

# Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017





# **Comprehensive Annual Financial Report**

**City of Spartanburg, South Carolina**

Fiscal Year Ended June 30, 2017

Prepared by the City's Finance Division



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

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

December 21, 2017

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, 2017. 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 (“City”).

This report includes management’s representations concerning the City’s finances. Consequently, management assumes full responsibility for the completeness and reliability of the report. To provide a reasonable basis for making these representations, City management 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’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Greene Finney, LLP, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the City’s financial statements for the fiscal year ending June 30, 2017 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’s financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditors’ report is presented in the Financial Section of this report.

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

### **Profile of the Government**

Spartanburg, South Carolina is located near the foothills of the beautiful Blue Ridge Mountains. The 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. 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.

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 97, 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**

The increase in demand for residential property in our downtown area is an indicator for the continual growth of our downtown. Several projects are underway in our central business district to meet the demand for such properties. The City has benefited from the growth that is being experienced in our region of the state and specifically our county. Our area has had several significant announcements of companies moving to our area creating new employment opportunities.

#### **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**

- **Downtown Investment:** AC Hotel Spartanburg has opened. The 10-story hotel features 109 guestrooms and five suites, a rooftop restaurant, lounge, and meeting rooms. This represents an estimated 20 million investment.

- Northside Initiative: Construction has started for an early childhood development center on the City's Northside. The center is a key component on the City's effort to improve an economically challenged area of our City. The City still had plans to construct a community center to also be used by residents of the area to assist with the improvement in the quality of life for residents. Currently our City Council has instructed the City's Management team to include within the community center an indoor aquatic facility.
- Airport Improvements: The City has made a significant investment into the municipal airport. The City has been the recipient of 10 million in grants from the FAA and State to extend the runway and repave the landing area.

### **Acknowledgements**

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

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the 24th consecutive year for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements. We believe our current 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**

