	(385,263)	465,696
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on Sale of Assets	-	-	-
Federal and State Contributions	855,002	-	-
Interest Expense	-	(69,580)	-
Investment Earnings	-	2,165	1,098
Other Revenues (Expenses)	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	855,002	(67,415)	1,098
INCOME (LOSS) BEFORE TRANSFERS	(854,768)	(452,678)	466,794
Transfers In	500,000	821,580	-
Transfers Out	-	(50,000)	(125,000)
CHANGE IN NET POSITION	(354,768)	318,902	341,794
NET POSITION, Beginning of Year	5,886,200	10,543,838	726,113
Cumulative Adjustment - Adoption of GASB Statement No. 65	-	-	-
NET POSITION, Beginning of Year, Restated	5,886,200	10,543,838	726,113
NET POSITION, End of Year	\$ 5,531,432	10,862,740	1,067,907

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

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
159,577	48,000	18,750	141,654	2,625,569	\$ 1,001,430
-	-	-	-	-	3,775,687
-	-	-	-	90,522	13,523
810,036	-	-	-	810,036	-
969,613	48,000	18,750	141,654	3,526,127	4,790,640
331,914	-	-	8,870	883,978	-
129,514	362,327	360,693	129,665	1,932,377	835,840
333,749	-	-	-	2,755,656	360,304
-	-	-	-	-	3,566,489
606,702	-	-	-	606,702	-
11,103	-	-	-	73,271	-
1,412,982	362,327	360,693	138,535	6,251,984	4,762,633
(443,369)	(314,327)	(341,943)	3,119	(2,725,857)	28,007
-	-	-	-	-	(14,692)
892,782	-	-	-	1,747,784	-
-	(45,000)	(554,525)	(211,979)	(881,084)	(54,069)
-	63	49,354	7	52,687	589
-	(2,746)	(64,951)	(45,964)	(113,661)	(15,575)
892,782	(47,683)	(570,122)	(257,936)	805,726	(83,747)
449,413	(362,010)	(912,065)	(254,817)	(1,920,131)	(55,740)
335,374	-	588,020	211,980	2,456,954	-
-	-	-	(60,000)	(235,000)	-
784,787	(362,010)	(324,045)	(102,837)	301,823	(55,740)
6,943,665	1,689,363	(700,812)	489,427	25,577,794	5,349,892
-	(101,203)	(108,411)	(42,582)	(252,196)	-
6,943,665	1,588,160	(809,223)	446,845	25,325,598	5,349,892
7,728,452	1,226,150	(1,133,268)	344,008	25,627,421	\$ 5,294,152

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	TRANSIT	PARKING	STORM WATER
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Services	\$ 262,135	365,584	1,618,102
Receipts from Contributions	-	-	-
Receipts from Sale of Inventory	-	-	-
Receipts from Other Revenues	34,536	55,986	-
Payments for Personal Services	-	(94,897)	(448,053)
Payments for Services and Charges	(1,466,517)	(237,087)	(662,763)
Payments for Cost of Goods Sold	-	-	-
Payments for Other Expenses	-	-	-
Payments for Claims/Premiums	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,169,846)</u>	<u>89,586</u>	<u>507,286</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	296,003	490,120	-
Transfers to Other Funds	-	(50,000)	(508,384)
Non-Operating State and Federal Grants	874,108	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>1,170,111</u>	<u>440,120</u>	<u>(508,384)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	-	(42,291)	-
Proceeds on Sale of Capital Assets	-	-	-
Bond, Note and Capital Lease Proceeds	-	-	-
Bond, Note, and Capital Lease Principal Payments	-	(420,000)	-
Bond, Note, and Capital Lease Interest Payments	-	(69,580)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(531,871)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	-	2,165	1,098
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>2,165</u>	<u>1,098</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265	-	-
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>6,262</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	\$ 6,527	-	-
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (1,709,770)	(385,263)	465,696
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	473,533	476,645	-
Other Revenues (Expenses)	-	-	-
Change in Accounts Representing Operating Activities:			
Accounts Receivable	-	-	(13,656)
Other Assets	29,803	-	-
Prepays and Inventories	(13,390)	-	-
Accounts Payable/Deposits Payable	50,289	(4,240)	55,246
Accrued Salaries and Benefits	-	244	-
Customer Deposits	-	2,200	-
Compensated Absences	-	-	-
Claims/Premiums	-	-	-
Unearned Revenue	(311)	-	-
Unclaimed Checks	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,169,846)</u>	<u>89,586</u>	<u>507,286</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 financial statements are an integral part of this statement.
See accompanying independent auditor's report.

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
159,577	-	18,750	270,783	2,694,931	\$ 1,001,430
-	-	-	-	-	3,775,687
810,036	-	-	-	810,036	-
-	-	-	-	90,522	13,523
(338,453)	-	-	(8,870)	(890,273)	-
(116,566)	-	2,126	98,057	(2,382,750)	(266,105)
(592,946)	-	-	-	(592,946)	-
-	(2,746)	(64,951)	(45,964)	(113,661)	(15,575)
-	-	-	-	-	(3,475,502)
<u>(78,352)</u>	<u>(2,746)</u>	<u>(44,075)</u>	<u>314,006</u>	<u>(384,141)</u>	<u>1,033,458</u>
423,305	-	598,355	66,984	1,874,767	-
-	-	-	(60,000)	(618,384)	130,215
508,754	-	-	-	1,382,862	-
<u>932,059</u>	<u>-</u>	<u>598,355</u>	<u>6,984</u>	<u>2,639,245</u>	<u>130,215</u>
(853,707)	-	-	(108,648)	(1,004,646)	(346,856)
-	-	-	-	-	42,734
-	-	-	-	-	1,600,000
-	-	-	-	(420,000)	(825,030)
-	(45,000)	(554,525)	(211,979)	(881,084)	(54,069)
<u>(853,707)</u>	<u>(45,000)</u>	<u>(554,525)</u>	<u>(320,627)</u>	<u>(2,305,730)</u>	<u>416,779</u>
-	63	49,354	7	52,687	589
-	63	49,354	7	52,687	589
-	(47,683)	49,109	370	2,061	1,581,041
-	132,400	163,874	13,929	316,465	11,136
<u>-</u>	<u>84,717</u>	<u>212,983</u>	<u>14,299</u>	<u>318,526</u>	<u>\$ 1,592,177</u>
(443,369)	(314,327)	(341,943)	3,119	(2,725,857)	\$ 28,007
129,514	362,327	360,693	129,665	1,932,377	835,840
-	(2,746)	(64,951)	(45,964)	(113,661)	(15,575)
-	-	-	129,129	115,473	-
-	-	-	-	29,803	-
13,756	-	-	-	366	-
228,286	-	2,126	98,057	429,764	94,199
1,711	-	-	-	1,955	-
-	-	-	-	2,200	-
(8,250)	-	-	-	(8,250)	-
-	-	-	-	-	91,119
-	(48,000)	-	-	(48,311)	-
-	-	-	-	-	(132)
<u>(78,352)</u>	<u>(2,746)</u>	<u>(44,075)</u>	<u>314,006</u>	<u>(384,141)</u>	<u>\$ 1,033,458</u>
-	-	-	-	-	\$ -

CITY OF SPARTANBURG, SOUTH CAROLINA

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

JUNE 30, 2014

	PENSION TRUST	AGENCY
	General Employees'	Donation Fund
ASSETS		
Restricted Investments:		
Commingled Bond Funds	\$ 3,539,135	\$ -
Corporate Bonds	2,889,122	-
Money Market Mutual Funds	1,067	-
Accounts Receivable:		
Interest	33,341	-
Other	-	64,895
TOTAL ASSETS	\$ 6,462,665	\$ 64,895
LIABILITIES		
Accounts Payable	\$ -	\$ 799
Due to Others	-	64,096
TOTAL LIABILITIES	-	64,895
NET POSITION		
Held in Trust for Pension Benefits	6,462,665	-
TOTAL NET POSITION AND LIABILITIES	\$ 6,462,665	\$ 64,895

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	PENSION TRUST
	<u>General Employees'</u>
ADDITIONS	
Contributions:	
Employer	\$ 812,083
Member	9,676
Total Contributions	<u>821,759</u>
Investment Earnings:	
Interest	104,569
Realized and Unrealized Appreciation in Fair Value of Investments	161,529
Total Investment Earnings	<u>266,098</u>
TOTAL ADDITIONS ALL SOURCES	<u>1,087,857</u>
DEDUCTIONS	
Pension Benefits	1,664,935
Administrative Expense	89,978
TOTAL DEDUCTIONS	<u>1,754,913</u>
CHANGE IN NET POSITION	(667,056)
NET POSITION, Beginning of Year	<u>7,129,721</u>
NET POSITION, End of Year	<u>\$ 6,462,665</u>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 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 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 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 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

Spartanburg Recreational Facilities Corporation

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

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

Spartanburg Parking Facilities Corporation

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

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

Spartanburg Airport Facilities Corporation

In February 2009, the City entered into a 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 \$500,000 grant from Aeronautics Commission were used for the design, renovation and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangars.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

Spartanburg Airport Facilities Corporation (Continued)

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

Related Organizations

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

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

Major Operations

The City's major governmental operations include police and fire protection, parks and recreation, economic and community development, public works and general administrative services. In addition, the City operates seven enterprise funds as of June 30, 2014, consisting of Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation.

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*” (“GASB #65” or “Statement”) in 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, this Statement requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. This Statement supplements and extends the reach of GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”, which was adopted by the City in 2013. The City’s former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs and deferred revenue liability (for unavailable – property taxes and unavailable – notes receivable) in its statements of financial position. Under this Statement, (a) bond issuance costs were written off as an adjustment to beginning net position and (b) deferred revenue that was not available or deferred revenue that was received by a government but was applicable to a future year was no longer shown as a liability but was reclassified and shown as a component of deferred inflows of resources.

The City also implemented GASB Statement No. 67, “*Financial Reporting of Pension Plans*” (“GASB #67”) in 2014. The primary objective of GASB #67 is to improve financial reporting by state and local governments for pension plans. GASB #67 specifies the required approach to measuring pension liability of employers and nonemployer contributing entities for benefits provided through pension plans. GASB #67 also details the note disclosures and required supplementary information necessary to be presented by pension plans. GASB #67 requires that the net pension liability to be measured as the total pension liability, less the amount of the pension plan’s fiduciary net position and that all actuarial assumptions underlying the determination of the total pension liability are required to be made in accordance with GASB #67. In particular, GASB #67 has resulted in a significant change in the City’s net pension asset associated with the City’s single employer defined benefit pension plan as disclosed in “Note IV.D Pension Disclosures”.

Governmental fund 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City has the following Internal Service Funds:

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

For the government-wide 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.

C. Assets, Deferred Outflows of Resources, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, and Equity (Continued)

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

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

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

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

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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, 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.

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 Position, 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 Position and in the respective fund financial statements.

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

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, and Equity (Continued)

5. *Compensated Absences*

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

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

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. If applicable, termination payments incurred prior to year end related to governmental funds are recorded in the fund financial statements (if material).

6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

7. *Fund Balance*

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, and Equity (Continued)

7. Fund Balance (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, “*Elements of Financial Statements*”, deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

The City’s deferred outflow of resources consists of hedging derivative instruments for approximately \$980,000. See Note III.D for more detailed information related to the City’s derivative instruments.

The City’s deferred inflows of resources consists of unavailable taxes of approximately \$1,392,000 and unavailable notes receivable of approximately \$177,000.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, and Equity (Continued)

9. Net Position

Net Position represents the difference between assets and deferred outflows and liabilities. The Net Investment in Capital Assets consists 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 Position component as the unspent proceeds. Net Position is 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.

10. 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.

11. 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.

12. 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 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 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).

13. Comparative Data

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

Revisions that alter the total budgeted expenditures of the City as a whole must be approved by City Council. There were no revisions to the General Fund budget in fiscal year 2014. 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, 2014, none of the City's non-pension trust fund bank balances of approximately \$7,619,000 (book balance of approximately \$7,402,000) was uncollateralized and exposed to custodial credit risk.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, 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	*	\$ 16,012,939	~
Total Primary Government		<u>\$ 16,012,939</u>	

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

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

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

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2014, none of City’s investments were exposed to custodial credit risk.

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

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

Pension Trust Fund Cash, Cash Equivalents and Investments

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

A. Deposits and Investments (Continued)

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

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

Pension Plan Risk Profile: Because the Pension Plan has an extremely conservative risk tolerance, we expect the investment manager(s) to follow these guidelines:

- Buy only investment grade bonds
- Have no more than 15% in BBB rated bonds
- Have no more than 30% in corporate bonds
- Have no more than 15% in international bonds
- Have no more than 5% exposure to any one issuer

The Pension Plan trust portfolio at June 30, 2014 is as shown in the following table. The trust reports its investments at fair value.

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
<u>Fiduciary - Pension Trust Fund</u>			
Federated Prime Obligation Fund	Aam, Aaa-mf, AAAmmf	\$ 1,067	Less than 1 year
FNMA Bonds	AA+, Aaa, AAA	2,804,738	Greater than 5 yrs
US Treasury Notes	AA,AAA,AAA	734,397	Greater than 5 yrs
Corporate Bonds	Various	2,889,122	Greater than 5 yrs
Total Pension Trust		<u>\$ 6,429,324</u>	

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

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, 2014, 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, 2014. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds are excluded from this disclosure requirement.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

B. Receivables and Deferred Revenue

Property Taxes Receivables and Loan Receivables

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

Assessed values for real estate are established annually by the County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. Real property in the City for the 2014 tax levy was assessed at approximately \$139,527,000. 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 2014 assessed value was approximately \$18,502,000 for personal property. The City's operating tax rate is currently 104.0 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$1,417,000 and \$51,000 (which is net of an allowance for uncollectibles of approximately \$472,000 and \$17,000 respectively) for general operations and for its tax increment districts, respectively, at June 30, 2014.

The City has outstanding mortgage and commercial loans receivables of approximately \$189,000 at June 30, 2014.

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 considered unavailable. 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. This note was paid off in full during the year ended June 30, 2014.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

B. Receivables and Deferred Revenue (Continued)

Unavailable and Unearned Revenue

Governmental funds report unavailable and unearned 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, 2014, the various components of unavailable 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) - Unavailable	\$ 1,391,718
Mortgage and Loan Receivables (Special Revenue Funds) - Unavailable	176,588
Other Unearned Revenue (General Fund and Special Revenue Funds) - Unearned	215,277
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 1,783,583</u>

C. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2014, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 27,713,155	-	(455,690)	-	\$ 27,257,465
Construction In Progress ("CIP")	5,511	191,495	-	(5,511)	191,495
Total Capital Assets, Non-Depreciable	<u>27,718,666</u>	<u>191,495</u>	<u>(455,690)</u>	<u>(5,511)</u>	<u>27,448,960</u>
Capital Assets, Depreciable					
Buildings and Improvements	27,156,000	-	(5,395,516)	-	21,760,484
Infrastructure	48,602,035	-	-	-	48,602,035
Machinery and Equipment	5,867,072	188,490	(163,569)	5,511	5,897,504
Vehicles	13,098,060	200,639	(676,449)	-	12,622,250
Furniture and Fixtures	12,099	-	-	-	12,099
Total Capital Assets, Depreciable	<u>94,735,266</u>	<u>389,129</u>	<u>(6,235,534)</u>	<u>5,511</u>	<u>88,894,372</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	13,448,157	663,519	(5,369,199)	-	8,742,477
Infrastructure	27,205,582	1,940,860	-	-	29,146,442
Machinery and Equipment	4,926,644	314,869	(163,569)	-	5,077,944
Vehicles	7,858,417	822,461	(599,214)	-	8,081,664
Furniture and Fixtures	12,099	-	-	-	12,099
Total Accumulated Depreciation	<u>53,450,899</u>	<u>3,741,709</u>	<u>(6,131,982)</u>	<u>-</u>	<u>51,060,626</u>
Total Capital Assets, Depreciable, Net	<u>41,284,367</u>	<u>(3,352,580)</u>	<u>(103,552)</u>	<u>5,511</u>	<u>37,833,746</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,003,033</u>	<u>(3,161,085)</u>	<u>(559,242)</u>	<u>-</u>	<u>\$ 65,282,706</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

C. Capital Assets (Continued)

The cost of equipment recorded under capital lease was approximately \$4,947,000. Accumulated amortization was approximately \$1,594,000 at June 30, 2014. 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 \$836,000) was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Policy Formulation and Administration	\$ 388,998
Public Safety	616,397
Parks, Recreation, and Special Events	385,175
Community Development	6,852
Public Works	2,332,155
Finance and Administrative Services	12,132
Totals - Governmental Activities	<u>\$ 3,741,709</u>

The City receives donated infrastructure from time to time for new subdivisions/projects from various developers and other entities. The Engineering Administrator inspects and approves the installation of the infrastructure by the developer before the City takes over ownership. The Engineering Administrator also estimates the value of the donated infrastructure based on the estimated replacement cost for the infrastructure. For fiscal year 2014, the City did not receive any significant donated infrastructure.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

C. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended June 30, 2014, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	CIP Transfers & Adjustments	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 2,219,703	107,029	-	-	\$ 2,326,732
Construction In Progress	3,825,100	840,332	-	(3,959,272)	706,160
Total Capital Assets, Non-Depreciable	6,044,803	947,361	-	(3,959,272)	3,032,892
Capital Assets, Depreciable:					
Buildings and Improvements	47,955,509	-	-	24,307	47,979,816
Infrastructure	2,941,278	-	-	3,934,965	6,876,243
Machinery and Equipment	1,306,494	57,285	-	-	1,363,779
Vehicles	4,349,729	-	(626,875)	-	3,722,854
Total Capital Assets, Depreciable	56,553,010	57,285	(626,875)	3,959,272	59,942,692
Less: Accumulated Depreciation for:					
Buildings and Improvements	14,152,191	1,351,447	-	98	15,503,736
Infrastructure	127,031	185,722	-	-	312,753
Machinery and Equipment	934,925	127,921	-	-	1,062,846
Vehicles	2,344,366	267,287	(626,875)	(98)	1,984,680
Total Accumulated Depreciation	17,558,513	1,932,377	(626,875)	-	18,864,015
Total Capital Assets, Depreciable, Net	38,994,497	(1,875,092)	-	3,959,272	41,078,677
Business-Type Activities Capital Assets, Net	\$ 45,039,300	(927,731)	-	-	\$ 44,111,569

The City has outstanding commitments related to construction activities totaling approximately \$1,296,000 at June 30, 2014.