**Sterling Anderson, Mayor Pro Tem**

**Jerome Rice, Councilmember**

**Alan Jenkins, Councilmember**

**Rosalyn Henderson Myers, Councilmember**

**Laura Stille, Councilmember**

**Erica Brown, Councilmember**

## **APPOINTED OFFICIALS**

**Ed Memmott**

**City Manager**

**Cathy Hofer McCabe**

**City Attorney**

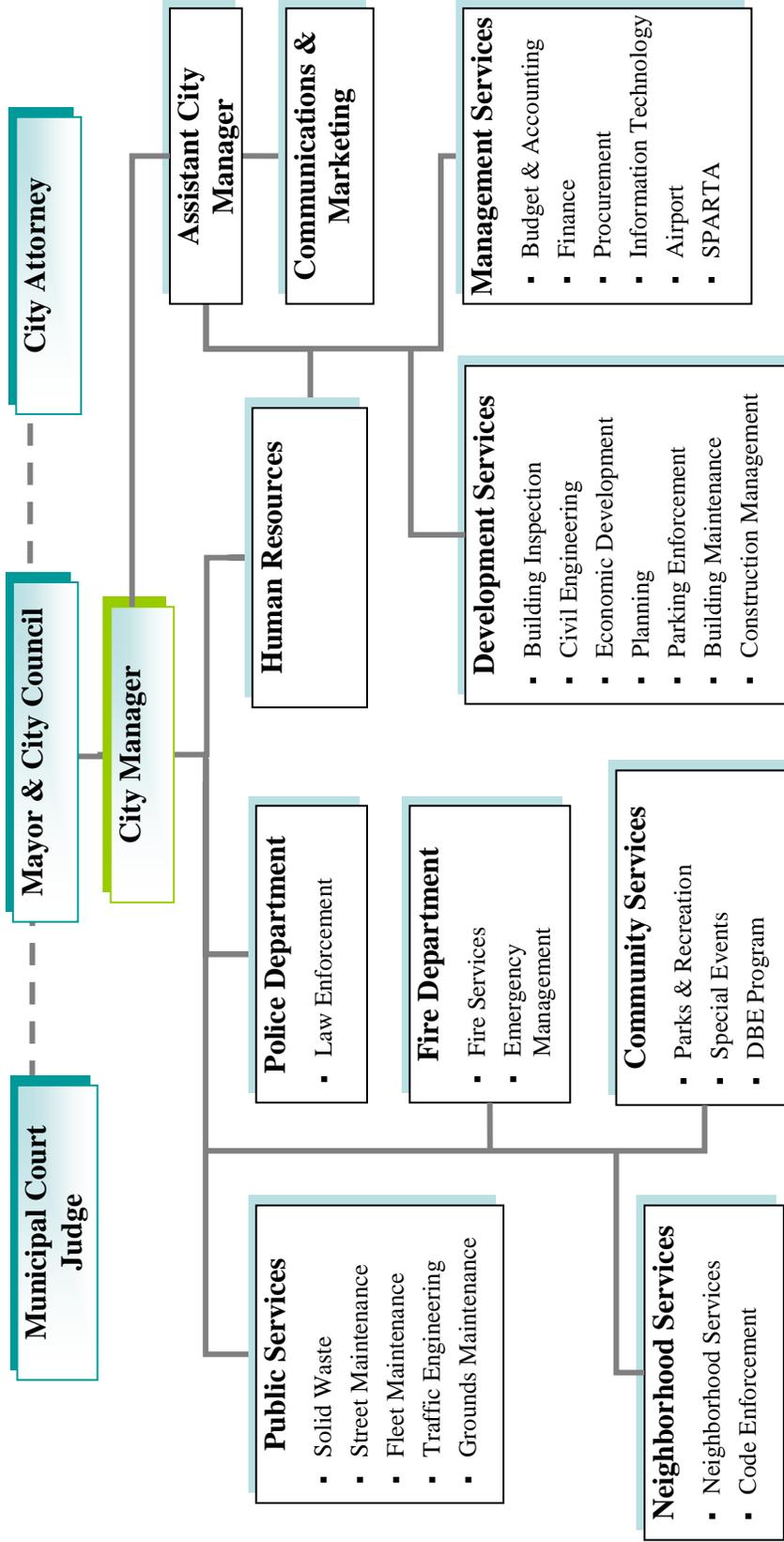
**Erika McJimpsey**

**Chief Municipal Judge**



City of  
**SPARTANBURG**  
south carolina

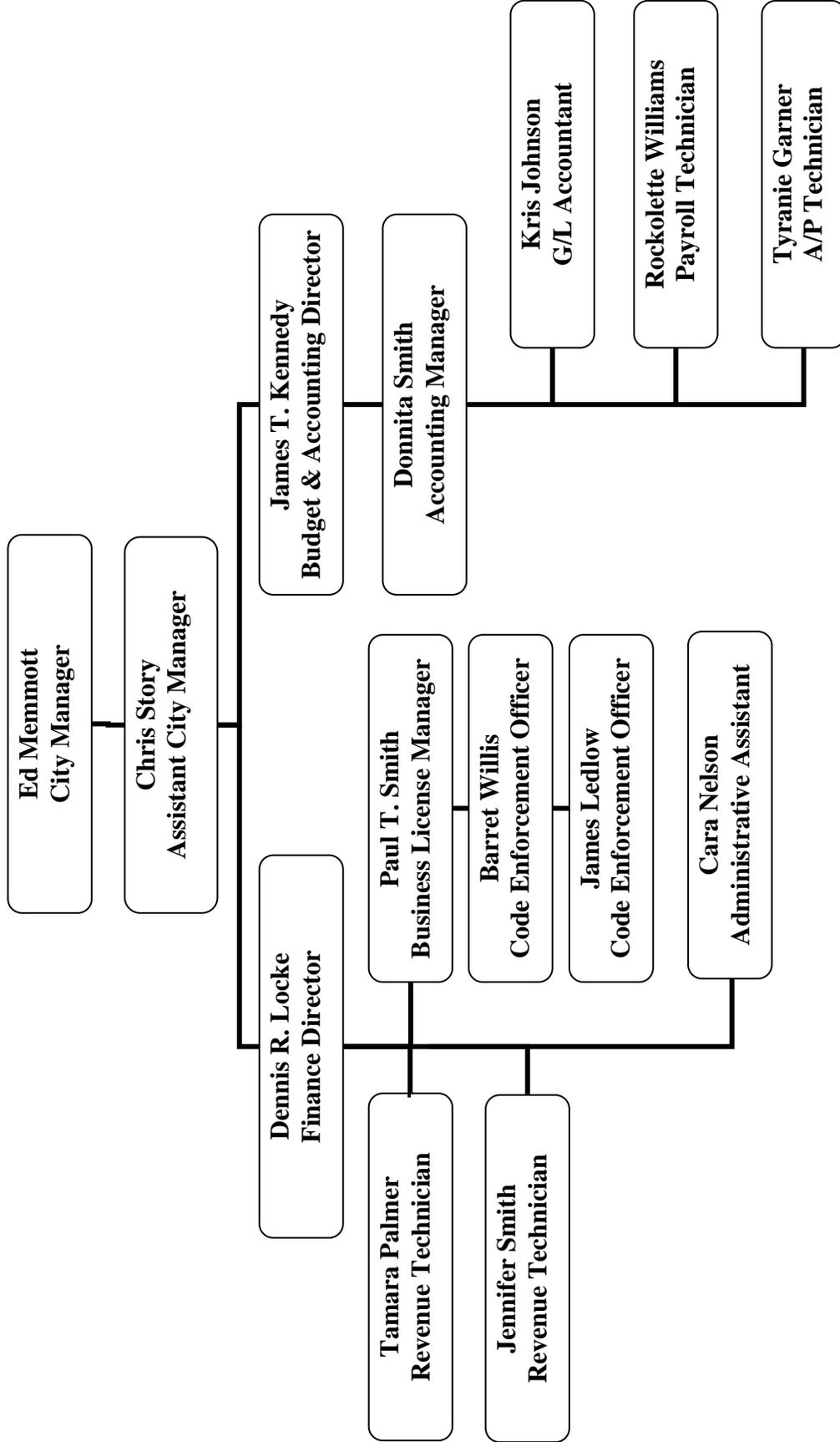
# City of Spartanburg Organizational Chart