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

Functions/Programs	Depreciation Expense
Transit	\$ 473,532
Parking	476,645
Airport	129,514
CC Woodson	362,327
Spartanburg Parking Facilities	360,693
Airport Facilities	129,665
Totals - Business-Type Activities	\$ 1,932,376

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014, are as follows:

Principal Outstanding
at Year End

Tax Increment Bonds

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

\$5,845,000 Series 2010 – Bonds issued November 2010, in an original amount of \$6,830,000 with an interest rate of 3.24%. The bonds mature April 1, 2025. Interest payments are due April 1st of each calendar year. Annual principal payments of \$60,000 began April 1, 2011, and increase in amounts annually until the annual payment reaches \$620,000 in year 2025. The proceeds of these bonds were primarily used to partially defease the Series 2002 A bonds and the Series 2002 B bonds.

Certificates of Participation (“COPS”)

\$1,545,000 Series 2005 – Issued June 23, 2005, in an original amount of \$3,310,000 and maturing April 1, 2020. The Bond interest rate is 3.39% and requires semi-annual interest payments and annual principal payments. The principal payments increase annually from \$135,000 in 2006 to \$280,000 in 2020. The bonds are the liability of the Spartanburg Public Facilities Corporation, a South Carolina nonprofit corporation (as noted earlier, it is a blended component unit of the City). The purpose of the debt was to provide funding for the “Morgan Square Project.”

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Hospitality Tax Bonds

\$8,250,000 Series 2014 Refunding – Issued April 2014, in an original amount of \$8,250,000 with an interest rate of 2.05%. The bonds mature April 1, 2025. Interest payments are due April 1st of each year. Principal payments begin April 1, 2015, at \$675,000 and increase in amounts annually until the annual payment reaches \$830,000 in year 2025. The proceeds of these bonds were used to defease the Series 2010 Hospitality Tax Refunding Bonds.

Promissory Notes

\$1,000,000 In June 2014, the City entered into a promissory note with the Mary Black Foundation for park improvements. The rate of interest is 3.125%. The note is due in full in June 2019. The note requires monthly payments (interest and principal) of \$18,024.

General Obligation Bonds

\$6,180,000 Series 2010 – Bonds issued in December of 2010, in an original amount of \$6,995,000. The rate of interest ranges from 3.5% to 4.5%. The bond matures in April of 2030. Interest payments are due April 1st and October 1st of each calendar year. Annual principal payments of \$265,000 began April 1, 2012, and increase in amounts annually until the annual payment reaches \$510,000 in year 2030. The proceeds of these bonds were used to fund the closure of the Arkwright Landfill and the construction of community parks.

Capital Leases

\$144,281 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).

\$318,725 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).

\$321,894 In December 2010, the City entered into a 5-year capital lease to purchase vehicles. The rate of interest is 2.24%. The lease is due in full in October 2015. The lease requires semi-annual payments (interest and principal) of \$109,710. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

\$1,247,004 In March 2012, the City entered into a 5-year capital lease to purchase vehicles. The rate of interest is 1.33%. The lease is due in full in April 2017. The lease requires semi-annual payments (interest and principal) of \$212,698. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

\$1,600,000 In May 2014, the City entered into a 5-year capital lease to purchase vehicles. The rate of interest is 1.42%. The lease is due in full in April 2019. The lease requires semi-annual payments (interest and principal) of \$166,112. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

Revenue Bonds

\$1,355,000 Series 2008 – Bonds issued October 17, 2008, in an original amount of \$3,565,000 and secured by revenue from the City of Spartanburg Parking System. The bonds mature April 1, 2017. The rate of interest is 3.92%. Interest payments are due April 1st and October 1st of each calendar year. Principal payments are due annually on April 1st. Principal payments began April 1, 2009, at \$295,000 and increase in amounts annually until the annual payment reaches \$470,000 in year 2017. The proceeds of these bonds were used to currently refund the 2002 Bonds, for which the proceeds were used to construct the Magnolia parking garage.

Promissory Notes – Blended Component Units

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Promissory Notes – Blended Component Units (Continued)

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

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

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

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

\$1,035,309 SAFC Promissory Note B (“Note B”) – Note B was issued February 5, 2009, in an original amount of \$4,000,000. In February 2010, the City split approximately \$1,035,000 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The interest terms remain unchanged from the original agreement.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Following is a summary of changes in governmental activities long-term obligations for fiscal year 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
Tax Increment Bonds:					
2010 Series - Broad St.	\$ 1,989,000	-	981,000	1,008,000	\$ 1,008,000
2010 Series - St. John/DM	6,285,000	-	440,000	5,845,000	450,000
Total Tax Increment Bonds	8,274,000	-	1,421,000	6,853,000	1,458,000
Certificates of Participation					
2005 COPS	1,775,000	-	230,000	1,545,000	235,000
Total Certificates of Participation	1,775,000	-	230,000	1,545,000	235,000
2010 COPS Refunding	8,725,000	-	8,725,000	-	-
HUD Section 108 Loan	3,030,000	-	3,030,000	-	-
2010 Series GOB	6,460,000	-	280,000	6,180,000	290,000
2014 Hospitality Tax Refunding	-	8,250,000	-	8,250,000	675,000
2014 Mary Black Promissory Note	-	1,000,000	-	1,000,000	187,715
Total Debt	28,264,000	9,250,000	13,686,000	23,828,000	2,845,715
Capital Leases:					
2005 Capital Lease	236,291	-	92,010	144,281	95,332
2010 Capital Lease	438,278	-	119,553	318,725	124,005
2011 Capital Lease	530,592	-	208,698	321,894	213,399
2012 Capital Lease	1,651,773	-	404,769	1,247,004	410,170
2014 Capital Lease	-	1,600,000	-	1,600,000	312,574
Total Capital Leases	2,856,934	1,600,000	825,030	3,631,904	1,155,480
Landfill Rem. and Post-Closure Care Liability	111,926	-	73,926	38,000	38,000
Compensated Absences	3,354,414	1,838,642	1,809,311	3,383,745	1,849,805
Total Governmental Activities	\$ 34,587,274	12,688,642	16,394,267	30,881,649	\$ 5,889,000

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
RB - 2008	\$ 1,775,000	-	420,000	1,355,000	\$ 435,000
PN - Note A (CC Woodson)	5,600,000	-	-	5,600,000	-
PN - Note A1 (SPFC)	5,152,901	-	-	5,152,901	-
PN - Note A2	3,000,000	-	-	3,000,000	-
PN - Note B	2,964,691	-	-	2,964,691	-
PN - Note A1 (SAFC)	2,847,099	-	-	2,847,099	-
PN - Note B (SAFC)	1,035,309	-	-	1,035,309	-
Total Debt	22,375,000	-	420,000	21,955,000	435,000
Compensated Absences	39,376	18,344	26,594	31,126	31,126
Total Business-Type Activities	\$ 22,414,376	18,344	446,594	21,986,126	\$ 466,126

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	
Governmental Activities					
2015	\$ 2,845,715	1,117,291	1,155,480	55,844	\$ 5,174,330
2016	1,888,666	1,004,019	1,016,769	35,019	3,944,473
2017	1,949,805	912,247	806,834	18,102	3,686,988
2018	2,006,139	816,579	324,101	8,124	3,154,943
2019	2,067,675	717,282	328,720	3,505	3,117,182
2020-2024	8,855,000	2,157,750	-	-	11,012,750
2025-2029	3,705,000	481,066	-	-	4,186,066
2030	510,000	22,950	-	-	532,950
Totals	\$ 23,828,000	7,229,184	3,631,904	120,594	\$ 34,809,682
Business-Type Activities					
2015	\$ 435,000	854,116	-	-	\$ 1,289,116
2016	13,198,000	721,930	-	-	13,919,930
2017	833,700	487,379	-	-	1,321,079
2018	384,100	446,199	-	-	830,299
2019	404,500	422,199	-	-	826,699
2020-2023	6,699,700	616,178	-	-	7,315,878
Totals	\$ 21,955,000	3,548,001	-	-	\$ 25,503,001

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2014, the City had \$6,180,000 of bonded debt subject to the 8% legal debt limit of approximately \$11,523,000, resulting in an unused legal debt margin of approximately \$5,343,000.

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, 2014.

Interest Rate Swap Agreements

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

In February 2010, the City split \$2,847,099 of the Note A1 and \$1,035,309 of the Note B of this debt through a debt agreement in order for the City to use these portions towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The Interest Rate Swap terms remain unchanged from the original agreement and views the debt as if it had not been split.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

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

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

Fair Value of the Interest Rate Swaps for Note A1 and Note B: The Interest Rate Swaps had a negative fair value to the SPFC of \$792,015 for Note A1 and \$188,218 for Note B as of June 30, 2014. Fair value was calculated based on TD Bank’s internal valuation models and available market data.

	Changes in Fair Values for the Year		Fair Values at June 30, 2014		Notional Amount
	Reported as	Amount	Reported as	Amount	
<u>Reported in:</u>					
<i>Business-Type Activities</i>					
Note A-1					
Cash Flow Hedges	Deferred outflow of	\$ 28,746	Derivative Instrument	\$ (792,015)	\$ 8,000,000
Interest Rate Swaps	resources		Liability		
Note B					
Cash Flow Hedges	Deferred outflow of	\$ 84,366	Derivative Instrument	\$ (188,218)	\$ 4,000,000
Interest Rate Swaps	resources		Liability		

Credit Risk: Should TD Bank fail to perform its obligations to the SPFC according to the terms of the Interest Rate Swaps, the SPFC could face a maximum possible loss substantially correlating with the Interest Rate Swaps fair value. TD Bank’s counterparty credit rating was Aa1 by Moody’s Investors Services and AA- by Standard & Poor’s as of August 2014. The SPFC does not have a policy for requiring collateral or other securities to support its hedging derivative instruments exposed to credit risk.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

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

Swap Payments and Associated Debt: Debt service requirements under Note A1 and Note B and net payments under the Interest Rate Swaps, assuming current interest rates in effect at June 30, 2014 (2.65% for the variable rate portion and 3.45% for the interest rate swap portion, net, on Note A1 and 0.65% for the variable rate portion and 3.05% for the interest rate swap portion, net, on Note B) remain the same for their terms, are presented below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net	Total Payments
	Principal	Interest		
2015	\$ -	238,000	398,000	\$ 636,000
2016	4,148,000	238,000	338,388	4,724,388
2017	363,700	208,078	260,877	832,655
2018	384,100	198,440	247,759	830,299
2019	404,500	188,261	233,938	826,699
2020-2021	6,699,700	343,758	270,916	7,314,374
Totals	\$ 12,000,000	1,414,537	1,749,878	\$ 15,164,415

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

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

Interfund balances at June 30, 2014, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds</u>		
General Fund	\$ 880,242	\$ 13,302,388
Capital Projects Fund	2,293,928	-
Hospitality Tax Fund	1,133,011	-
St. John - Daniel Morgan TIF Fund	714,681	-
<u>Major Enterprise Funds</u>		
Transit Fund	302,463	-
Parking Fund	1,265,998	-
Storm Water Untility Fund	1,110,527	-
Airport Fund	-	459,904
CC Woodson	107,475	-
St. John Parking Facility	52,759	-
Spartanburg Airport Facility Corp	493,640	-
<u>Non-Major Funds - In Aggregate by Type</u>		
Special Revenue Funds	1,108,290	420,338
Broad Street TIF Fund	1,312,974	-
Debt Service Funds	-	-
Internal Service Funds	3,406,642	-
Totals	<u>\$ 14,182,630</u>	<u>\$ 14,182,630</u>

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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014, consist of the following:

Fund	Transfers Out	Transfers In
<u>Major Governmental Funds</u>		
General Fund	\$ 1,823,445	\$ 1,300,935
Capital Projects Fund	-	446,179
Hospitality Tax Fund	3,148,680	-
<u>Major Enterprise Funds</u>		
Transit Fund	-	500,000
Parking Fund	50,000	821,580
Storm Water Utility Fund	125,000	-
Airport Fund	-	335,374
St. John Parking Facility	-	588,020
Airport Facilities Corp	60,000	211,980
<u>Non-Major Funds - In Aggregate By Type</u>		
Special Revenue Funds	341,996	201,114
Debt Service Funds	718,933	1,862,872
Total	<u>\$ 6,268,054</u>	<u>\$ 6,268,054</u>

General Fund

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

Capital Project Fund

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

Hospitality Tax Fund

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

Special Revenue Funds

Transfers in were primarily to fund grant match requirements, make debt payments, special event funding, and to cover grant deficits. Transfers out were primarily for grant matches, special events funding, debt service. Transfers out were primarily for grant matches, special events funding and debt service.

Storm Water utility Fund

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

Debt Service Funds

Transfers in and out were primarily for debt service payments.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

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

Transit Fund

Transfers in were for operating grant match.

Parking Fund

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

Airport Fund

Transfers in were for operating funding, and grant matches for capital projects. There were no transfers out.

Spartanburg Parking Facilities Corporation Fund

Transfers in were for operating support and to make debt service payments. There were no transfers out.

Airport Facilities Corporation Fund

Transfers in were to make debt service payments. Transfers out were for grant match for capital projects.

IV. OTHER INFORMATION

A. Agreements

Renaissance Park Project

Ground Lease Agreement

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Agreements (Continued)

Installment Sale Agreement

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

New Market Tax Agreements

CC Woodson

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Agreements (Continued)

New Market Tax Agreements (Continued)

The City committed to appropriate \$171,500 over a seven year period to fund a reserve account. At the end of the seven years, the City will use the funds set aside in the reserve account of approximately \$1,200,000 (excluding interest) to satisfy/repay the SDC's foundation loan. There are two years remaining as of June 30, 2014.

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

Spartanburg Parking Facilities Corporation

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

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

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

Spartanburg Airport Facilities Corporation

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies

Commitments

Southside Retail Partners Development Project

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

NMTC – CC Woodson

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

NMTC – Spartanburg Parking Facilities Corporation

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

Infrastructure Tax Credits

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

Contingencies

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or overall financial position of the City at June 30, 2014.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management

Participation in Public Entity Risk Pools

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended June 30, 2014, the City made premium payments totaling approximately \$457,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s Net Position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$28,412,000. 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, 2014, the City made premium payments totaling approximately \$219,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s Net Position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$48,279,000. 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 \$125,000 of claims per employee. An insurance provider pays claims that exceed \$125,000 per employee. Both employees and employers contribute to the plan. The self-insurance fund activity is reported in the City’s medical insurance internal service fund.

The claims liability of \$547,000 (which includes unclaimed checks of approximately \$1,000) reported in the medical insurance internal service fund at June 30, 2014 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
2011-2012	\$ 456,913	3,817,667	(3,713,526)	\$ 561,054
2012-2013	561,054	3,187,496	(3,292,815)	455,735
2013-2014	\$ 455,735	3,300,054	(3,209,067)	\$ 546,722

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures

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

City employees, except for fire and police department employees and those employees electing to remain in the Pension Plan, described later in this section, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City police officers and firemen participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Total employee salaries for the City, for employees covered in the SCRS or SCPORS for the year ended June 30, 2014, were approximately \$16,048,000 which, \$7,544,000 and \$8,504,000 were for employees covered by the SCRS and the SCPORS, respectively.

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The PORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. 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 were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and SCPORS to the newly created South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

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

The City’s contributions to the SCRS for employer and employee portions expressed as a dollar amount and as a percentage of covered payroll for year ended June 30, 2014, were approximately \$788,000 and 10.45%; and \$566,000 and 7.5%, respectively, and the contributions to the SCPORS for the employer and employee portions were approximately \$1,092,000 and 12.84%; and \$667,000 and 7.84%, 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
2012	\$ 1,386,504	100%	\$ 1,540,678	100%
2013	1,354,906	100%	1,629,738	100%
2014	\$ 1,354,050	100%	\$ 1,758,619	100%

* Required employer and employee contribution.

Plan Two – Retirement Plan of the City of Spartanburg

Plan Description

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

Plan Description (Continued)

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 100; vested inactive employees not yet receiving benefits – 4; and active employees – 3. Covered payroll for year ended December 31, 2013, was approximately \$104,000; average pay was \$38,965; average age was 59.8; and average past service was 26.3 years.

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

Basis of Accounting

As first noted in “Note I.B Measurement Focus, Basis of Accounting, and Basis of Presentation”, the Pension Plan implemented GASB #67, “Financial Reporting for Pension Plans” in 2014. GASB #67 replaces the requirements of GASB Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements. GASB #67 establishes standards of financial reporting for plans that issue separate financial reports and also those plans whose financial information is included solely in the financial report of another government as a pension trust fund. GASB #67 specifies the required approach for measuring the pension liability of employers and non-employer contributing entities for benefits provided through pension plans.

The Pension Plan’s financial statements are prepared using the accrual basis of accounting. Employer contributions, benefit payments, and refunds are all recognized when due. All Pension Plan investments are reported at fair value. Securities traded on a national or international exchange are reported at the last reported sales price at current exchange rates. Securities without an established market are reported at estimated fair value. Administrative costs are paid out of the fund’s net position.