City of  
**SPARTANBURG**  
south carolina

# 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, 2016**

Executive Director/CEO



City of  
**SPARTANBURG**  
south carolina



# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the 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, 2017, 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, 2017, 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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## **Pending Implementation of GASB Statement on Postemployment Benefits Other Than Pensions**

As discussed in Note IV.K in the notes to the financial statements, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“Statement”) in 2015. This Statement, which will be adopted by the City for the year ended June 30, 2018, will require the City to report a net other postemployment benefit (“OPEB”) liability on its applicable financial statements for its OPEB plan (“Plan”). Based on the Plan’s latest actuarial valuation, it is anticipated that the City will need to record an additional net OPEB liability which will decrease the beginning net position for its governmental activities for the year ended June 30, 2018 by approximately \$2,029,000. 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 schedules, the other postemployment benefit plan schedules, and the pension plan 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 GASB 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 21, 2017 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, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
December 21, 2017



## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2017

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As management of the City of Spartanburg ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2017 ("FY 2017" or "2017") compared to year ended June 30, 2016 ("FY 2016" or "2016"). The intent of this management's discussion and analysis ("MD&A") is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in letter of transmittal, the financial statements and notes to the financial statements to enhance their understanding the City's overall financial performance.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 were as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$63,576,000 (Net Position). Of this amount, approximately (\$32,192,000) is a negative unrestricted net position and is the result of pension accounting standards that were implemented in 2015.
- The City's total net position increased by approximately \$10,324,000 which consisted of a decrease in governmental activities of approximately \$85,000 and an increase in business-type activities of approximately \$10,409,000. The increase was due primarily to an increase in capital grants in the Airport Fund.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$11,444,000, a decrease of approximately \$2,607,000 or approximately 19% in comparison with the prior year fund balance of approximately \$14,051,000. The fund balance for the General Fund decreased approximately \$267,000 (3%) to approximately \$7,732,000 at June 30, 2017 compared to the prior year fund balance of approximately \$7,999,000. The decrease is primarily due to an increase in higher salaries (COLA increase of 2%) and benefits and related medical costs, partially offset by higher fees, licenses and permits and tax revenues. Approximately \$98,000 of the fund balance in the General Fund at year end is nonspendable (prepaids and inventories). Approximately \$1,298,000 is assigned for utility projects and \$250,000 is assigned for worker's compensation, with the remainder of approximately \$6,087,000 being unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately 17% of total General Fund expenditures (approximately \$36,833,000).
- The City's total capital assets increased by approximately \$10,095,000 (9%) during the current fiscal year. Total additions and other increases were approximately \$16,092,000 which was partially offset by depreciation expense of approximately \$5,907,000 and disposals and other decreases of approximately \$90,000.
- The City's long-term obligations decreased by approximately \$2,495,000 or 7% during the current year. The decrease was due primarily to scheduled and refunding debt payments, partially offset by the issuance of a new capital lease.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section*, *Financial Section* (which includes the MD&A, financial statements, notes to the financial statements, required supplementary information and 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. See Note I.A in the notes to the financial statements for more information on the City's blended component units.

# CITY OF SPARTANBURG, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these items 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 Services, Finance and Administrative Services, Operating, and Interest and Other Charges. The business-type activities of the City are Transit, Parking, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, Spartanburg Airport Facilities Corporation, and Storm Water. 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.

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, Airport, CC Woodson, Spartanburg Parking Facilities Corporations, Spartanburg Airport Facilities Corporation and Storm Water operations. CC Woodson, Spartanburg Parking Facilities Corporation, Spartanburg Airport Facilities Corporation were all closed out in the current year. 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

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, Airport and Storm Water, which are all considered major funds of the City. The City also has the CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation enterprise funds which are considered non-major funds. 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 Trust 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.** In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. The City adopts an annual budget for its General Fund and Hospitality Tax Fund, as required by General Statutes. A required budgetary comparison schedule has been provided for the General Fund and Hospitality Tax Fund to demonstrate compliance with these budgets. The City has also provided the required schedules for the Pension and OPEB Plans as required by GAAP. Required supplementary information can be found as listed in the table of contents.

Other supplementary information, referred to in the table of contents, is presented immediately following the required supplementary information. This information can be found as listed in the table of contents.

Major Features of the City’s Government-Wide and Fund Financial Statements				
	Fund Financial Statements			
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units.	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of revenues, expenses, and changes in Net Position</li> <li>▪ Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary Net Position</li> <li>▪ Statement of changes in fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of balance sheet information	All balance sheet elements – both financial and capital, and short-term and long-term	Only balance sheet elements that come due during the year or soon, thereafter. No capital assets or long-term debt.	All balance sheet elements - 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, 2017**

**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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$63,576,000 at the close of the most recent fiscal year. The following table provides a summary of the City's Net Position at June 30, 2017 compared to June 30, 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current & Other Assets	\$ 21,526,662	28,717,258	7,492,011	1,148,905	29,018,673	\$ 29,866,163
Capital Assets, Net	70,601,915	70,423,200	47,441,179	37,524,399	118,043,094	107,947,599
Total Assets	<u>92,128,577</u>	<u>99,140,458</u>	<u>54,933,190</u>	<u>38,673,304</u>	<u>147,061,767</u>	<u>137,813,762</u>
<b>Deferred Outflows of Resources</b>	<u>6,315,903</u>	<u>3,104,285</u>	<u>197,716</u>	<u>100,844</u>	<u>6,513,619</u>	<u>3,205,129</u>
<b>Liabilities</b>						
Long-Term Liabilities	34,816,050	36,838,011	105,951	578,990	34,922,001	37,417,001
Net Pension Liability	46,221,119	42,732,915	1,310,851	1,241,931	47,531,970	43,974,846
Other Liabilities	4,545,722	9,835,551	2,533,586	(3,828,433)	7,079,308	6,007,118
Total Liabilities	<u>85,582,891</u>	<u>89,406,477</u>	<u>3,950,388</u>	<u>(2,007,512)</u>	<u>89,533,279</u>	<u>87,398,965</u>
<b>Deferred Inflows of Resources</b>	<u>448,565</u>	<u>340,417</u>	<u>17,232</u>	<u>27,001</u>	<u>465,797</u>	<u>367,418</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets (1)	52,133,237	50,867,232	47,441,179	37,054,399	91,324,922	78,891,631
Restricted	4,443,720	4,410,117	-	-	4,443,720	4,410,117
Unrestricted (1)	(44,163,933)	(42,779,500)	3,722,107	3,700,260	(32,192,332)	(30,049,240)
Total Net Position	<u>\$ 12,413,024</u>	<u>12,497,849</u>	<u>51,163,286</u>	<u>40,754,659</u>	<u>63,576,310</u>	<u>\$ 53,252,508</u>

(1) The totals for Net Investment in Capital Assets and Unrestricted Net Position do not add/foot across. See Note III.F in the notes to the financial statements for more details.