Investments

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset Class	Target Allocation Total
Domestic Fixed Income (Short-Term)	55-65%
Domestic Fixed Income (Long-Term)	35-45%
Cash	5-10%
Total	100%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

Contributions

The City’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarially determined contributions. As of January 1, 2014, the most recent actuarial study shows a deficit of \$12.3 million on a GASB 67 funding basis. The City has committed to contributing \$800,000 per year for the next 23 years to fund the retirement plan. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The required contribution under the actuarially determined rate is \$1,040,830. This contribution is designed to fully fund the liability over 15 years.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation on January 1, 2014, using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Actuarial Asset Valuation Method:	Market Value using a 3-year phase in for gains and losses.
Actuarial Assumptions:	
Assumed Rate of Return on Investments:	3.89% _a compounded annually
Mortality Rate:	RP2000 Combined Healthy Mortality Table for healthy lives and the RP 2000 Disabled Retiree Mortality Table for disabled lives.
Rates of Disability:	No disability assumed
Rates of Termination - Sample Rates:	Age 20 - 20% Age 30 - 20% Age 40 - 8.8% Age 50 - 2% Age 60 - 0%
Salary Increases:	Assumed salaries increase at 3.5% per year
Retirement Age:	Ages < 50 - 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:	No changes in assumptions from the prior year.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

Plan Description (Continued)

The components of the Pension Plan’s net pension cost of approximately \$975,000 for the current year consisted of (a) annual required contribution (employer) of approximately \$1,085,000; (b) interest on the net pension obligation of \$91,000; and (c) adjustments to annual required contributions of approximately (\$201,000) (reflects an amortization period equal to the present value of future earnings/current earnings for active participants under the age of 65).

The discount rate used to measure the total pension liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at a rate of \$800,000 per year for the next 23 years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was confirmed appropriate using Aon’s e-tool model assuming general inflation of 2.5%, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

Asset Class	Expected Return
Domestic Equity (Large Cap)	6.8%
International Equity	7.4%
Domestic Fixed Income (Short-Term)	4.7%
Domestic Fixed Income (Long-Term)	3.3%
International Fixed Income	5.3%
Cash	3.2%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

Net Pension Liability

The components of the net pension liability of the City of Spartanburg Retirement Plan at June 30, 2014, were as follows:

Components of the Net Pension Liability	
Total Pension Liability	19,054,556
Plan Fiduciary Net Position	(6,462,666)
City's Net Pension Liability	12,591,890
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.32%

Sensitivity of the Net Pension Liability Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 3.89%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.89%) or 1-percentage point higher (4.89%) than the current rate:

	1% Decrease (2.89%)	Current Rate (3.89%)	1% Increase (4.89%)
Total Pension Liability	\$ 21,243,213	19,054,556	\$ 17,230,849
Plan Fiduciary Net Position	(6,462,666)	(6,462,666)	(6,462,666)
City's Net Pension Liability	14,780,547	12,591,890	\$ 10,768,183

Pension Plan Disclosures for the City (GASB #27)

The City's annual pension cost and the progression of the net pension obligation (asset) in the City's Pension Plan for the most recent plan year was as follows:

1. Net Pension Obligation (Asset), Beginning of the Plan Year	\$ 2,345,130
2. One Year's Interest on the Net Pension Obligation (Asset)	91,226
3. Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	1,084,786
4. Adjustment to Annual Required Contribution	(201,467)
5. Annual Pension Cost: (2)+(3)-(4)	974,545
6. Contributions Made for the Plan Year	814,750
7. Change in Net Pension Obligation (Asset): (5)-(6)	159,795
8. Net Pension Obligation (Asset), End of the Plan Year: (1)+(7)	\$ 2,504,925

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

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

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 2014, of \$812,000 for the employer and \$9,000 for the employees were made.

Schedule of Employer Contributions

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

Schedule of Employer Contributions

Year Ended June 30	Actual Contributions (a)	Annual Required Contributions (b)	Annual Percentage Contributed (a/b)	Pension Cost (c)	Percentage Contributed (a/c)	Net Pension Obligation (Asset)
2009	\$ 248,078	208,870	118.77%	227,583	109.01%	\$ (193,298)
2010	39,244	739,797	5.30%	763,519	5.14%	530,977
2011	546,920	899,946	60.77%	855,632	63.92%	839,689
2012	548,235	1,126,558	48.66%	1,056,007	51.92%	1,347,461
2013	821,331	1,969,995	41.69%	1,819,000	45.15%	2,345,130
2014	\$ 814,750	1,040,830	78.28%	975,545	83.52%	\$ 2,505,925

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 six years based on the Entry Age Normal Cost Method:

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
01/01/09	\$ 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	1,927.57%
01/01/11	9,088,105	15,453,754	6,365,649	58.81%	210,891	3,018.45%
01/01/12	8,772,394	14,661,291	5,888,897	59.83%	207,200	2,842.13%
01/01/13	8,208,370	20,787,148	12,578,778	39.49%	125,428	10,028.68%
01/01/14	\$ 7,365,011	19,463,331	12,098,320	37.84%	\$ 63,289	19,115.99%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions

Plan Description

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

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

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

As of July 1, 2013, the actuarial/measurement date, there were 438 covered participants; 37 members are retirees or their spouses receiving benefits and 401 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2013
Actuarial Cost Method:	Projected unit credit
Amortization Method:	Level percent of pay, open
Amortization Period:	30 Years
Asset Valuation Method:	5-Year Smoothed Market Value - 80% - 120% Corridor
Actuarial Assumptions:	
Investment Rate of Return:	5.00%
Medical Cost Trend Rate	8.50% - 5.00%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	2018
Includes Inflation at	2.75%
Mortality Table:	RP 2000 Employee Mortality Table
Coverage Elections:	37.5% of eligible retirees will elect coverage and remain in TERI for three years
Active Participant Marriage Assumption	100% of all active employees are assumed to be married, with female spouses being 3 years younger than males.

Since 2009 was the implementation year of GASB Statement No. 45, the asset valuation method used initially is market value. The actuarial consultants use a smoothing method over a 5 year period with the assumed investment rate of return. The OPEB Plan's UAAL is being amortized as a percent of payroll on an open basis. The remaining amortization period at June 30, 2014 was 26 years.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Costs and Rollforward of Net OPEB Obligation

The City’s annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2014) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ (161,219)
2.	One Year's Interest on the Net OPEB Obligation	(10,479)
3.	Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	218,442
4.	Adjustment to Annual Required Contribution	8,370
5.	Annual OPEB Cost: (2)+(3)+(4)	<u>216,333</u>
6.	Contributions Made for the Plan Year	<u>(343,391)</u>
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	<u>(127,058)</u>
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ (288,277)</u>

Schedule of Employer Contributions

Contributions include \$115,000 paid by the City to the OPEB Plan to pre-fund benefits and approximately \$228,000 made by the City through payment of covered participants’ explicit and implicit subsidized benefits.

Fiscal year 2009 was the year of implementation of GASB Statement #45. Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2009 through 2014 were as follows:

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$ 504,000	527,468	104.66%	\$ (23,468)
June 30, 2010	504,000	750,464	148.90%	(269,932)
June 30, 2011	310,799	314,185	101.09%	(273,318)
June 30, 2012	320,004	284,401	88.87%	(237,715)
June 30, 2013	320,004	243,508	76.10%	(161,219)
June 30, 2014	\$ 216,333	343,391	158.73%	\$ (288,277)

Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage Of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	84,000	84,000	0.00%	\$ 2,507,000	3.35%
July 1, 2011	335,325	2,950,035	2,614,710	11.37%	17,006,141	15.38%
July 1, 2013	\$ 587,860	2,408,239	1,820,379	24.41%	\$ 15,405,926	11.82%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014, the City has paid approximately \$7,578,000 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 received \$500,000 of its response costs paid from other PRPs.

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

The City hired an environmental consultant in 2009 to determine the remedial costs in accordance with the terms of the consent agreement and ROD. Engineering plans for remediation were developed in 2010 and 2011. Those plans were approved by SCDHEC and EPA in July 2011. In September 2011, the City accepted bids for the remediation work and began remediating the Site. During the fiscal year ended June 30, 2012, the City incurred approximately \$6,159,000 in expenditures has completed the remediation. The total landfill post-closure care liability at June 30, 2014 is estimated to be approximately \$38,000 and is recorded as a long-term obligation in the City's governmental activities in the government-wide financial statements.

Included in the total landfill post-closure care liability at June 30, 2014 is annual monitoring and maintenance costs following the capping of the landfill area with enhanced bioremediation of groundwater. The post closure monitoring period required by state law is 30 years after the entire landfill receives final cover. However, based on conversations with the EPA, SCDEC, and the environmental consultant, a much shorter monitoring period is expected since the landfill has been closed since the early 1970s and that natural remediation has occurred over time. The City believes its estimate of approximately \$38,000 (for one year of monitoring), which is included in the City's total landfill remediation and post-closure care liability of approximately \$38,000 as noted above, to be its best estimate for these remaining costs as of June 30, 2014.

G. Conduit Debt

The Spartanburg Water System ("Water System") has issued the following Bonds in the name of the City: \$25,050,000 in November 1998; \$14,925,000 in March 2002; \$81,445,000 in February 2007; \$31,200,000 in March 2007; \$33,935,000 in December 2009; \$7,749,500 in October 2010; \$8,000,000 in June 2012; and \$27,255,000 in October 2013. The purpose of these bonds was to fund capital improvements. At June 30, 2014, the outstanding balances on these bonds were approximately \$179,211,000 (excluding deferred amounts). The bonds are payable solely from the gross revenues derived from the operation of the Water System after first paying operation and maintenance of the Water System. The bonds are secured by a statutory lien upon the Water System assets granted by the bond ordinances. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

H. Fund Balances/Net Position

The City has assigned fund balance in the:

General Fund:		
Utility	\$	1,128,933
Insurance	\$	250,000

The City has committed fund balance in the:

Other Governmental Funds:		
Spartanburg Res. Dev. Corp.	\$	160,196

The City has restricted fund balance in the:

St. John-Daniel Morgan TIF	\$	714,681
Other Governmental Funds:		
Federal Home Program		53,167
Miscellaneous Grant		7,980
Victims Assistance		164,416
Multi County Industrial Park		341,447
Accommodations Tax		182,772
Neighborhood Stabilization Program:		2,463
Forfeited Drug-Federal		1,762
Forfeited Drug-State		191,642
General Debt Service		866,928
Broad Street TIF	\$	1,315,862

The City had the following deficit fund balance/net position at June 30, 2014:

Parking Facilities Corporation	\$	1,133,268
Medical Insurance Trust	\$	440,727

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

For the Parking Facilities fund the City utilized new market tax credits and a portion of the debt that is on the City's books will be forgiven. At the end of the 7 year interest only period approximately \$2,930,000 will be forgiven and the City will recognize a gain. The City is closely monitoring the deficit in this fund to ensure that it does not surpass the amount that will be forgiven at the end of the agreement.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

I. Pending Implementation of GASB Statement on Pensions

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

In particular, the City will be required to report a net pension liability for the City’s Retirement Pension Trust Plan and for its participation in the SCRS and the PORS (“Plans”) on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the City’s governmental funds.

Based on recent information provided by the South Carolina Public Employees Benefit Authority, it is anticipated that the City’s share of the net pension liability associated with these Plans will decrease the City’s beginning net position by approximately \$32,249,000. The effect of implementing GASB #68 as it relates to the City of Spartanburg’s Retirement Pension Trust Plan and its net pension liability is estimated to decrease the City’s beginning net position by approximately \$12,592,000. GASB 68 is required to be implemented by the City no later than the fiscal year ending June 30, 2015.

J. Litigation

The City is being sued by Carolina Convenience Stores, Inc. In 2004 the Public Safety Department saved the life of a hostage but substantial structural damage resulted at the property. The City believes that it did nothing wrong and successfully acted to preserve life in the hostage situation. The plaintiffs raised two causes of action. The City was successful at summary judgment on the inverse condemnation claim prior to trial. The convenience store in which the hostage was held ultimately was demolished. The City was successful at trial on the negligence claim. The plaintiffs appealed the inverse condemnation claim. The City was successful in having the judgment affirmed by the South Carolina Court of Appeals. The South Carolina Supreme Court has granted Certiorari to hear the appeal in early spring. The City believes that the Supreme Court will affirm. However, if the judgment is reversed, the case would be remanded for trial. The damages are believed to be substantial and a verdict in the plaintiffs favor would range up to \$1,000,000. However, the City believes it will continue to be successful and that the judgment in its favor will be affirmed.

K. Subsequent Event

In August 2014 the City approved the purchase of a new ladder truck for the fire department. The cost of the new vehicle is approximately \$844,000.

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, 2014

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Taxes	\$ 13,850,000	13,850,000	14,017,495	\$ 167,495
Fees, Licenses, and Permits	12,960,979	12,960,979	13,412,343	451,364
Fines and Forfeitures	550,000	550,000	469,079	(80,921)
Intergovernmental Revenues	3,093,202	3,093,202	3,402,420	309,218
Charges for Services	1,764,410	1,764,410	1,852,172	87,762
Other Revenues	91,000	91,000	110,392	19,392
TOTAL REVENUES ALL SOURCES	32,309,591	32,309,591	33,263,901	954,310
EXPENDITURES				
Policy Formulation and Administration	5,263,865	5,263,865	5,693,223	(429,358)
Public Safety	14,242,982	14,242,982	14,520,838	(277,856)
Parks, Recreation, and Special Events	1,743,845	1,743,845	1,596,860	146,985
Development Services	2,783,744	2,783,744	2,291,522	492,222
Public Works	6,063,951	6,063,951	6,339,173	(275,222)
Finance and Administrative Services	1,646,657	1,646,657	1,565,374	81,283
TOTAL EXPENDITURES	31,745,044	31,745,044	32,006,990	(261,946)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	564,547	564,547	1,256,911	692,364
OTHER FINANCING SOURCES (USES)				
Transfers In	1,300,935	1,300,935	1,300,935	-
Transfers Out	(1,885,482)	(1,885,482)	(1,823,445)	62,037
Proceeds from Sale of Capital Assets	20,000	20,000	33,385	13,385
TOTAL OTHER FINANCING SOURCES (USES)	(564,547)	(564,547)	(489,125)	75,422
NET CHANGES IN FUND BALANCES	-	-	767,786	767,786
FUND BALANCES, Beginning of Year	6,601,577	6,601,577	6,601,577	-
FUND BALANCES, End of Year	\$ 6,601,577	6,601,577	7,369,363	\$ 767,786

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, 2014

	HOSPITALITY TAX FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Hospitality Taxes	\$ 3,700,000	3,700,000	3,935,777	\$ 235,777
Investment Earnings	2,000	2,000	1,355	(645)
Other Revenues	4,500	4,500	7,090	2,590
TOTAL REVENUES ALL SOURCES	3,706,500	3,706,500	3,944,222	237,722
EXPENDITURES				
Operating	557,820	557,820	608,860	(51,040)
TOTAL EXPENDITURES	557,820	557,820	608,860	(51,040)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,148,680	3,148,680	3,335,362	186,682
OTHER FINANCING SOURCES (USES)				
Transfers Out	(3,148,680)	(3,148,680)	(3,148,680)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,148,680)	(3,148,680)	(3,148,680)	-
NET CHANGES IN FUND BALANCES	-	-	186,682	186,682
FUND BALANCES, Beginning of Year	1,362,765	1,362,765	1,362,765	-
FUND BALANCES, End of Year	\$ 1,362,765	1,362,765	1,549,447	\$ 186,682

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, 2014

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual Required Contribution	Annual Contribution	Percent Funded
June 30, 2009	\$ 504,000	\$ 527,468	104.66%
June 30, 2010	504,000	750,464	148.90%
June 30, 2011	314,332	314,185	99.95%
June 30, 2012	320,004	284,401	88.87%
June 30, 2013	320,004	243,508	76.10%
June 30, 2014	\$ 216,333	\$ 343,391	158.73%

SCHEDULE OF FUNDING PROGRESS

Applicable to Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
July 1, 2009	\$ -	84,000	84,000	0.00%	\$ 2,507,000
July 1, 2011	335,325	2,950,035	2,614,710	11.37%	17,006,141
July 1, 2013	\$ 587,860	2,408,239	1,820,379	24.41%	\$ 15,405,926

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**RETIREMENT PLAN OF THE CITY OF SPARTANBURG -
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS

	2014	2013
Total Pension Liability:		
Service Cost	\$ 12,311	N/A
Interest	761,034	N/A
Differences Between Expected and Actual Experience	(437,854)	N/A
Benefit Payments, Including Refunds of Member Contributions	(1,664,935)	N/A
Net Change in Total Pension Liability	(1,329,444)	N/A
Total Pension Liability - Beginning of Year	20,384,000	N/A
Total Pension Liability - End of Year	<u>\$ 19,054,556</u>	<u>N/A</u>
Plan Fiduciary Net Position:		
Employer Contribution	\$ 812,083	N/A
Employee Contribution	8,672	N/A
Net Investment Income	267,102	N/A
Benefit Payments, Including Refunds of Member Contributions	(1,664,935)	N/A
Administrative Expenses	(89,978)	N/A
Net Change in Plan Fiduciary Net Position	(667,056)	N/A
Plan Fiduciary Net Position - Beginning of Year	7,129,722	N/A
Plan Fiduciary Net Position - End of Year	<u>\$ 6,462,666</u>	<u>N/A</u>
Net Pension Liability - End of Year	<u>\$ 12,591,890</u>	<u>N/A</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.92%	N/A
Covered - Employee Payroll	\$ 125,428	N/A
Net Pension Liability as a Percentage of Covered-Employee Payroll	10039.14%	N/A
Notes to Schedule:		
Significant Changes of Assumptions	None	N/A

**CITY OF SPARTANBURG, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN OF THE CITY OF SPARTANBURG -
SCHEDULE OF CONTRIBUTIONS**

LAST TEN FISCAL YEARS

	For the Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	\$ 1,084,786	1,969,995	1,126,558	899,946	739,797	208,870	412,957	584,837	603,733	\$ 328,965
Contributions in Relation to the Actuarially Determined Contribution:										
Employer Contribution	812,083	821,331	548,235	546,920	39,244	248,078	358,381	364,712	262,396	404,338
Employee Contribution	8,672	-	-	-	-	-	-	-	-	-
Total Contributions	820,755	821,331	548,235	546,920	39,244	248,078	358,381	364,712	262,396	404,338
Contribution Deficiency (Excess)	264,031	1,148,664	578,323	353,026	700,553	(39,208)	54,576	220,125	341,337	(75,373)
Covered-Employee Payroll	\$ 125,428	125,428	207,200	210,891	264,820	516,784	624,469	749,594	912,257	\$ 948,281
Contributions as a Percentage of Covered-Employee Payroll	654.36%	654.82%	264.59%	259.34%	14.82%	48.00%	57.39%	48.65%	28.76%	42.64%

Notes to Schedule:

Valuation Date:
Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method
- Amortization Method
- Remaining Amortization Period
- Asset Valuation Method
- Salary Increases
- Investment Rate of Return
- Retirement Age
- Mortality

January 1, 2014 (actuarially determined contribution rates are calculated as of January 1st each year, at the beginning of the fiscal year in which contributions are reported).