The Net Position of the City's governmental activities decreased by less than 1% (approximately \$85,000 from the prior year balance). The various components of the City's governmental activities Net Position changed as follows:

- The Net Investment in Capital Assets increased by approximately \$1,266,000 or approximately 2%, primarily due to a decrease in outstanding debt.
- Restricted Net Position increased by approximately \$34,000.
- 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, decreased from approximately (\$42,780,000) at June 30, 2016 to approximately (\$44,164,000) at June 30, 2017 as a result of an increase in the net pension balance and debt service payments.

The Net Position of business-type activities increased by approximately 26% (approximately \$51,163,000 in the current year compared to approximately \$40,755,000 in the prior year) for the year ended June 30, 2017. The various components of the business-type activities Net Position changed as follows:

- The Net Investment in Capital Assets increased by approximately \$10,387,000 or approximately 28% primarily due to an increase in net capital assets of approximately \$9,917,000 (primarily due to capital grants for the airport runway extension project) and a decrease in debt of approximately \$470,000.
- Unrestricted Net Position increased by approximately \$22,000. The increase was due to better operating results.

**CITY OF SPARTANBURG, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

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

The following table shows the changes in Net Position for 2017 compared to 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 20,071,837	18,852,329	3,721,474	3,586,468	23,793,311	\$ 22,438,797
Operating Grants	3,415,281	3,114,042	-	-	3,415,281	3,114,042
Capital Grants	-	20,721	11,264,237	1,688,262	11,264,237	1,708,983
<b>General Revenue:</b>						
Property Taxes	18,409,536	18,228,412	-	-	18,409,536	18,228,412
Other Taxes	5,852,657	5,558,292	-	-	5,852,657	5,558,292
Intergovernmental Revenue	844,738	812,175	-	-	844,738	812,175
Other	2,117,792	6,063,306	53,491	7,003,710	2,171,283	13,067,016
Total Revenues	<u>50,711,841</u>	<u>52,649,277</u>	<u>15,039,202</u>	<u>12,278,440</u>	<u>65,751,043</u>	<u>64,927,717</u>
<b>Program Expenses</b>						
Policy Formulation & Administration	6,071,710	7,550,338	-	-	6,071,710	7,550,338
Public Safety	17,864,273	16,193,535	-	-	17,864,273	16,193,535
Parks, Recreation, and Special Events	2,592,220	2,247,585	-	-	2,592,220	2,247,585
Development Services	3,790,091	3,000,367	-	-	3,790,091	3,000,367
Public Services	8,563,016	8,335,035	-	-	8,563,016	8,335,035
Finance and Administrative Services	3,534,213	2,771,890	-	-	3,534,213	2,771,890
Operating	5,800,758	5,010,013	-	-	5,800,758	5,010,013
Interest and Other Charges	1,653,346	1,030,383	-	-	1,653,346	1,030,383
Transit	-	-	1,933,748	1,852,015	1,933,748	1,852,015
Parking	-	-	1,195,457	801,105	1,195,457	801,105
Airport	-	-	1,518,271	1,442,379	1,518,271	1,442,379
CC Woodson	-	-	-	397,663	-	397,663
Spartanburg Parking Facility Corp.	-	-	-	1,873,815	-	1,873,815
Spartanburg Airport Facilities Corp.	-	-	-	419,359	-	419,359
Storm Water	-	-	910,138	1,182,618	910,138	1,182,618
Total Expenses	<u>49,869,627</u>	<u>46,139,146</u>	<u>5,557,614</u>	<u>7,968,954</u>	<u>55,427,241</u>	<u>54,108,100</u>
Change in Net Position Before Transfers	842,214	6,510,131	9,481,588	4,309,486	10,323,802	10,819,617
Transfers In (Out)	(927,039)	(10,694,474)	927,039	10,694,474	-	-
Change in Net Position	<u>(84,825)</u>	<u>(4,184,343)</u>	<u>10,408,627</u>	<u>15,003,960</u>	<u>10,323,802</u>	<u>10,819,617</u>
Net Position - Beginning of Year	<u>12,497,849</u>	<u>16,682,192</u>	<u>40,754,659</u>	<u>25,750,699</u>	<u>53,252,508</u>	<u>42,432,891</u>
Net Position - End Year	<u>\$ 12,413,024</u>	<u>12,497,849</u>	<u>51,163,286</u>	<u>40,754,659</u>	<u>63,576,310</u>	<u>\$ 53,252,508</u>

**Governmental Activities:**

Net Position decreased by approximately \$85,000 for 2017 for governmental activities. Revenues decreased by approximately \$1,937,000 (4%) to approximately \$50,712,000 from the prior year. This decrease was primarily due to a decrease in other revenues due to amounts contributed to pay off the debt related to the new market tax credits in the prior year, partially offset by an increase in charges for services. Expenses increased by approximately \$3,730,000 (8%) to approximately \$49,870,000 from the prior year. The increase in expenses from the prior year was primarily due to higher salaries (COLA increase of 2%), benefits, operating expenses, and interest expense.