Other Information:

None

CITY OF SPARTANBURG, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN OF THE CITY OF SPARTANBURG -
SCHEDULE OF INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	For the Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual Money-Weighted Rate of Return, Net of Investment Expense	-2.40%	6.64%	0.99%	10.80%	18.53%	-26.04%	8.11%	11.50%	6.77%	11.03%

* Above rates are based on a calendar year.

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

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



City of
SPARTANBURG
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Current	\$ 13,200,000	13,527,427	\$ 327,427
Prior Years, Including Penalties and Execution Fees	650,000	490,068	(159,932)
Total Taxes	13,850,000	14,017,495	167,495
Fees, Licenses, and Permits:			
Business Licenses and Penalties	9,348,620	9,560,757	212,137
Utility Franchise Fees	3,303,971	3,507,611	203,640
Building Permits	173,188	187,891	14,703
Electrical Permits	25,000	30,078	5,078
Plumbing Permits	14,000	18,281	4,281
Heating & Air Conditioning Permits	20,000	29,330	9,330
Miscellaneous Inspections/License Fees	76,200	78,395	2,195
Total Fees, Licenses, and Permits	12,960,979	13,412,343	451,364
Fines and Forfeitures:			
Criminal Fines	60,000	99,210	39,210
Traffic Fines	435,000	319,319	(115,681)
Parking Tickets	55,000	50,550	(4,450)
Total Fines and Forfeitures	550,000	469,079	(80,921)
Intergovernmental Revenues:			
Local Government Funds	815,000	798,466	(16,534)
General Government Funds	229,000	235,512	6,512
Accommodations Tax	31,643	35,133	3,490
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	5,763	6,176	413
Sunday Alcohol Sales	87,000	73,330	(13,670)
Water System Payments	1,200,000	1,200,000	-
Worker's Compensation Recoveries	30,000	359,007	329,007
Total Intergovernmental Revenues	\$ 3,093,202	3,402,420	\$ 309,218

(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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Charges for Services:			
District 6 & 7 School Guards	\$ 163,926	133,082	\$ (30,844)
Dorman High School Security	57,000	174,287	117,287
Parks and Recreation	89,000	101,899	12,899
Fleet Charges	85,000	118,295	33,295
Sanitation Service Charge	1,369,484	1,324,609	(44,875)
Total Charges for Services	1,764,410	1,852,172	87,762
Other Revenues:			
Fair Association	27,500	27,500	-
Interest	10,000	7,655	(2,345)
Miscellaneous	51,500	73,237	21,737
Rents	2,000	2,000	-
Total Other Revenues	91,000	110,392	19,392
TOTAL REVENUES ALL SOURCES	32,309,591	33,263,901	954,310
EXPENDITURES			
Policy Formulation and Administration			
Mayor and Council:			
Personnel Services	104,005	103,836	169
Operating Expenditures	81,783	75,813	5,970
	<u>185,788</u>	<u>179,649</u>	<u>6,139</u>
Boards and Commissions:			
Operating Expenditures	2,909	1,850	1,059
	<u>2,909</u>	<u>1,850</u>	<u>1,059</u>
City Attorney:			
Personnel Services	198,315	207,943	(9,628)
Operating Expenditures	167,807	120,831	46,976
	<u>366,122</u>	<u>328,774</u>	<u>37,348</u>
City Manager:			
Personnel Services	444,343	442,716	1,627
Operating Expenditures	109,877	117,254	(7,377)
	<u>\$ 554,220</u>	<u>\$ 559,970</u>	<u>\$ (5,750)</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Communication and Marketing:			
Personnel Services	\$ 199,472	272,361	\$ (72,889)
Operating Expenditures	73,732	64,001	9,731
	<u>274,634</u>	<u>337,792</u>	<u>(63,158)</u>
Community Relations:			
Personnel Services	295,594	309,960	(14,366)
Operating Expenditures	54,227	64,814	(10,587)
Capital Outlay	3,173	3,173	-
	<u>352,994</u>	<u>377,947</u>	<u>(24,953)</u>
Code Enforcement:			
Personnel Services	184,413	178,700	5,713
Operating Expenditures	30,553	27,684	2,869
Capital Outlay	2,213	2,213	-
	<u>217,179</u>	<u>208,597</u>	<u>8,582</u>
Municipal Court:			
Personnel Services	337,157	347,421	(10,264)
Operating Expenditures	85,664	84,758	906
	<u>422,821</u>	<u>432,179</u>	<u>(9,358)</u>
Non-Departmental Services:			
Operating Expenditures	791,660	1,073,715	(282,055)
	<u>791,660</u>	<u>1,073,715</u>	<u>(282,055)</u>
Worker's Compensation:			
Personnel Services	70,261	69,501	760
Operating Expenditures	513,358	668,908	(155,550)
	<u>583,619</u>	<u>738,409</u>	<u>(154,790)</u>
Human Resources:			
Personnel Services	249,660	225,767	23,893
Operating Expenditures	52,802	72,719	(19,917)
Capital Outlay	971	971	-
	<u>303,433</u>	<u>299,457</u>	<u>3,976</u>
Information Technology:			
Personnel Services	283,330	198,527	84,803
Operating Expenditures	691,697	761,852	(70,155)
Capital Outlay	53,459	23,459	30,000
	<u>\$ 1,028,486</u>	<u>983,838</u>	<u>\$ 44,648</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Employee Development:			
Personnel Services	\$ 86,000	89,847	\$ (3,847)
Operating Expenditures	94,000	81,199	12,801
	<u>180,000</u>	<u>171,046</u>	<u>8,954</u>
Total Policy Formulation and Administration	<u>5,263,865</u>	<u>5,693,223</u>	<u>(429,358)</u>
Public Safety			
Administration			
Director's Office:			
Personnel Services	488,086	374,518	113,568
Operating Expenditures	151,828	101,694	50,134
Capital Outlay	1,818	1,818	-
	<u>641,732</u>	<u>478,030</u>	<u>163,702</u>
Technical and Support Administration:			
Personnel Services	514,986	490,494	24,492
Operating Expenditures	404,379	501,761	(97,382)
Capital Outlay	3,953	3,953	-
	<u>923,318</u>	<u>996,208</u>	<u>(72,890)</u>
Total Administration	<u>1,565,050</u>	<u>1,474,238</u>	<u>90,812</u>
Law Enforcement			
Detention Transport:			
Operating Expenditures	50,900	24,182	26,718
	<u>53,051</u>	<u>26,333</u>	<u>26,718</u>
Patrol:			
Personnel Services	4,266,993	4,581,182	(314,189)
Operating Expenditures	199,426	181,056	18,370
Capital Outlay	214,999	214,999	-
	<u>4,681,418</u>	<u>4,977,237</u>	<u>(295,819)</u>
Crime Prevention:			
Personnel Services	291,021	297,170	(6,149)
Operating Expenditures	16,010	10,568	5,442
	<u>307,031</u>	<u>307,738</u>	<u>(707)</u>
Investigations:			
Personnel Services	1,631,283	1,654,973	(23,690)
Operating Expenditures	184,828	154,511	30,317
Capital Outlay	48,014	48,014	-
	<u>\$ 1,864,125</u>	<u>1,857,498</u>	<u>\$ 6,627</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Records:			
Personnel Services	\$ 287,106	352,843	\$ (65,737)
Operating Expenditures	29,958	14,888	15,070
	<u>317,064</u>	<u>367,731</u>	<u>(50,667)</u>
Animal Control:			
Personnel Services	102,294	106,871	(4,577)
Operating Expenditures	102,495	81,360	21,135
Capital Outlay	3,853	3,853	-
	<u>208,642</u>	<u>192,084</u>	<u>16,558</u>
Law Enforcement Administration:			
Personnel Services	301,148	285,359	15,789
Operating Expenditures	28,990	15,596	13,394
	<u>330,138</u>	<u>300,955</u>	<u>29,183</u>
School Crossing Guard:			
Personnel Services	169,714	67,152	102,562
Operating Expenditures	1,300	-	1,300
	<u>171,014</u>	<u>67,152</u>	<u>103,862</u>
Total Law Enforcement	<u>7,932,483</u>	<u>8,096,728</u>	<u>(164,245)</u>
Fire			
Fire Administration:			
Personnel Services	485,978	523,227	(37,249)
Operating Expenditures	79,820	44,912	34,908
Capital Outlay	5,709	5,709	-
	<u>571,507</u>	<u>573,848</u>	<u>(2,341)</u>
Fire Suppression:			
Personnel Services	3,589,558	3,794,240	(204,682)
Operating Expenditures	357,055	354,455	2,600
Capital Outlay	227,329	227,329	-
	<u>4,173,942</u>	<u>4,376,024</u>	<u>(202,082)</u>
Total Fire	<u>4,745,449</u>	<u>4,949,872</u>	<u>(204,423)</u>
Total Public Safety	<u>14,242,982</u>	<u>14,520,838</u>	<u>(277,856)</u>
Parks, Recreation, and Special Events			
Parks, Recreation, and Special Events Administration:			
Personnel Services	155,521	160,722	(5,201)
Operating Expenditures	210,393	195,220	15,173
	<u>\$ 365,914</u>	<u>355,942</u>	<u>\$ 9,972</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Special Events:			
Personnel Services	\$ 158,213	162,900	\$ (4,687)
Operating Expenditures	16,757	13,899	2,858
	<u>174,970</u>	<u>176,799</u>	<u>(1,829)</u>
Parks:			
Personnel Services	259,898	215,422	44,476
Operating Expenditures	77,680	52,888	24,792
Capital Outlay	2,174	2,174	-
	<u>339,752</u>	<u>270,484</u>	<u>69,268</u>
Recreation Centers:			
Personnel Services	345,787	319,452	26,335
Operating Expenditures	83,865	67,771	16,094
	<u>429,652</u>	<u>387,223</u>	<u>42,429</u>
Aquatics:			
Personnel Services	223,316	206,758	16,558
Operating Expenditures	20,510	17,588	2,922
Capital Outlay	1,610	1,610	-
	<u>245,436</u>	<u>225,956</u>	<u>19,480</u>
Athletics			
Personnel Services	101,391	106,089	(4,698)
Operating Expenditures	86,730	74,367	12,363
	<u>188,121</u>	<u>180,456</u>	<u>7,665</u>
Total Parks, Recreation, and Special Events	<u>1,743,845</u>	<u>1,596,860</u>	<u>146,985</u>
Development Services			
Economic Development:			
Personnel Services	183,763	105,332	78,431
Operating Expenditures	244,698	230,212	14,486
	<u>428,461</u>	<u>335,544</u>	<u>92,917</u>
City Engineering:			
Personnel Services	200,225	207,920	(7,695)
Operating Expenditures	87,543	81,820	5,723
Capital Outlay	-	-	-
	<u>287,768</u>	<u>289,740</u>	<u>(1,972)</u>
Planning Department:			
Personnel Services	233,908	117,277	116,631
Operating Expenditures	40,736	26,967	13,769
Capital Outlay	2,224	2,224	-
	<u>\$ 276,868</u>	<u>146,468</u>	<u>\$ 130,400</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Inspections:			
Personnel Services	\$ 450,208	365,118	\$ 85,090
Operating Expenditures	40,943	37,701	3,242
Capital Outlay	3,634	3,634	-
	<u>494,785</u>	<u>406,453</u>	<u>88,332</u>
Parking Enforcement:			
Personnel Services	134,419	127,310	7,109
Operating Expenditures	10,380	5,105	5,275
	<u>144,799</u>	<u>132,415</u>	<u>12,384</u>
Construction Management:			
Personnel Services	130,517	144,181	(13,664)
Operating Expenditures	10,023	10,298	(275)
	<u>140,540</u>	<u>154,479</u>	<u>(13,939)</u>
Building Maintenance:			
Personnel Services	235,148	195,810	39,338
Operating Expenditures	769,208	624,446	144,762
Capital Outlay	6,167	6,167	-
	<u>1,010,523</u>	<u>826,423</u>	<u>184,100</u>
Total Development Services	<u>2,783,744</u>	<u>2,291,522</u>	<u>492,222</u>
Public Works			
Public Works Administration:			
Personnel Services	124,403	52,147	72,256
Operating Expenditures	4,021	1,611	2,410
Capital Outlay	1,524	1,524	-
	<u>129,948</u>	<u>55,282</u>	<u>74,666</u>
Ground Maintenance:			
Personnel Services	1,207,775	1,260,203	(52,428)
Operating Expenditures	470,520	494,021	(23,501)
Capital Outlay	129,039	129,039	-
	<u>1,807,334</u>	<u>1,883,263</u>	<u>(75,929)</u>
Street Maintenance:			
Personnel Services	204,257	232,159	(27,902)
Operating Expenditures	90,408	63,670	26,738
Capital Outlay	49,879	50,566	(687)
	<u>344,544</u>	<u>346,395</u>	<u>(1,851)</u>
Traffic Engineering:			
Personnel Services	390,804	408,286	(17,482)
Operating Expenditures	610,089	799,639	(189,550)
Capital Outlay	12,586	12,586	-
	<u>\$ 1,013,479</u>	<u>1,220,511</u>	<u>\$ (207,032)</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Fleet Maintenance:			
Personnel Services	\$ 602,499	621,673	\$ (19,174)
Operating Expenditures	1,371,413	1,365,511	5,902
Capital Outlay	6,037	6,037	-
	<u>1,979,949</u>	<u>1,993,221</u>	<u>(13,272)</u>
Solid Waste:			
Personnel Services	429,770	492,544	(62,774)
Operating Expenditures	101,159	90,189	10,970
Capital Outlay	257,768	257,768	-
	<u>788,697</u>	<u>840,501</u>	<u>(51,804)</u>
Total Public Works	<u>6,063,951</u>	<u>6,339,173</u>	<u>(275,222)</u>
Finance and Administrative Services			
Administrative/Risk:			
Operating Expenditures	498,903	493,421	5,482
	<u>498,903</u>	<u>493,421</u>	<u>5,482</u>
Finance Administration:			
Personnel Services	598,414	571,514	26,900
Operating Expenditures	198,540	161,429	37,111
	<u>797,887</u>	<u>733,876</u>	<u>64,011</u>
Business License Code Enforcement:			
Personnel Services	117,216	121,931	(4,715)
Operating Expenditures	9,870	7,454	2,416
Capital Outlay	2,604	2,604	-
	<u>\$ 129,690</u>	<u>131,989</u>	<u>\$ (2,299)</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, 2014

	REVISED BUDGET	ACTUAL	VARIANCE
Procurement and Property:			
Personnel Services	\$ 139,830	143,941	\$ (4,111)
Operating Expenditures	77,168	58,968	18,200
Capital Outlay	3,179	3,179	-
	<u>220,177</u>	<u>206,088</u>	<u>14,089</u>
Total Finance and Administrative Services	<u>1,646,657</u>	<u>1,565,374</u>	<u>81,283</u>
 TOTAL EXPENDITURES	 <u>31,745,044</u>	 <u>32,006,990</u>	 <u>(261,946)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>564,547</u>	 <u>1,256,911</u>	 <u>692,364</u>
 OTHER FINANCING SOURCES (USES)			
Transfers In	1,300,935	1,300,935	-
Transfers Out	(1,885,482)	(1,823,445)	62,037
Proceeds from Sale of Capital Assets	20,000	33,385	13,385
	<u>(564,547)</u>	<u>(489,125)</u>	<u>75,422</u>
 NET CHANGES IN FUND BALANCES	 -	 <u>767,786</u>	 <u>767,786</u>
 FUND BALANCES, Beginning of Year	 <u>6,601,577</u>	 <u>6,601,577</u>	 <u>-</u>
 FUND BALANCES, End of Year	 <u>\$ 6,601,577</u>	 <u>7,369,363</u>	 <u>\$ 767,786</u>



City of
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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.