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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

##### **Business-Type Activities:**

Net Position increased by approximately \$10,409,000 for 2017 for business-type activities. In aggregate, business-type revenues increased approximately 22% to \$15,039,000 compared to approximately \$12,278,000 in the prior year. The increase in revenue was primarily due to an increase in capital grants of approximately \$9,576,000, partially offset by a decrease in the gain on extinguishment of debt of approximately \$6,960,000 related to the new market tax credit agreements in the prior year. Total expenses decreased approximately \$2,411,000 (30%) to approximately \$5,558,000 compared to approximately \$7,969,000 in the prior year. The decrease was primarily due to a decrease in derivative termination costs and bond issuance costs related to the new market tax credit agreements in the prior year.

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

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. Specifically, 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, 2017, the City's governmental funds reported a combined ending fund balance of approximately \$11,444,000, a decrease of approximately \$2,607,000 in comparison with the prior year fund balance. Approximately 46% of this total amount (approximately \$5,275,000) constitutes unassigned fund balance. The remainder of fund balance is assigned, restricted, committed, or nonspendable. The amounts are nonspendable (approximately \$98,000), committed for special revenue programs (approximately \$12,000), assigned for utility projects (approximately \$1,298,000), assigned for insurance costs (approximately \$250,000), restricted for debt service (approximately \$1,587,000), restricted for tourism related costs (\$2,586,000), and restricted for special revenue programs (approximately \$338,000).

The fund balance for the Capital Projects Fund decreased by approximately \$2,411,000 during the current fiscal year to a fund balance of approximately (\$811,000) as capital expenditures of approximately \$4,355,000 exceeded revenues and other financing resources of approximately \$1,944,000.

The fund balance for the Hospitality Tax Fund increased by approximately \$228,000 during the current fiscal year to approximately \$2,342,000, as revenues of approximately \$4,791,000 exceeded expenditures and transfers out of approximately \$4,563,000. Revenues increased approximately \$233,000 from the prior year due to better collections. Expenditures and transfers out increased approximately \$292,000 from the prior year due to better collections noted above.

**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 \$51,163,000. Factors concerning the operations of these 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 2017 was approximately \$36,717,000, an increase of 4% from the previous year. Property tax collections increased 1% to approximately \$14,828,000 compared to approximately \$14,711,000 for the previous year. Fees, Licenses and Permits revenues increased 11% to approximately \$16,381,000 compared to approximately \$14,753,000 for the previous year. These increases were primarily due to higher business license (including MASC collections) and building permit collections in the current year.

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 105.0 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 40% or approximately \$14,828,000 of total General Fund revenue for 2017.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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

The City received approximately \$16,381,000 in revenue from fees, licenses, and permits. The remaining General Fund revenue sources were charges for services of approximately \$1,850,000, intergovernmental revenue of approximately \$3,100,000, fines and forfeitures of approximately \$339,000, and other revenues of approximately \$219,000.

General Fund Expenditures

General Fund expenditures for 2017 totaled approximately \$36,833,000, an 8% increase over the previous fiscal year. This reflects increases in wages, 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. Policy Formulation and Administration accounted for the second largest departmental budget, which accounted for approximately 17% of total General Fund expenditures. Actual expenditures for these departments were approximately \$16,140,000 for Public Safety and approximately \$6,233,000 for Policy Formulation and Administration. The remaining 39% of General Fund expenditures came from the areas of Public Services – approximately \$6,088,000, Parks, Recreation, and Special Events – approximately \$1,581,000, Development Services of approximately \$2,768,000, Finance and Administrative Services - \$2,655,000, and Capital Outlay of approximately \$1,368,000.

General Fund Balance

Total fund balance in the General Fund decreased by approximately \$266,000 to \$7,732,000 at June 30, 2017. The unassigned fund balance decreased by approximately \$280,000 to approximately \$6,087,000. Unassigned fund balance represents approximately 17% of total General Fund expenditures. The decrease in unassigned fund balance was due to increased expenditures as discussed above.