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

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

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

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

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

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

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

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

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2014

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 11,777	-	\$ 11,777
Restricted Cash and Cash Equivalents	-	859,078	859,078
Restricted Investments	-	7,850	7,850
Property Taxes Receivable, Net	-	44,452	44,452
Commercial Loan Receivables	81,600	-	81,600
Intergovernmental Receivables	801,893	-	801,893
Mortgages Receivable:			
Home Loans	107,356	-	107,356
Due From Other Funds	1,108,290	1,312,974	2,421,264
TOTAL ASSETS	\$ 2,110,916	2,224,354	\$ 4,335,270
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 353,432	1,319	\$ 354,751
Accrued Salaries and Benefits	11,595	-	11,595
Due To Other Funds	420,338	-	420,338
Deferred Revenue	43,118	-	43,118
TOTAL LIABILITIES	828,483	1,319	829,802
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	-	40,245	40,245
Unavailable Notes Receivable	176,588	-	176,588
TOTAL DEFERRED INFLOWS OF RESOURCES	176,588	40,245	216,833
FUND BALANCES			
Restricted For:			
Debt Service	-	2,182,790	2,182,790
Special Revenue	945,649	-	945,649
Committed For:			
Special Revenue	160,196	-	160,196
TOTAL FUND BALANCES	1,105,845	2,182,790	3,288,635
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,110,916	2,224,354	\$ 4,335,270

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES:			
Federal Government Contributions	\$ 2,292,837	-	\$ 2,292,837
State Government Contributions	760,701	-	760,701
Taxes	1,701,509	2,154,914	3,856,423
Investment Earnings	4,683	484	5,167
Miscellaneous	833,479	-	833,479
Confiscated Drug Funds	46,970	-	46,970
TOTAL REVENUES ALL SOURCES	5,640,179	2,155,398	7,795,577
EXPENDITURES:			
Current:			
Finance and Administrative Services	687,515	-	687,515
Operating	4,794,731	-	4,794,731
Capital Outlay	49,641	-	49,641
Debt Service			
Principal Retirement	-	10,216,000	10,216,000
Interest	-	638,602	638,602
Other	-	163,140	163,140
TOTAL EXPENDITURES	5,531,887	11,017,742	16,549,629
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	108,292	(8,862,344)	(8,754,052)
OTHER FINANCING SOURCES (USES):			
Transfers In	201,114	1,862,872	2,063,986
Transfers Out	(341,996)	(718,933)	(1,060,929)
Bond Proceeds	-	8,250,000	8,250,000
Proceeds from Sale of Capital Assets	77,636	-	77,636
Total Other Financing Sources (Uses)	(63,246)	9,393,939	9,330,693
NET CHANGES IN FUND BALANCES	45,046	531,595	576,641
FUND BALANCES, Beginning of Year	1,060,799	1,651,195	2,711,994
FUND BALANCES, End of Year	\$ 1,105,845	2,182,790	\$ 3,288,635



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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
ASSETS		
Cash and Cash Equivalents	\$ -	-
Intergovernmental Receivables	140,118	-
Commercial Loan Receivables	-	-
Mortgages Receivable-Home Loans	94,988	12,368
Due From Other Funds	53,323	147,828
TOTAL ASSETS	288,429	160,196
LIABILITIES		
Accounts Payable	140,274	-
Accrued Salaries and Benefits	-	-
Due To Other Funds	-	-
Deferred Revenue	-	-
TOTAL LIABILITIES	140,274	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable Notes Receivable	94,988	-
FUND BALANCES		
Restricted	53,167	-
Committed	-	160,196
TOTAL FUND BALANCES	53,167	160,196
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 288,429	160,196

(Continued)

Fund 320	Fund 322	Fund 323	Fund 339	Fund 380
Miscellaneous Grant Fund	Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Multi County Industrial Park Fund
-	-	7,950	-	\$ -
232,675	-	-	2,190	-
-	-	-	-	-
-	-	-	-	-
-	167,969	17,991	4,865	345,897
232,675	167,969	25,941	7,055	345,897
63,673	1,860	21,926	7,055	4,450
3,760	1,693	515	-	-
117,644	-	-	-	-
39,618	-	3,500	-	-
224,695	3,553	25,941	7,055	4,450
-	-	-	-	-
7,980	164,416	-	-	341,447
-	-	-	-	-
7,980	164,416	-	-	341,447
232,675	167,969	25,941	7,055	\$ 345,897

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

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

JUNE 30, 2014

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
ASSETS		
Cash and Cash Equivalents	\$ -	-
Intergovernmental Receivables	62,786	361,971
Commercial Loan Receivables	-	81,600
Mortgages Receivable-Home Loans	-	-
Due From Other Funds	139,813	-
TOTAL ASSETS	202,599	443,571
LIABILITIES		
Accounts Payable	19,827	53,650
Accrued Salaries and Benefits	-	5,627
Due To Other Funds	-	302,694
Deferred Revenue	-	-
TOTAL LIABILITIES	19,827	361,971
DEFERRED INFLOWS OF RESOURCES		
Unavailable Notes Receivable	-	81,600
FUND BALANCES		
Restricted	182,772	-
Committed	-	-
TOTAL FUND BALANCES	182,772	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 202,599	443,571

Fund 709	Fund 803	Fund 804		Combined Funds
Neighborhood Stabilization Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund		
3,827	-	-	\$	11,777
2,153	-	-		801,893
-	-	-		81,600
-	-	-		107,356
19,035	1,762	209,807		1,108,290
25,015	1,762	209,807		2,110,916
22,552	-	18,165		353,432
-	-	-		11,595
-	-	-		420,338
-	-	-		43,118
22,552	-	18,165		828,483
-	-	-		176,588
2,463	1,762	191,642		945,649
-	-	-		160,196
2,463	1,762	191,642		1,105,845
25,015	1,762	209,807	\$	2,110,916

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
REVENUES		
Federal Government Contributions	\$ 332,422	-
State Government Contributions	-	-
Property Taxes	-	-
Hospitality Taxes	-	-
Accommodations Taxes	-	-
Storm Water Fees and Permit	-	-
Investment Earnings	2,781	469
Miscellaneous	447	2,638
Confiscated Drug Funds	-	-
Total Revenues	335,650	3,107
EXPENDITURES		
Finance and Administrative Services	-	-
Operating	380,065	30,729
Capital Outlay	-	-
Debt Service - Principal Retirement	-	-
Total Expenditures	380,065	30,729
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,415)	(27,622)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	-	-
Proceeds from Sale of Capital Assets	44,416	-
Total Other Financing Sources (Uses)	44,416	-
NET CHANGES IN FUND BALANCES	1	(27,622)
FUND BALANCES, Beginning of Year	53,166	187,818
FUND BALANCES, End of Year	\$ 53,167	160,196

(Continued)

Fund 320	Fund 322	Fund 323	Fund 339	Fund 380
Miscellaneous Grant Fund	Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Multi County Industrial Park Fund
600,232	-	-	-	\$ -
3,307	-	-	757,394	-
-	-	-	514,894	994,093
-	-	-	-	-
-	-	-	-	-
-	-	-	-	465
112,186	63,727	651,730	-	-
-	-	-	-	-
715,725	63,727	651,730	1,272,288	994,558
204,575	69,667	120,138	-	-
502,679	21,632	692,792	1,296,905	580,472
42,342	-	-	-	-
-	-	-	-	-
749,596	91,299	812,930	1,296,905	580,472
(33,871)	(27,572)	(161,200)	(24,617)	414,086
10,615	-	157,200	9,251	-
-	-	-	-	(290,000)
-	6,895	-	-	-
10,615	6,895	157,200	9,251	(290,000)
(23,256)	(20,677)	(4,000)	(15,366)	124,086
31,236	185,093	4,000	15,366	217,361
7,980	164,416	-	-	\$ 341,447

(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, 2014

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
REVENUES		
Federal Government Contributions	\$ -	1,014,380
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	192,522	-
Investment Earnings	155	347
Miscellaneous	-	-
Confiscated Drug Funds	-	-
Total Revenues	<u>192,677</u>	<u>1,014,727</u>
EXPENDITURES		
Finance and Administrative Services	-	292,936
Operating	119,597	678,496
Capital Outlay	-	7,299
Total Expenditures	<u>119,597</u>	<u>978,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>73,080</u>	<u>35,996</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	(16,000)	(35,996)
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u>(35,996)</u>
NET CHANGES IN FUND BALANCES	57,080	-
FUND BALANCES, Beginning of Year	<u>125,692</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 182,772</u>	<u>-</u>

Fund 709	Fund 803	Fund 804		
Neighborhood Stabilization Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Combined Funds	
345,803	-	-	\$ 2,292,837	
-	-	-	760,701	
-	-	-	1,508,987	
-	-	-	192,522	
-	4	462	4,683	
2,751	-	-	833,479	
-	-	46,970	46,970	
<u>348,554</u>	<u>4</u>	<u>47,432</u>	<u>5,640,179</u>	
199	-	-	687,515	
371,016	1,210	119,138	4,794,731	
-	-	-	49,641	
<u>371,215</u>	<u>1,210</u>	<u>119,138</u>	<u>5,531,887</u>	
(22,661)	(1,206)	(71,706)	108,292	
24,048	-	-	201,114	
-	-	-	(341,996)	
-	-	26,325	77,636	
<u>24,048</u>	<u>-</u>	<u>26,325</u>	<u>(63,246)</u>	
1,387	(1,206)	(45,381)	45,046	
<u>1,076</u>	<u>2,968</u>	<u>237,023</u>	<u>1,060,799</u>	
<u>2,463</u>	<u>1,762</u>	<u>191,642</u>	<u>\$ 1,105,845</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, 2014

	FEDERAL HOME PROGRAM FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Federal Government Contributions	\$ 1,002,095	1,002,095	332,422	\$ (669,673)
Investment Earnings	-	-	2,781	2,781
Other Revenues	-	-	447	447
TOTAL REVENUES ALL SOURCES	1,002,095	1,002,095	335,650	(666,445)
EXPENDITURES				
Operating	1,002,095	1,002,095	380,065	622,030
TOTAL EXPENDITURES	1,002,095	1,002,095	380,065	622,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(44,415)	(44,415)
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	44,416	44,416
TOTAL OTHER FINANCING SOURCES (USES)	-	-	44,416	44,416
NET CHANGES IN FUND BALANCES	-	-	1	1
FUND BALANCES, Beginning of Year	53,166	53,166	53,166	-
FUND BALANCES, End of Year	\$ 53,166	53,166	53,167	\$ 1

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2014

	VICTIMS ASSISTANCE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Other Revenues	\$ 71,000	71,000	63,727	\$ (7,273)
TOTAL REVENUES ALL SOURCES	71,000	71,000	63,727	(7,273)
EXPENDITURES				
Finance and Administrative Services	63,378	63,378	69,667	(6,289)
Operating	7,622	7,622	21,632	(14,010)
TOTAL EXPENDITURES	71,000	71,000	91,299	(20,299)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(27,572)	(27,572)
NET CHANGES IN FUND BALANCES	-	-	(27,572)	(27,572)
FUND BALANCES, Beginning of Year	185,093	185,093	185,093	-
FUND BALANCES, End of Year	\$ 185,093	185,093	157,521	\$ (27,572)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2014

	COMMUNITY DEVELOPMENT FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		
REVENUES				
Federal Government Contributions	\$ 1,126,522	1,126,522	1,014,380	\$ (112,142)
Investment Earnings	5,000	5,000	347	(4,653)
TOTAL REVENUES ALL SOURCES	1,131,522	1,131,522	1,014,727	(116,795)
EXPENDITURES				
Finance and Administrative Services	292,947	292,947	292,936	11
Operating	795,278	795,278	678,496	116,782
Capital Outlay	7,300	7,300	7,299	1
TOTAL EXPENDITURES	1,095,525	1,095,525	978,731	116,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35,997	35,997	35,996	(1)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(35,997)	(35,997)	(35,996)	1
TOTAL OTHER FINANCING SOURCES (USES)	(35,997)	(35,997)	(35,996)	1
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES, Beginning of Year	-	-	-	-
FUND BALANCES, End of Year	\$ -	-	-	\$ -

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.



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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2014

	Fund 540	Fund 545	
	GENERAL DEBT SERVICE FUND	BROAD STREET TIF	TOTALS
ASSETS			
Restricted Cash and Cash Equivalents	\$ 859,078	-	\$ 859,078
Restricted Investments	7,850	-	7,850
Property Taxes Receivable, Net	-	44,452	44,452
Due From Other Funds	-	1,312,974	1,312,974
TOTAL ASSETS	866,928	1,357,426	2,224,354
LIABILITIES			
Accounts Payable	-	1,319	1,319
TOTAL LIABILITIES	-	1,319	1,319
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Taxes	-	40,245	40,245
TOTAL DEFERRED INFLOWS OF RESOURCES	-	40,245	40,245
FUND BALANCE			
Restricted for Debt Service	866,928	1,315,862	2,182,790
TOTAL FUND BALANCES	866,928	1,315,862	2,182,790
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 866,928	1,357,426	\$ 2,224,354

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	Fund 540	Fund 545	
	GENERAL DEBT SERVICE FUND	BROAD STREET TIF	TOTALS
REVENUES			
Tax Increment	\$ -	2,154,914	\$ 2,154,914
Investment Earnings	484	-	484
TOTAL REVENUES ALL SOURCES	484	2,154,914	2,155,398
EXPENDITURES			
Debt Service:			
Principal	9,235,000	981,000	10,216,000
Interest	589,474	49,128	638,602
Other	122,731	40,409	163,140
TOTAL EXPENDITURES	9,947,205	1,070,537	11,017,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,946,721)	1,084,377	(8,862,344)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,862,872	-	1,862,872
Transfers Out	-	(718,933)	(718,933)
Bond Proceeds	8,250,000	-	8,250,000
TOTAL OTHER FINANCING SOURCES (USES)	10,112,872	(718,933)	9,393,939
NET CHANGES IN FUND BALANCES	166,151	365,444	531,595
FUND BALANCES, Beginning of Year	700,777	950,418	1,651,195
FUND BALANCES, End of Year	\$ 866,928	1,315,862	\$ 2,182,790

INTERNAL SERVICE FUNDS

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

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

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



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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF NET POSITION - ALL INTERNAL SERVICE FUNDS

JUNE 30, 2014

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
ASSETS			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ 1,585,589	6,588	\$ 1,592,177
Due From Other Funds	3,300,613	106,029	3,406,642
Total Current Assets	<u>4,886,202</u>	<u>112,617</u>	<u>4,998,819</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	4,582,183	-	4,582,183
Total Non-Current Assets	<u>4,582,183</u>	<u>-</u>	<u>4,582,183</u>
TOTAL ASSETS	<u>\$ 9,468,385</u>	<u>112,617</u>	<u>\$ 9,581,002</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 101,602	6,622	\$ 108,224
Claims/Premiums	-	545,356	545,356
Unclaimed Checks	-	1,366	1,366
Current Portion of Capital Lease Payable	1,155,480	-	1,155,480
Total Current Liabilities	<u>1,257,082</u>	<u>553,344</u>	<u>1,810,426</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	2,476,424	-	2,476,424
Total Long-Term Liabilities	<u>2,476,424</u>	<u>-</u>	<u>2,476,424</u>
TOTAL LIABILITIES	<u>3,733,506</u>	<u>553,344</u>	<u>4,286,850</u>
NET POSITION			
Net Investment in Capital Assets	950,279	-	950,279
Unrestricted	4,784,600	(440,727)	4,343,873
TOTAL NET POSITION	<u>5,734,879</u>	<u>(440,727)</u>	<u>5,294,152</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,468,385</u>	<u>112,617</u>	<u>\$ 9,581,002</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
OPERATING REVENUES			
Charges for Services	\$ 1,001,430	-	\$ 1,001,430
Contributions	-	3,775,687	3,775,687
Other	-	13,523	13,523
TOTAL OPERATING REVENUES ALL SOURCES	<u>1,001,430</u>	<u>3,789,210</u>	<u>4,790,640</u>
OPERATING EXPENSES			
Services and Charges	137,583	222,721	360,304
Claims/Premiums	-	3,566,489	3,566,489
Depreciation	835,840	-	835,840
TOTAL OPERATING EXPENSES	<u>973,423</u>	<u>3,789,210</u>	<u>4,762,633</u>
OPERATING INCOME	<u>28,007</u>	<u>-</u>	<u>28,007</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on Sale of Assets	(14,692)	-	(14,692)
Interest Expense	(54,069)	-	(54,069)
Investment Earnings	589	-	589
Other	(15,575)	-	(15,575)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(83,747)</u>	<u>-</u>	<u>(83,747)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(55,740)</u>	<u>-</u>	<u>(55,740)</u>
CHANGE IN NET POSITION	<u>(55,740)</u>	<u>-</u>	<u>(55,740)</u>
NET POSITION, Beginning of Year	<u>5,790,619</u>	<u>(440,727)</u>	<u>5,349,892</u>
TOTAL NET POSITION, End of Year	<u>\$ 5,734,879</u>	<u>(440,727)</u>	<u>\$ 5,294,152</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2014

	EQUIPMENT REPLACEMENT	MEDICAL INSURANCE TRUST	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Charges for Services	\$ 1,001,430	-	\$ 1,001,430
Receipts from Contributions	-	3,775,687	3,775,687
Receipts from Other Revenues	-	13,523	13,523
Payments for Services and Charges	(50,006)	(216,099)	(266,105)
Payments for Other Expenses	(15,575)	-	(15,575)
Payments for Claims/Premiums	-	(3,475,502)	(3,475,502)
NET CASH PROVIDED BY OPERATING ACTIVITIES	935,849	97,609	1,033,458
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to Other Funds	227,824	(97,609)	130,215
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	227,824	(97,609)	130,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(346,856)	-	(346,856)
Proceeds on Sale of Capital Assets	42,734	-	42,734
Capital Lease Proceeds	1,600,000	-	1,600,000
Capital Lease Payments	(825,030)	-	(825,030)
Interest Paid	(54,069)	-	(54,069)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	416,779	-	416,779
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	589	-	589
NET CASH PROVIDED BY INVESTING ACTIVITIES	589	-	589
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,581,041	-	1,581,041
RESTRICTED AND UNRESTRICTED			
CASH AND CASH EQUIVALENTS - Beginning of Year	4,548	6,588	11,136
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS - End of Year	\$ 1,585,589	6,588	\$ 1,592,177
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Net Operating Income	\$ 28,007	-	\$ 28,007
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities			
Depreciation Expense	835,840	-	835,840
Other Revenues (Expenses)	(15,575)	-	(15,575)
Change in:			
Accounts Payable	87,577	6,622	94,199
Claims/Premiums	-	91,119	91,119
Unclaimed Checks	-	(132)	(132)
Net Cash Provided by Operating Activities	\$ 935,849	97,609	\$ 1,033,458



City of
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FIDUCIARY FUNDS

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



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CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2014</u>
ASSETS				
Other Receivables	\$ 66,713	130,334	132,152	\$ 64,895
TOTAL ASSETS	<u>\$ 66,713</u>	<u>130,334</u>	<u>132,152</u>	<u>\$ 64,895</u>
LIABILITIES				
Accounts Payable	122	799	122	799
Amounts Held for Custody for Others	66,591	130,336	132,831	64,096
TOTAL LIABILITIES	<u>\$ 66,713</u>	<u>131,135</u>	<u>132,953</u>	<u>\$ 64,895</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2014

Court Fines and Assessments:

Court Fines Collected	\$ 849,460
Court Fines and Assessments Retained by City	<u>(482,255)</u>
Total Court Fines and Assessments Remitted to the State Treasurer	<u><u>\$ 367,205</u></u>

Court Surcharges:

Court Surcharges Remitted to State Treasurer	<u><u>\$ 210,838</u></u>
----------------------------------------------	--------------------------

Victims Services:

Funds Available for Carryforward, Beginning of the Year	\$ 185,094
Court Assessments allocated to Victim Services	46,318
Court Surcharges allocated to Victim Services	17,408
Victim Services Expenditures	<u>(91,299)</u>
Funds Available for Carryforward, End of Year	<u><u>\$ 157,521</u></u>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

DMT Contract #: PT-48099-07					
Performance Period: July 1, 2013 - June 30, 2014					
	Budget	Section 5307	SMTF	Local	Variance
ADMINISTRATION					
Professional and Technical Services	\$ 418,014	51,622	13,925	124,903	\$ 227,564
Employee Costs/Training	4,500	1,193	328	1,345	1,634
Materials and Supplies	26,700	5,197	1,601	7,978	11,924
Utilities	65,944	24,060	6,695	19,704	15,485
Casualty and Liability	203,000	81,008	20,930	60,656	40,406
Dues and Subscriptions	1,600	161	39	478	922
In-State Travel and Meetings	1,500	516	222	448	314
Advertising and Promotion Media	6,000	1,470	602	1,793	2,135
TOTAL ADMINISTRATION	727,258	165,227	44,342	217,305	300,384
OPERATIONS					
Maintenance Wages	-	101,026	-	-	(101,026)
Maintenance Overtime	-	9,039	-	-	(9,039)
Maintenance Benefits	-	8,794	-	-	(8,794)
Management Services	108,000	40,516	18,355	32,270	16,859
Professional and Technical	545,000	167,875	72,432	162,846	141,847
Contract Maintenance Services	32,000	3,228	1,618	9,562	17,592
Fuel & Lubricants	250,000	71,621	13,686	74,700	89,993
Tires & Tubes	-	-	15,369	-	(15,369)
Other Materials & Supplies	11,000	85,081	(15,894)	3,287	(61,474)
Vehicle Licensing & Fees	100	-	(4,956)	30	5,026
TOTAL LIABILITIES	946,100	487,180	100,610	282,695	75,615
CAPITAL					
Tires	19,282	19,282	-	7,830	(7,830)
Fuel	31,796	31,796	-	7,949	(7,949)
Tandem Seats w/arms - ARRA	4,611	4,611	-	-	-
Phone equipments - ARRA	1,956	1,956	-	-	-
TOTAL LIABILITIES	57,645	57,645	-	15,779	(15,779)
TOTAL PROGRAM	\$ 1,731,003	710,052	144,952	515,779	\$ 360,220
Approved Budget	\$ 1,731,003				
Total Federal Costs	(710,050)				
Total State Costs	(144,952)				
Total Local Costs	(515,329)				
Budget Balance	<u>\$ 360,672</u>				



City of
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STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	141
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	148
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>	152
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>	160
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>	163

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



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CITY OF SPARTANBURG, SOUTH CAROLINA

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008 *	2009	2010	2011	2012	2013*	2014
Governmental Activities										
Net Investment in Capital Assets	\$50,983,377	51,634,856	48,671,539	53,074,516	53,384,024	55,779,502	54,003,930	49,678,593	46,374,702	\$43,048,637
Restricted	3,961,178	4,787,389	3,710,337	4,209,971	2,130,497	834,855	3,962,772	4,898,660	4,816,041	7,148,564
Unrestricted	3,714,981	5,544,430	6,658,785	1,443,237	1,018,340	6,026,925	3,413,824	(68,032)	1,020,587	3,245,357
Total Governmental Activities Net Position	\$58,659,536	61,966,675	59,040,661	58,727,724	56,532,861	62,641,282	61,380,526	54,509,221	52,211,330	\$53,442,558
Business-Type Activities										
Net Investment in Capital Assets	\$20,814,506	20,887,730	27,110,873	17,282,372	20,908,586	19,354,866	19,671,901	22,706,093	23,034,331	\$22,224,018
Restricted	-	-	-	1,100,000	1,100,000	-	-	-	-	-
Unrestricted	957,532	1,074,531	1,570,474	347,749	562,885	1,312,976	1,080,566	1,875,323	2,291,267	3,403,403
Total Business-Type Activities Net Position	\$21,772,038	21,962,261	28,681,347	18,730,121	22,571,471	20,667,842	20,752,467	24,581,416	25,325,598	\$25,627,421
Primary Government										
Net Investment in Capital Assets	\$71,797,883	72,522,586	75,782,412	70,356,888	74,292,610	75,134,368	73,675,831	72,384,686	69,409,033	\$65,272,655
Restricted	3,961,178	4,787,389	3,710,337	5,309,971	3,230,497	834,855	3,962,772	4,898,660	4,816,041	7,148,564
Unrestricted	4,672,513	6,618,961	8,229,259	1,790,986	1,581,225	7,339,901	4,494,390	1,807,291	3,311,854	6,648,760
Total Primary Government Net Position	\$80,431,574	83,928,936	87,722,008	77,457,845	79,104,332	83,309,124	82,132,993	79,090,637	77,536,928	\$79,069,979

Note: Governmental and Business-Type Activities Net Position 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 POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
Policy Formulation and Administration	\$ 2,147,426	3,376,444	4,383,247	9,011,543	5,931,181	6,653,577	5,427,127	4,858,280	5,513,826	\$ 6,004,329
Public Safety	12,364,117	12,704,299	12,198,601	13,118,630	13,645,106	13,499,377	13,814,584	14,047,102	15,355,555	14,781,345
Parks, Recreation, and Special Events	1,652,550	2,326,567	2,423,902	2,434,395	2,137,461	2,550,485	2,665,563	2,628,409	2,338,124	2,075,383
Community Development	6,019,523	5,063,632	2,441,514	1,677,517	2,362,617	2,044,391	1,582,139	4,311,104	1,504,594	2,635,403
Public Works	10,036,742	11,404,120	10,650,667	12,948,923	12,355,374	8,402,885	10,764,474	9,271,201	9,901,909	9,059,910
Finance and Administrative Services	249,930	225,424	3,539,901	2,441,508	2,491,167	2,773,086	2,698,109	2,389,918	2,291,448	3,029,842
Operating	1,124,743	1,035,138	5,578,284	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577	4,786,784	5,403,591
Interest and Other Charges	1,738,012	1,724,908	1,707,435	1,641,700	1,563,341	1,522,450	2,156,316	1,983,406	1,228,999	1,216,595
Total Governmental Activities Expenses	35,333,043	37,860,532	42,923,551	47,520,500	45,552,689	41,769,413	43,814,831	45,864,997	42,921,239	44,206,398
Business-Type Activities:										
Transit	1,773,856	1,759,885	1,755,525	1,806,189	1,927,191	1,936,117	2,112,672	2,124,224	1,995,486	2,006,752
Parking	1,060,901	1,063,605	992,650	985,169	1,049,102	884,137	871,809	971,528	1,021,561	874,213
Sanitary Sewer	1,046,756	983,794	1,031,238	621,073	954	1,100,785	77,419	-	-	-
Storm Water	-	-	-	-	-	-	649,945	697,833	1,162,763	1,166,062
Airport	1,609,275	1,540,616	1,669,122	1,936,607	1,613,828	1,651,488	1,468,607	1,549,591	1,543,868	1,412,982
CC Woodson	-	-	-	-	295,900	538,612	677,770	444,010	443,947	410,073
Spartanburg Parking Facilities Corporation	-	-	-	-	313,769	522,162	806,896	858,495	961,788	980,169
Spartanburg Airport Facilities Corporation	-	-	-	-	-	102,509	212,804	376,667	291,632	396,478
Total Business-Type Activities Expenses	5,490,788	5,347,900	5,448,535	5,349,038	5,200,744	6,735,810	6,877,922	7,022,348	7,421,045	7,246,729
Total Primary Government Expenses	\$ 40,823,831	43,208,432	48,372,086	52,869,538	50,753,433	48,505,223	50,692,753	52,887,345	50,342,284	\$ 51,453,127
Program Revenues										
Governmental Activities:										
Charges for Services:										
Public Safety	\$ 856,813	854,356	1,037,145	1,191,111	1,285,197	1,049,519	1,128,967	959,335	1,047,142	\$ 884,408
Parks, Recreation, and Special Events	498,030	250,129	244,783	219,537	229,714	255,177	268,951	251,713	231,659	154,449
Development Services	418,235	505,902	666,295	737,226	474,247	415,996	471,430	408,985	298,312	341,919
Public Works	1,143,193	1,195,221	1,760,990	2,230,552	3,521,417	3,264,799	3,098,216	3,033,347	2,998,689	2,716,693
Finance and Administrative Services	10,125,533	10,588,927	11,652,370	12,026,190	12,255,309	12,262,638	12,511,056	12,606,571	12,930,317	13,577,368
Operating Grants and Contributions										
Public Safety	979,847	955,071	1,510,345	1,886,705	957,197	1,291,281	1,575,721	1,851,029	928,999	607,124
Development Services	1,374,662	1,859,746	1,978,525	-	1,006,376	1,729,005	1,578,931	1,575,554	1,107,254	-
Public Works	\$ 302,031	52,181	749,816	530,695	667,390	846,449	710,750	1,147,838	814,341	\$ 511,452

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Grants and Contributions										
Public Safety	\$ 13,648,798	-	-	-	-	28,705	-	-	-	\$ -
Parks, Recreation, and Special Events	259,417	482,744	187,500	60,000	3,642,158	-	-	-	-	-
Development Services	843,151	3,664,155	5,124,710	3,366,293	959,063	3,750,755	-	-	-	-
Public Works	30,449,710	20,408,432	24,912,479	22,248,309	24,998,068	24,894,324	21,344,022	21,834,372	20,356,713	18,793,413
Total Governmental Activities Program Revenues										
Business-Type Activities:										
Charges for Services:										
Transit	270,214	261,968	273,133	314,853	275,932	291,211	317,707	266,724	286,317	296,982
Parking	248,297	266,147	263,264	278,605	304,189	347,997	341,999	342,268	349,048	419,370
Sanitary Sewer	1,710,176	1,801,254	1,820,404	1,019,003	35,016	-	-	-	-	-
Storm Water	-	-	-	-	-	-	917,038	1,503,209	1,114,310	1,631,758
Airport	1,400,469	1,478,539	1,494,258	1,728,105	1,195,722	1,200,337	1,154,466	1,085,466	1,070,888	969,613
CC Woodson	-	-	-	-	17,938	48,000	48,000	48,000	48,000	48,000
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	18,750	37,500	37,500	18,750
Spartanburg Airport Facilities Corporation	-	-	-	-	-	-	80,961	137,194	151,412	141,654
Operating Grants and Contributions										
Transit	712,806	803,453	783,505	880,601	1,236,057	975,280	904,296	2,193,599	1,413,559	855,002
Airport	-	3,291	373,844	607,099	338,229	368,397	794,303	2,279,445	1,517,382	892,782
Capital Grants and Contributions										
CC Woodson	-	-	-	-	2,150,000	-	-	-	-	-
Spartanburg Parking Facilities Corporation	-	-	-	-	-	536,000	-	-	-	-
Total Business-Type Activities Program Revenues	\$ 4,341,962	4,614,652	5,008,408	4,828,266	5,553,083	3,794,544	4,577,520	8,393,405	5,988,416	5,273,911
Total Primary Government Program Revenues	\$ 34,791,672	25,023,084	29,920,887	27,076,575	30,551,151	28,688,868	25,921,542	30,227,777	26,345,129	\$ 24,067,324
Net (Expense)/Revenue	\$ (4,883,333)	(17,452,100)	(18,011,072)	(25,272,191)	(20,554,621)	(16,875,089)	(22,470,809)	(24,030,625)	(22,564,526)	\$ (25,412,985)
Governmental Activities	(1,148,826)	(733,248)	(440,127)	(520,772)	352,339	(2,941,266)	(2,300,402)	1,371,057	(1,432,629)	(1,972,818)
Business-Type Activities	\$ (6,032,159)	(18,185,348)	(18,451,199)	(25,792,963)	(20,202,282)	(19,816,355)	(24,771,211)	(22,659,568)	(23,997,155)	\$ (27,385,803)
Total Primary Government Net (Expense)/Revenue										

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Taxes by Source:										
Property Taxes Levied for General Purposes	\$ 10,273,227	11,615,207	12,389,702	12,776,753	13,483,193	14,344,269	13,459,316	13,458,825	13,505,430	\$ 13,911,802
Tax Increment	2,006,125	2,129,608	2,183,246	2,280,212	2,048,264	2,202,158	2,435,944	2,347,008	2,234,718	2,506,919
Motor Vehicle Taxes	1,377,475	1,161,207	1,184,182	1,161,680	977,093	768,532	902,292	944,522	954,596	1,192,612
Hospitality Taxes	2,885,187	3,011,080	3,290,344	3,497,438	3,423,105	3,364,211	3,474,814	3,762,816	3,954,089	4,128,299
Other Taxes	821,351	830,608	825,297	826,975	807,585	828,885	843,104	823,052	814,120	809,435
Intergovernmental Revenue - Unrestricted	1,064,374	1,217,526	1,140,963	1,273,314	1,273,314	1,091,766	881,044	688,658	799,823	798,466
Unrestricted Investment Earnings	160,281	379,126	441,941	322,073	109,092	46,866	54,933	77,763	16,426	11,797
Miscellaneous	886,101	894,831	375,682	2,200,286	449,662	727,412	912,648	680,963	796,676	919,488
Grants/Contributions Not Restricted to Specific Programs	1,047,194	377,552	504,731	426,450	617,505	595,453	590,549	857,561	810,300	4,040,241
Gains (Loss) on Disposal/Sale of Capital Assets	89,124	37,826	915,231	64,850	11,148	(77,404)	-	120,202	-	547,108
Special Item - Impairment of Asset **	-	-	-	-	(1,425,841)	-	-	(1,445,731)	(1,244,765)	-
Transfers	(40,773)	(324,821)	(560,459)	(204,258)	(3,414,362)	(908,638)	(2,344,591)	(2,404,751)	(2,374,778)	(2,221,954)
Total Governmental Activities	20,569,666	21,329,750	22,690,860	24,625,773	18,359,758	22,983,510	21,210,053	19,910,888	20,266,635	26,644,213
Business-Type Activities:										
Investment Income	30,941	59,808	127,121	131,693	74,649	125,010	40,436	53,141	54,229	52,687
Miscellaneous	-	-	-	-	-	594	-	-	-	-
Gains (Loss) on Disposal/Sale of Capital Assets	25,000	10,155	28,341	100	-	3,395	-	-	-	-
Special Item - Loss on Transfer of Net Sewer Assets *	-	-	-	(9,766,505)	-	-	-	-	-	-
Transfers	40,773	324,821	560,459	204,258	3,414,362	908,638	2,344,591	2,404,751	2,374,778	2,221,954
Total Business-Type Activities	96,714	394,784	715,921	(9,430,454)	3,489,011	1,037,637	2,385,027	2,457,892	2,429,007	2,274,641
Total Primary Government	\$ 20,666,380	21,724,534	23,406,781	15,195,319	21,848,769	24,021,147	23,595,080	22,368,780	22,695,642	\$ 28,918,854
Change in Net Position:										
Governmental Activities	\$ 15,686,333	3,877,650	4,679,788	(646,418)	(2,194,863)	6,108,421	(1,260,756)	(4,119,737)	(2,297,891)	\$ 1,231,228
Business-Type Activities	(1,052,112)	(338,464)	275,794	(9,951,226)	3,841,350	(1,903,629)	84,625	3,828,949	996,378	301,823
Total Primary Government	\$ 14,634,221	3,539,186	4,955,582	(10,597,644)	1,646,487	4,204,792	(1,176,131)	(290,788)	(1,301,513)	\$ 1,533,051