**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 \$37,192,000 (including other financing sources/uses) was adjusted during the fiscal year to approximately \$37,427,000. More information about our budgetary process can be found in Note II.A of the notes to the financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2017, the City had approximately \$118,043,000 in capital assets, net of depreciation. The total increase in the City's capital assets was approximately \$10,095,000 (9%). Total additions and other increases were approximately \$16,092,000 which was partially offset by depreciation expense of approximately \$5,907,000 and disposals and other decreases of approximately \$90,000. The following table shows capital asset balances (net of depreciation) at June 30, 2017 compared to June 30, 2016:

	Government Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 30,473,329	27,866,413	2,982,220	2,109,296	33,455,549	\$ 29,975,709
Construction in Progress	842,983	350,768	12,587,148	3,518,976	13,430,131	3,869,744
Building & Improvements	17,234,157	18,292,158	23,353,618	24,389,032	40,587,775	42,681,190
Infrastructure	14,281,863	16,252,458	5,993,207	6,183,301	20,275,070	22,435,759
Machinery & Equipment	828,303	1,032,679	25,778	68,894	854,081	1,101,573
Vehicles	6,941,280	6,628,724	2,499,208	1,254,900	9,440,488	7,883,624
Totals	\$ 70,601,915	70,423,200	47,441,179	37,524,399	118,043,094	\$ 107,947,599

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Long-Term Obligations**

At June 30, 2017, the City had long-term obligations of approximately \$34,922,000 versus approximately \$37,417,000 in the prior year, a decrease of approximately \$2,495,000 or 7%. The decrease was primarily due to scheduled and refunding debt payments, partially offset by the issuance of a new capital lease.

The following table shows long-term obligation balances at June 30, 2017 compared to June 30, 2016:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Debt:						
General Obligation Bonds	\$ 5,280,000	5,590,000	-	-	5,280,000	\$ 5,590,000
Tax Increment Bonds	4,545,000	4,930,000	-	-	4,545,000	4,930,000
Hospitality Tax/SOB Bonds	15,465,000	17,025,000	-	-	15,465,000	17,025,000
Revenue Bonds	-	-	-	470,000	-	470,000
Promissory Note	418,814	618,619	-	-	418,814	618,619
Total Debt	25,708,814	28,163,619	-	470,000	25,708,814	28,633,619
Capital Leases	5,474,154	5,149,281	-	-	5,474,154	5,149,281
Compensated Absences	3,633,082	3,525,111	105,951	108,990	3,739,033	3,634,101
Total	\$ 34,816,050	36,838,011	105,951	578,990	34,922,001	\$ 37,417,001

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 \$11,624,000. The current amount of outstanding general obligation debt at June 30, 2017 is \$5,280,000 which leaves an unused legal debt margin of approximately \$6,344,000.

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 AA- from Standard & Poor's.

As noted above, other long-term obligations include capital leases, 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 growth for the year ended June 30, 2018 ("FY 2018"). Economic forecasts project the Greenville-Spartanburg-Anderson metropolitan area will see positive job growth. The unemployment rate for the Spartanburg metropolitan statistical area decreased from 5.7% in June 2016 to 4.2% in June 2017.

The primary goal of the City's FY 2018 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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2017**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

General Fund revenues are budgeted at approximately \$39,098,000 for FY 2018, an increase of approximately 5% over FY 2017 original budget. Property tax collections are projected to be flat and insurance franchise fees are expected to increase slightly. Business license fee are projected to increase by 17%, while building permits are projected to increase over 38%. The City has projected no increase in funding from the State's Local Government Fund. Most of the General Fund expenditure increases were the result of needed compensation adjustments, employer's contributions for medical insurance, and mandatory changes in retirement contributions.