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

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
<u>Pre-GASB 54*</u>										
Reserved	\$ 77,267	97,446	94,826	95,441	84,409	103,654	-	-	-	\$ -
Unreserved	5,595,358	4,903,232	4,847,512	4,775,526	4,044,591	4,963,758	-	-	-	-
<u>Post-GASB 54*</u>										
Nonspendable	-	-	-	-	-	-	116,402	106,008	102,098	101,836
Assigned	-	-	-	-	-	-	667,200	900,107	1,144,933	1,378,933
Unassigned	-	-	-	-	-	-	5,020,942	4,936,665	5,354,546	5,888,594
Total General Fund	\$ 5,672,625	5,000,678	4,942,338	4,870,967	4,129,000	5,067,412	5,804,544	5,942,780	6,601,577	\$ 7,369,363
All Other Governmental Funds										
<u>Pre-GASB 54*</u>										
Reserved, Reported In:	\$ -	-	-	-	318,062	270,062	-	-	-	\$ -
Special Revenue Funds	-	470,675	462,243	163,542	165,086	-	-	-	-	-
Capital Projects Funds	15,668	37,382	41,468	262,145	358,412	1,062,968	-	-	-	-
Unreserved, Reported In:										
Capital Projects Funds	2,825,537	3,626,906	2,600,048	3,063,166	1,111,729	1,298,303	-	-	-	-
Debt Service Funds	2,973,812	2,536,144	3,743,918	2,556,208	2,415,584	2,857,583	-	-	-	-
Post-GASB 54*	476,049	826,517	192,628	928,763	830,502	743,797	-	-	-	-
Nonspendable	-	-	-	-	-	-	222,062	174,062	126,062	78,062
Restricted	-	-	-	-	-	-	11,366,916	6,320,226	5,430,648	7,108,271
Committed	-	-	-	-	-	-	28,996	203,019	191,818	160,196
Assigned	-	-	-	-	-	-	1,301,097	-	-	-
Total All Other Governmental Funds	\$ 6,291,066	7,497,624	7,040,305	6,973,824	5,199,375	6,232,713	12,919,071	6,697,307	5,748,528	\$ 7,346,529

* The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund type Definitions* ("GASB 54") in 2011. GASB 54 established new, hierarchical fund balance classifications based primarily upon the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The City has elected to apply GASB 54 prospectively and thus has provided fund balance information before

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 16,524,585	18,155,144	18,870,136	20,509,688	20,258,175	20,291,332	20,952,315	21,405,253	20,808,394	\$ 22,147,732
Fees, Licenses and Permits	10,342,733	10,873,097	12,094,813	12,538,972	12,571,179	12,469,852	12,783,762	12,855,275	13,038,564	13,412,343
Fines and Forfeitures	470,104	469,367	552,608	566,601	548,396	542,713	665,917	656,368	529,992	469,079
State Government Contributions	796,914	3,402,406	2,510,496	1,535,012	552,757	978,951	224,118	445,143	588,436	760,701
Federal Government Contributions	2,092,420	2,953,786	2,324,035	1,569,560	1,833,615	2,874,063	3,223,159	3,439,345	2,223,423	2,292,837
Intergovernmental Revenue	3,333,521	3,301,817	3,731,577	4,296,385	4,608,818	3,830,517	3,503,780	3,179,792	3,323,655	3,402,420
Charges for Services	557,621	650,044	658,605	921,596	2,037,283	2,039,231	2,041,770	1,866,123	1,816,294	1,733,977
Investment Earnings	91,581	227,427	261,269	167,550	63,889	16,502	37,008	67,398	10,717	6,522
Confiscated Drug Funds	24,358	41,265	90,732	74,020	20,236	120,746	25,044	14,073	234,017	46,970
Donations	833,473	275,000	438,482	393,000	507,500	542,921	538,754	687,708	747,504	3,931,638
Ground Lease Rent	200,000	200,000	-	400,000	200,000	200,000	200,000	200,000	200,000	200,000
Other	1,313,054	1,373,497	1,011,336	2,217,240	1,235,719	884,692	885,940	1,098,916	869,964	1,069,156
Total Revenues	\$ 36,580,364	41,922,850	42,544,089	45,189,624	44,437,567	44,791,520	45,081,567	45,915,394	44,390,960	\$ 49,473,375

Expenditures

Current:										
Policy Formulation and Administration	\$ 3,254,253	3,224,091	3,662,869	5,092,676	5,807,254	4,278,734	4,755,876	4,470,733	5,081,462	\$ 5,661,977
Public Safety	11,674,737	11,617,218	11,626,737	12,492,637	12,921,842	12,553,639	12,775,459	13,196,470	13,627,497	14,013,012
Parks, Recreation, and Special Events	912,648	1,666,874	1,726,686	1,789,556	1,989,003	2,109,339	2,049,555	2,126,283	1,752,671	1,595,250
Community Development	2,883,704	2,912,455	3,019,086	3,408,697	2,108,556	2,086,943	1,784,428	1,781,632	1,487,142	2,285,664
Public Works	5,937,159	6,444,504	6,264,411	6,866,608	8,055,305	7,648,214	7,146,465	7,098,549	6,417,008	5,881,653
Finance and Administrative Services	1,546,632	1,671,699	3,494,545	2,420,329	2,466,170	2,776,225	2,668,849	2,397,943	2,286,954	2,246,173
Operating	3,084,983	3,322,576	5,578,284	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577	4,782,012	5,403,591
Capital Outlay	4,606,732	8,435,170	3,886,888	5,203,163	3,376,908	2,569,316	3,700,295	7,488,084	3,104,384	2,525,081
Debt Service:										
Principal Retirement	1,060,000	1,480,000	1,595,000	1,970,000	2,060,000	1,895,000	17,190,000	2,579,000	2,712,000	13,686,000
Interest	1,654,964	1,694,429	1,657,096	1,586,260	1,510,319	1,428,562	1,493,317	1,986,043	1,096,090	1,089,906
Other	10,266	22,621	41,143	50,116	51,662	113,013	614,370	143,533	88,653	187,576
Total Expenditures	\$ 36,626,078	42,491,637	42,552,745	45,126,326	45,413,461	41,782,147	58,885,133	49,643,847	42,435,873	\$ 54,575,883

Excess of Revenues Over (Under) Expenditures	\$ (45,714)	(568,787)	(8,656)	63,298	(975,894)	3,009,373	(13,803,566)	(3,728,453)	1,955,087	\$ (5,102,508)
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(Continued)

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

LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Transfers In	\$ 2,738,703	4,312,304	3,749,772	5,238,325	5,413,774	4,934,707	3,520,517	2,914,132	3,670,598	\$ 3,811,100
Transfers Out	(2,779,476)	(4,637,125)	(4,874,135)	(5,442,583)	(7,007,964)	(6,112,792)	(5,865,108)	(5,287,956)	(6,045,376)	(6,033,054)
2005 COPS Issued	3,310,000	-	-	-	-	-	-	-	-	-
Proceeds from Bond Issue	-	-	-	-	-	4,795,000	23,320,000	-	-	9,250,000
Defeasement of Debt	-	-	-	-	-	(4,725,000)	182,660	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	13,500	957,544	1,050,000	3,108	53,668	70,462	68,987	18,749	129,709	440,249
Total Other Financing Sources (Uses)	3,282,727	632,723	(74,363)	(201,150)	(1,540,522)	(1,037,623)	21,227,056	(2,355,075)	(2,245,069)	7,468,295
Net Change in Fund Balances	\$ 3,237,013	63,936	(83,019)	(137,852)	(2,516,416)	1,971,750	7,423,490	(6,083,528)	(289,982)	\$ 2,365,787
Capital Asset Expenditures	\$ 4,606,732	8,435,170	3,886,888	2,353,664	1,040,378	904,094	1,420,695	2,663,832	1,703,880	\$ 233,768
Debt Service as a Percentage of Noncapital Expenditures	8.5%	9.4%	8.5%	8.4%	8.2%	8.4%	33.6%	10.0%	9.6%	27.5%

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					
2005	\$ 89,880,352	\$ 11,829,610	\$ 10,523,950	\$ 9,884,170	\$ 489,980	\$ 121,628,102	93.3	\$ 1,970,270,358	6.2%
2006	92,507,837	12,593,887	9,949,980	9,940,370	362,070	124,630,004	103.2	2,092,996,381	6.0%
2007	95,424,660	10,884,336	9,035,780	11,156,290	383,190	126,117,876	103.2	2,223,308,433	5.7%
2008	94,244,700	11,146,386	8,972,580	10,854,905	202,790	125,015,781	104.7	2,260,486,536	5.5%
2009	109,316,471	10,012,944	9,553,340	10,585,064	201,590	139,266,229	101.0	2,585,358,227	5.4%
2010	110,320,512	10,032,747	10,141,344	9,917,900	198,090	140,214,413	101.0	2,574,231,919	5.4%
2011	107,489,352	9,569,447	9,045,937	10,321,213	149,260	136,276,689	101.0	2,515,692,359	5.4%
2012	108,758,305	8,002,130	8,798,688	9,785,311	167,210	135,177,224	101.0	2,351,928,159	5.7%
2013	108,813,727	7,330,030	9,230,710	9,727,475	183,150	134,918,792	101.0	2,139,124,624	6.3%
2014	\$ 113,473,414	\$ 7,768,510	\$ 9,268,400	\$ 9,233,508	\$ 217,040	\$ 139,526,792	103.0	\$ 2,178,614,148	6.4%

Source: Spartanburg County Assessor & Auditor's Office

Notes: Property in the City was reassessed for fiscal year 2009. Tax rates are per \$1,000 of assessed value. Estimated Actual Tax Values for fiscal years 2009 and 2010 have been corrected.

This table does not include properties that are located in our TIF districts or properties that have Fee-in-Lieu of tax agreements. TIF values are on pages 20 and 21.

The total assessment for the Multi-County District is \$4,095,320 for FY 2014.

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Direct Rates:										
Basic Rate	93.30	103.20	103.20	104.70	101.00	101.00	101.00	101.00	101.00	103.00
Total Direct Rate	93.30	103.20	103.20	104.70	101.00	101.00	101.00	101.00	101.00	103.00
County Rates:										
Spartanburg County	68.70	65.10	64.80	70.00	68.40	69.50	69.80	70.80	71.50	73.20
School District Rates:										
School District #7	214.90	215.50	215.50	229.50	227.20	273.90	279.20	274.30	280.40	280.50
Sewer District Rates:										
Spartanburg Sewer District	8.20	8.20	8.20	8.20	7.50	7.50	7.50	7.50	7.50	7.50

Source: Spartanburg County Tax Auditor's Office

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Spartanburg. Not all overlapping 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 TEN YEARS AGO

UNAUDITED

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Corp	\$ 3,945,290	1	2.9%	\$ 3,769,160	1	3.2%
Yeomans Charles L III et al	2,776,360	2	2.0%	3,553,530	2	3.0%
Inland Western Spartanburg I	2,146,130	3	1.6%			
Bellsouth Telecommunications	1,749,110	4	1.3%	2,968,980	3	2.5%
ERP Hillcrest LLC	1,607,020	5	1.2%			
J M Smith Corpotation	1,340,790	6	1.0%			
SSK Land, LLC	1,230,600	7	0.9%			
East Main Redevelopment, LLC	1,115,760	8	0.8%			
Dennys Corpotation	849,910	9	0.6%			
White Oak Manor Inc	817,060	10	0.6%	754,140	9	0.6%
Renaissance Park Hotel, LLC				2,330,978	4	2.0%
LCW Spartanburg LLC				2,304,690	5	2.0%
Hillcrest Shopping Complex				1,048,410	6	0.9%
Piedmont Natural Gas				964,841	7	0.8%
Walmart Real Estate Business				900,720	8	0.8%
Parisian Inc				730,600	10	0.6%
Totals	<u>\$ 17,578,030</u>		<u>12.9%</u>			<u>16.4%</u>

Source: Spartanburg County Tax Auditor's Office

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Original Tax Levy for Fiscal Year		Adjustments to Original Tax Levy for Fiscal Year		Adjusted Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
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%
2011	12,995,742		(768,204)		13,763,946		12,571,227	91.3%	839,232		13,410,459	97.4%
2012	13,856,768		203,868		13,652,900		12,741,049	93.3%	685,904		13,426,953	98.3%
2013	13,270,307		(356,491)		13,626,798		12,753,444	93.6%	503,218		13,256,662	97.3%
2014	\$ 13,753,040		\$ (618,220)		\$ 14,371,260		\$ 13,527,427	94.1%	\$ 490,068		\$ 14,017,495	97.5%

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			
2005	\$ -	35,755,000	30,096	1,350,000	4,705,398	-	\$ 41,840,494	6.0%	\$ 1,084
2006	-	34,275,000	796,582	1,180,000	4,548,973	-	40,800,555	5.9%	1,063
2007	-	33,280,000	724,800	1,005,000	4,361,257	-	39,371,057	5.6%	1,021
2008	-	31,310,000	650,426	820,000	3,490,000	-	36,270,426	5.2%	934
2009	-	29,250,000	573,367	630,000	3,270,000	20,600,000	54,323,367	7.7%	1,399
2010	-	27,425,000	1,265,322	430,000	2,935,000	20,600,000	52,655,322	7.5%	1,377
2011	6,995,000	26,560,000	2,009,762	220,000	2,565,000	20,600,000	58,949,762	8.4%	1,460
2012	6,730,000	24,246,000	3,663,325	-	2,180,000	20,600,000	57,419,325	6.6%	1,538
2013	6,460,000	21,804,000	2,856,934	-	1,775,000	20,600,000	53,495,934	5.8%	1,430
2014	\$ 6,180,000	17,648,000	3,631,904	-	1,355,000	20,600,000	\$ 49,414,904	5.5%	\$ 1,313

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

CITY OF SPARTANBURG, SOUTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2005	\$ 1,350,000	N/A	\$ 1,350,000	0.1%	\$ 35
2006	1,180,000	N/A	1,180,000	0.1%	31
2007	1,005,000	N/A	1,005,000	0.0%	26
2008	820,000	N/A	820,000	0.0%	21
2009	630,000	N/A	630,000	0.0%	16
2010	430,000	N/A	430,000	0.0%	11
2011	7,215,000	N/A	7,215,000	0.3%	179
2012	6,730,000	N/A	6,730,000	0.3%	180
2013	6,460,000	N/A	6,460,000	0.3%	173
2014	\$ 6,180,000	N/A	\$ 6,180,000	0.3%	\$ 164

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The Schedule of Demographic and Economic Statistics for Population and Per Capita Data

CITY OF SPARTANBURG, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2014

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
County:			
General County Purpose	\$ 21,513,922	20%	\$ 4,289,876
School District:			
School District 7	53,707,802	58%	31,231,087
School District 6	12,515,000	16%	2,011,161
Sewer District:			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 23,860,000	23%	\$ 5,568,924
Subtotal, Overlapping Debt			<u>43,101,047</u>
City of Spartanburg Direct Debt			<u>31,120,934</u>
Total Direct and Overlapping Debt			<u>\$ 74,221,981</u>

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 10,091,027	10,331,180	10,450,209	10,362,042	11,502,078	11,577,932	11,262,914	11,174,957	11,154,283	\$ 11,522,923
Total Net Debt Applicable to Debt Limit	1,350,000	1,180,000	1,005,000	820,000	630,000	430,000	7,215,000	6,730,000	6,460,000	6,180,000
Legal Debt Margin	\$ 8,741,027	9,151,180	9,445,209	9,542,042	10,872,078	11,147,932	4,047,914	4,444,957	4,694,283	\$ 4,509,740
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	13.4%	11.4%	10.3%	7.9%	5.5%	3.7%	64.1%	60.2%	57.9%	53.6%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value*	\$ 139,526,792
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	144,036,532
Debt Limit (8% of Total Assessed Value)	11,522,923
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	6,180,000
Total Amount of Debt Applicable to Debt Limit	6,180,000
Legal Debt Margin	\$ 5,342,923

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		Coverage	Increment Funds	Less: Operating Expenses		Net Available Revenue		Coverage	Revenue	Less: Operating Expenses		Net Available Revenue		Coverage	Principal	Debt Service Interest	Coverage
	Principal	Interest	Principal	Interest			Revenue	Revenue	Principal	Debt Service Interest			Revenue	Revenue	Principal	Debt Service Interest				
2005	\$ 2,931,030	\$ 567,875	\$ 365,000	\$ 567,875	3.14	\$ 2,481,221	N/A	N/A	\$ 2,481,221	\$ 695,000	\$ 868,614	1.59	\$ 2,233,505	\$ 1,186,328	\$ 1,047,177	\$ 140,177	\$ 493,544	1.65		
2006	3,160,111	641,750	515,000	641,750	2.73	2,611,392	N/A	N/A	2,611,392	925,000	835,329	1.45	2,390,855	1,164,970	1,225,885	196,425	485,304	1.80		
2007	3,400,824	649,432	570,000	649,432	2.79	1,692,322	N/A	N/A	1,692,322	965,000	791,419	0.96	2,190,393	1,164,691	1,025,702	247,716	475,071	1.42		
2008	3,530,454	627,731	595,000	627,731	2.89	3,131,220	N/A	N/A	3,131,220	1,015,000	744,455	1.78	1,837,147	811,975	1,025,173	324,054	462,424	1.30		
2009	3,375,863	620,000	620,000	605,059	2.76	2,260,476	N/A	N/A	2,260,476	1,070,000	693,785	1.28	797,618	433,991	363,627	365,000	381,407	0.49		
2010	3,287,828	581,449	640,000	581,449	2.69	2,430,657	N/A	N/A	2,430,657	1,120,000	640,086	1.38	852,418	395,951	456,467	470,000	335,212	0.57		
2011	3,389,122	555,969	665,000	555,969	2.78	2,602,280	N/A	N/A	2,602,280	1,344,000	535,503	1.38	864,718	387,155	477,563	535,000	315,237	0.56		
2012	3,673,716	827,608	785,000	827,608	2.28	2,554,101	N/A	N/A	2,554,101	1,529,000	790,983	1.10	912,792	348,540	564,252	570,000	292,394	0.65		
2013	3,800,019	810,000	810,000	625,085	2.65	2,435,365	N/A	N/A	2,435,365	1,632,000	290,008	1.27	928,755	366,599	562,156	660,000	266,453	0.61		
2014	\$ 3,942,867	\$ 336,755	\$ 835,000	\$ 336,755	3.36	\$ 2,492,951	N/A	N/A	\$ 2,492,951	\$ 1,421,000	\$ 252,762	1.49	\$ 3,813,169	\$ 324,903	\$ 3,488,266	\$ 3,450,000	\$ 317,250	0.93		

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

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

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

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

N/A: Not Applicable.

During the year the HUD 108 Loan was paid off early which is reflected in the Revenue Bond information.

CITY OF SPARTANBURG, SOUTH CAROLINA

SECURITY FOR THE SERIES 2000 BONDS

FRANCHISE FEES AND COMMISSION OF PUBLIC WORKS PAYMENTS

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>Franchise Fees</u>	<u>CPW Payments</u>	<u>Totals</u>
2005	\$ 2,252,497	841,575	\$ 3,094,072
2006	2,417,874	897,987	3,315,861
2007	2,427,313	1,456,747	3,884,060
2008	2,563,668	1,534,833	4,098,501
2009	3,065,687	1,400,000	4,465,687
2010	3,246,839	1,400,000	4,646,839
2011	3,233,407	1,400,000	4,633,407
2012	3,113,574	1,400,000	4,513,574
2013	3,294,163	1,400,000	4,694,163
2014	\$ 3,507,611	1,200,000	\$ 4,707,611

CITY OF SPARTANBURG, SOUTH CAROLINA

MILLAGE RATE FOR THE BROAD STREET DEVELOPMENT AREA

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Total Initial Equalized Assessed Value	Total Equalized Assessed Value	Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value	Total Millage Rate	Incremental Tax Revenues	(1) Franchise Fees Received	Total Incremental Tax Revenues and Franchise Fees
2005	\$ 1,176,998	4,168,680	2,991,682	385	1,152,962	3,094,071	\$ 4,247,033
2006	1,176,998	4,910,940	3,733,942	392	1,435,412	3,315,861	4,751,273
2007	1,176,998	5,155,820	3,978,822	392	1,532,016	3,884,060	5,416,076
2008	1,176,998	5,218,550	4,041,552	412	1,612,342	4,098,501	5,710,843
2009	1,176,998	5,535,105	4,358,107	404	1,789,284	4,465,687	6,254,971
2010	1,176,998	6,229,395	5,052,397	452	1,910,208	4,646,839	6,557,047
2011	1,176,998	6,275,401	5,098,403	458	2,069,661	4,633,407	6,703,068
2012	1,176,998	5,991,511	4,814,513	454	1,997,358	4,513,574	6,510,932
2013	1,176,998	6,200,362	5,023,364	460	1,861,796	4,694,163	6,555,959
2014	\$ 1,176,998	5,127,616	3,950,618	464	2,154,914	4,707,611	\$ 6,862,525

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Total Initial Equalized Assessed Value	Total Equalized Assessed Value	Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value	Total Millage Rate	Incremental Tax Revenues	Franchise Fees Received	Total Incremental Tax Revenues and Franchise Fees
2005	\$ 657,060	2,537,040	1,879,980	385	578,885	3,094,071	\$ 3,672,956
2006*	657,060	2,580,620	1,923,560	392	694,195	3,315,861	4,010,056
2007**	657,060	2,892,160	2,235,100	392	157,496	3,884,060	4,041,556
2008***	657,060	2,734,414	2,077,354	412	1,116,518	4,098,501	5,215,019
2009	657,060	1,686,429	1,029,369	404	270,019	4,465,687	4,735,706
2010	657,060	1,737,267	1,080,207	452	320,448	4,646,839	4,967,287
2011	657,060	1,710,035	1,052,975	458	331,813	4,646,839	4,978,652
2012	657,060	1,525,552	868,492	454	339,775	4,513,574	4,853,349
2013	657,060	1,667,079	1,010,019	460	389,284	4,694,163	5,083,447
2014	\$ 657,060	1,649,621	992,561	464	338,037	4,707,611	\$ 5,045,648

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

N/A: Not Applicable.

CITY OF SPARTANBURG, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2005	38,610	\$ 700,230,960	\$ 18,136	34.7	8,975	6.1%
2006	38,379	696,041,544	18,136	34.7	7,165	8.0%
2007	38,561	699,342,296	18,136	34.7	7,093	6.0%
2008	38,843	704,456,648	18,136	34.7	7,482	8.0%
2009	38,248	874,234,536	22,857	33.7	7,290	10.0%
2010	40,387	923,125,659	22,857	33.7	7,367	11.5%
2011	40,387	894,289,341	22,143	35.0	7,736	11.7%
2012	37,334	792,974,160	21,240	35.5	8,071	10.4%
2013	37,401	796,790,904	21,304	35.5	8,293	7.7%
2014	37,647	\$ 781,589,367	\$ 20,761	34.7	8,072	6.3%

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

Employer	2014 *			2005		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Spartanburg Regional	6,044	1	16.19%	-		-
Spartanburg County	1,359	2	3.64%	-		-
Spartanburg School District #7	1,267	3	3.39%	-		-
American Credit Acceptance	756	4	2.02%	-		-
Walmart	634	5	1.70%	-		-
QSI Headquarters	543	6	1.45%	-		-
Wofford College	450	7	1.21%	-		-
City of Spartanburg*	385	8	1.03%	-		-
Advance America, Inc	371	9	0.99%	-		-
Denny's Corporate Office	267	10	0.72%	-		-
Totals	12,076		32.35%	-		-

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

Source: ^ City of Spartanburg Economic Development Division. Detailed information was not available for 2005.

CITY OF SPARTANBURG, SOUTH CAROLINA

PROPERTY VALUE AND CONSTRUCTION

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Number of Units	Commercial Building Permit Value (A)	Number of Units	Residential Building Permit Value (A)	Commercial	Residential
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	1,203,400,528	951,733,627
2011	15	34,706,366	12	1,873,368	939,998,881	952,250,970
2012	10	28,166,597	24	3,983,669	955,152,480	964,438,905
2013	4	10,089,723	17	2,860,415	976,806,157	963,582,846
2014	8	\$ 8,173,029	22	\$ 4,101,418	\$ 970,853,186	\$ 978,736,467

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Finance and Administrative Services	14	13	12	10	12	14	14	14	13	13
Community Development	40	41	43	44	41	22	25	30	29	29
Parks, Recreation, and Special Events	22	20	23	24	23	17	17	14	15	15
Policy Formulation and Administration	36	39	40	38	40	40	35	35	33	32
Public Safety	213	214	217	217	215	221	220	218	212	212
Public Works	108	104	103	115	107	100	102	81	70	73
Business-Type Activities										
Parking Enterprise	1	1	3	3	2	2	3	3	2	2
Airport	9	9	9	11	9	8	10	10	8	9
Sewer	11	12	10	-	-	-	-	-	-	-
Total	454	453	460	462	449	424	426	405	382	385

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 transfer of the sewer to Spartanburg Sewer District.

Next year we will consider splitting Police and Fire on the Schedule (2015)

CITY OF SPARTANBURG, SOUTH CAROLINA
 OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Finance and Administrative Services											
Business Licenses Issued	5,481	5,530	5,954	5,517	5,330	5,567	5,763	5,381	5,101	4,950	
Courtesy Summons Issued	1,206	1,023	976	826	824	610	589	638	542	478	
Community Development											
Building Permits Issued	3,921	4,061	4,220	4,227	2,929	3,026	3,334	3,111	2,862	2,691	
Building Inspections Conducted	7,636	7,475	7,513	7,667	5,846	5,042	4,501	4,735	4,266	4,073	
Policy Formulation and Management											
Judicial Cases	12,223	14,334	14,683	14,797	13,822	15,319	16,462	14,207	12,176	10,776	
Public Safety - Police											
Calls for Service	75,218	76,766	76,312	62,563	62,470	75,313	75,480	76,490	77,903	74,867	
Physical Arrests	4,801	4,615	5,645	3,804	3,757	4,073	5,420	6,365	5,894	5,361	
Traffic Violations	9,742	12,004	12,082	11,434	11,597	11,793	13,226	11,061	10,613	8,276	
Public Safety - Fire											
Emergency Responses	2,140	2,242	2,172	2,031	2,228	2,127	2,254	2,057	2,113	2,220	
Fires Extinguished	323	345	301	328	347	277	315	294	273	156	
Inspections	3,140	3,325	2,556	3,863	3,085	3,466	1,482	2,927	934	1,510	
Public Works											
Roads Maintained (miles)	171	171	173	173	173	174	177	181	187	187	
Refuse Collection (tons)	12,795	11,100	11,260	10,924	10,581	9,291	9,339	8,596	9,319	9,319	
Yard Waste Collection (tons)	-	-	-	-	-	6,791	7,152	9,166	6,684	7,911	
Recycling Collection (tons)	-	-	-	-	-	835	925	802	1,048	1,222	
Transit											
Passengers per Year	500,942	542,000	547,418	534,688	534,599	519,084	513,886	524,187	520,143	487,579	
Parking											
Garages	3	3	3	3	3	4	4	4	4	4	
Parking Lots	4	5	5	5	5	5	5	5	5	5	
Total Public Spaces	2,131	2,261	2,261	2,261	2,261	3,011	3,011	3,011	3,011	3,011	
Airport											
Fuel Gallons Sold	236,560	258,302	246,987	247,649	162,360	193,796	154,407	168,931	260,335	148,561	
Hours of Aircraft Maintenance	2,306	1,784	1,659	1,455	898	1,370	1,229	1,033	593	143	

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Community Development										
Traffic Signals	102	107	123	123	123	123	123	156	130	132
Public Safety - Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	84	84	86	86	80	80	80	80	80	74
Public Safety - Fire										
Fire Station	5	5	5	5	5	5	5	5	5	5
Fire Trucks	12	12	12	12	12	13	13	11	10	10
Public Works										
Streets (in Miles)	170	171	173	173	173	174	177	181	187	187
Collection/Refuse Trucks	39	39	38	37	34	30	30	23	28	28
Parks and Recreation*										
Parks Acreage	336	300	300	278	278	278	301	301	301	301
Parks	44	24	24	20	21	21	24	24	24	24
Ball fields	10	10	10	10	10	10	9	9	9	9
Swimming Pools	3	2	2	2	2	2	2	2	2	1
Community Centers	4	4	4	4	4	4	4	2	2	2
Solid Waste										
Collection/Refuse Trucks	39	39	38	37	34	30	30	23	28	28
Transit										
Passenger Buses	11	11	11	11	11	11	10	11	11	12
Parking										
Garages	3	3	3	3	3	4	4	4	4	4
Airport										
Community Hangars	4	4	4	4	4	4	4	4	4	4
Maintenance Hangars	1	1	1	1	1	1	1	1	1	1
T-Hangars	30	30	30	30	30	30	46	46	35	46

Sources: Various City departments.

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

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

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

City of Spartanburg, South Carolina

Schedule of State Appropriations

UNAUDITED

Fiscal Year	Local Government Fund	Merchants Inventory	Accommodations Tax	Manufacturing Tax	Total
2009	\$ 1,273,314	\$ 694,796	\$ 30,010	\$ 6,028	\$ 2,004,148
2010	1,091,766	694,796	29,406	5,946	1,821,914
2011	881,044	694,796	30,011	6,046	1,611,897
2012	688,658	694,796	30,207	6,268	1,419,929
2013	690,974	694,796	29,946	5,763	1,421,479
2014	815,000	694,796	31,643	5,763	1,547,202
2015	\$ 911,127	\$ 694,796	\$ 34,235	\$ 5,763	\$ 1,645,921

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Program	CFDA Number	Grant / Contract Number	Expenditures
DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			
Direct:			
CDBG Entitlement Grant, 38th	14.218	B-12-MC-45-0001	\$ 468,718
CDBG Entitlement Grant, 39th	14.218	B-13-MC-45-0001	542,357
	Subtotal 14.218		<u>1,011,075</u>
Home Program Year 2009	14.239	M-09-45-0207	141,364
Home Program Year 2010	14.239	M-10-45-0207	105,562
Home Program Year 2011	14.239	M-11-45-0207	47,302
Home Program Year 2012	14.239	M-12-45-0207	23,742
	Subtotal 14.239		<u>317,970</u>
Neighborhood Stabilization Program	14.228	08-NSP110	345,803
TOTAL DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			<u>1,674,848</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct:			
FEMA Assistance to Firefighters Grant	97.083	EMW-2013-FH-00265	11,110
Fire Burn II	97.044	EMW-2012-FP-00443	89,534
	Subtotal 97.044		<u>100,644</u>
Pass Through City of Anderson			
Upstate Regional Type III Incident Management Team	97.067	9SHSP13	2,785
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>103,429</u>
DEPARTMENT OF JUSTICE			
Direct:			
ARRA Cops Hiring Recovery Program	16.710	2009-RK-WX-0772	31,570
Cops 2011 Cops Hiring Program	16.710	2011-UM-WX-0168	45,305
Secure Our School	16.710	2011-CK-WX-0087	69,785
Cops 2013 Cops Hiring Program	16.710	2013-UM-WX-0102	18,212
	Subtotal 16.710		<u>164,872</u>
Justice Assistance Grant	16.738	2010-DJ-BX-0728	5,532
Justice Assistance Grant	16.738	2011-DJ-BX-2843	69,615
	Subtotal 16.738		<u>75,147</u>
VAWA / Supplement	16.590	2011-WF-AX-0048	187,008
Bulletproof Vest Partnership	16.607	N/A	13,114
TOTAL DEPARTMENT OF JUSTICE			<u>440,141</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct:			
Drug-Free Communities	93.276	2H79SP012354-10	27,538
Addressing Teen Pregnancy in South Carolina	93.297	1US8DP002913	16,399
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 43,937</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Program	CFDA Number	Grant / Contract Number	Expenditures
DEPARTMENT OF TRANSPORTATION			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)	20.106	3-45-0051-15	\$ 102,538
Airport Improvement Program (AIP)	20.106	3-45-0051-16	82,935
Airport Improvement Program (AIP)	20.106	3-45-0051-17	97,453
Airport Improvement Program (AIP)	20.106	3-45-0051-19	537,055
	Subtotal 20.106		<u>819,981</u>
Federal Transit Administration:			
Operating Assistance	20.507	SC-90-X260-00	354,135
Capital Assistance	20.507	SC-90-X-216-00	19,282
Operating Assistance	20.507	SC 90-X275-00	330,066
ARRA Capital Assistance	20.507	SC 96-X006-00	6,567
	Subtotal 20.507		<u>710,050</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>1,530,031</u>
National Endowment for the Arts			
Art Works	45.024	13-4292-7096	10,435
GRAND TOTALS			<u>\$ 3,802,821</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

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, 2014. 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 financial statements.

C. – RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

D. – MATCHING COSTS

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



City of
SPARTANBURG
south carolina

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, 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 (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 17, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 17, 2014

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

FINDINGS – 2013 FINANCIAL STATEMENTS

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

CITY OF SPARTANBURG, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.218	CDBG Program
14.228	Neighborhood Stabilization Program
14.239	HOME Program
20.507	Federal Transit Administration - Operating Assistance and ARRA Capital Assistance

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

Auditee qualified as low-risk auditee? Yes X No

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II – Findings – Current Year Financial Statements Audit

2014-001: FAILURE TO PROPERLY RECORD YEAR END ACCRUALS

Condition: An effective system of internal controls should be in place to ensure all revenues and expenditures are being recorded in the proper period. However, during our testing, we noted a number of material transactions that were not recorded in the proper accounting period.

Recommendation: We recommend that the City take the necessary steps to ensure all transactions are recorded in the proper period.

Response: The Accounting Division will implement a procedure to review all year end revenue accruals with the Revenue Coordinator, Accounting Manager and Finance Director to substantiate that all revenues have been recorded in the correct accounting period. The Accounting Division will also implement new procedures for reviewing invoices recorded in the new fiscal year.

2014-002: FAILURE TO TRACK FEDERAL EXPENDITURES

Condition: An effective system of internal controls should be operating as planned to provide reasonable assurance that all federal expenditures are being properly tracked in a timely manner throughout the year. During our testing we noted there was not adequate communication between departments to ensure federal expenditures are tracked in a timely manner. As a result of this the City's initial estimate for several federal programs was significantly different from the final expenditures.

Recommendation: We recommend that the City take the necessary steps to ensure that all departments are communicating with Finance to ensure that the all federal programs are properly accounted for in a timely manner.

Response: The City will take the necessary steps to ensure Finance has accurate and timely information for all federal awards.

CITY OF SPARTANBURG, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

Major Program

QUESTIONED COSTS

Federal Agency: HUD
Neighborhood Stabilization Program # 14.228

2014-003: Monitoring of Federal Programs

Condition: The City was not adequately monitoring the activities and reporting requirements related to the program. In addition, the City did not respond in a timely manner to the South Carolina State Housing Finance and Development Authority’s (the “Authority”) report that was issued during the fiscal year.

\$ - 0 -

Criteria: The City should have effective controls in place over the monitoring and reporting requirements related to all federal programs. In addition, the City should respond timely to any issues noted as a result of monitoring visits by the Authority.

Context and Effect: The City was monitored by the Authority and failed to adequately respond to the findings in a timely manner. This visit noted several items that the City was not handling correctly. We also noted many of these same items during our procedures. Two of the more significant items noted were:

- The City was not tracking their program income correctly.
- The City did not include the required restrictive covenants on a property that was sold.

Cause: Oversight by City personnel.

Recommendation: We recommend that the City implement the necessary monitoring and review process to ensure that all required program requirements are being addressed timely and appropriately.

Response: The City will take the necessary steps to address this issue.



City of
SPARTANBURG
south carolina