Key items that factored into the preparation of the budget for the FY 2018, are listed below:

- The budget provides for a 2.0% cost-of-living adjustment for employees
- 0.34% and 0.51% mandatory increase in employer's retirement contribution rates for SCRS and PORS
- No change in the millage rate of 105.0
- 10% increase in employer's contribution to the Medical Insurance Fund
- 20% increase in transfer to the General Fund from the Hospitality Tax Fund
- Second year of transfer to the St. Johns Street TIF Fund from the General Fund for debt service
- 9% increase in revenues for Fees, Licenses, and Permits
- 17% decrease in fines & forfeitures

**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

STATEMENT OF NET POSITION

JUNE 30, 2017

	PRIMARY GOVERNMENT			Totals
	Governmental Activities	Business-Type Activities	Adjustment	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,729,650	4,749,277	-	\$ 18,478,927
Restricted Cash and Cash Equivalents	645,075	-	-	645,075
Restricted Investments	185	-	-	185
Property Taxes Receivable, Net	1,799,444	-	-	1,799,444
Other Receivables, Net:				
Mortgage	71,545	-	-	71,545
Commercial Loan	53,686	-	-	53,686
Other	2,925,330	2,552,252	-	5,477,582
Other Asset	1,490,752	11,376	-	1,502,128
Prepays and Inventories	810,995	179,106	-	990,101
Capital Assets:				
Non-Depreciable	31,316,312	15,569,368	-	46,885,680
Depreciable, Net	39,285,603	31,871,811	-	71,157,414
<b>TOTAL ASSETS</b>	<b>92,128,577</b>	<b>54,933,190</b>	<b>-</b>	<b>147,061,767</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	6,315,903	197,716	-	6,513,619
<b>LIABILITIES</b>				
Accounts Payable	2,065,102	1,022,784	-	3,087,886
Accrued Interest Payable	235,107	-	-	235,107
Accrued Salaries and Benefits	1,633,369	32,479	-	1,665,848
Internal Balances	(908,135)	908,135	-	-
Retainage Payable	9,860	504,959	-	514,819
Intergovernmental Payable	363,413	-	-	363,413
Customer Deposits	20,215	51,751	-	71,966
Unclaimed Checks	8,707	-	-	8,707
Accrued Claims/Premiums	706,965	-	-	706,965
Unearned Revenues	411,119	13,478	-	424,597
Non-Current Liabilities:				
Net Pension Liability	46,221,119	1,310,851	-	47,531,970
Long-Term Obligations - Due Within One Year	5,851,940	52,976	-	5,904,916
Long-Term Obligations - Due in More Than One Year	28,964,110	52,975	-	29,017,085
<b>TOTAL LIABILITIES</b>	<b>85,582,891</b>	<b>3,950,388</b>	<b>-</b>	<b>89,533,279</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	448,565	17,232	-	465,797
<b>NET POSITION</b>				
Net Investment in Capital Assets	52,133,237	47,441,179	(8,249,494)	91,324,922
Restricted For:				
Debt Service	1,404,472	-	-	1,404,472
Tourism Related Costs	2,586,300	-	-	2,586,300
Special Revenue Programs	452,948	-	-	452,948
Unrestricted	(44,163,933)	3,722,107	8,249,494	(32,192,332)
<b>TOTAL NET POSITION</b>	<b>\$ 12,413,024</b>	<b>51,163,286</b>	<b>-</b>	<b>\$ 63,576,310</b>

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, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital	Governmental Activities	Primary Government Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
Policy Formulation and Administration	\$ 6,071,710	-	-	-	(6,071,710)	-	\$ (6,071,710)
Public Safety	17,864,273	713,104	586,892	-	(16,564,277)	-	(16,564,277)
Parks, Recreation, and Special Events	2,592,220	97,453	-	-	(2,494,767)	-	(2,494,767)
Development Services	3,790,091	715,327	1,627,345	-	(1,447,419)	-	(1,447,419)
Public Services	8,563,016	2,641,489	1,201,044	-	(4,720,483)	-	(4,720,483)
Finance and Administrative Services	3,534,213	15,904,464	-	-	12,370,251	-	12,370,251
Operating	5,800,758	-	-	-	(5,800,758)	-	(5,800,758)
Interest and Other Charges	1,653,346	-	-	-	(1,653,346)	-	(1,653,346)
<b>Total Governmental Activities</b>	<b>49,869,627</b>	<b>20,071,837</b>	<b>3,415,281</b>	<b>-</b>	<b>(26,382,509)</b>	<b>-</b>	<b>(26,382,509)</b>
<b>Business-Type Activities:</b>							
Transit	1,933,748	276,371	-	1,945,385	-	288,008	288,008
Parking Enterprise	1,195,457	455,636	-	-	-	(739,821)	(739,821)
Airport	1,518,271	1,380,335	-	9,318,852	-	9,180,916	9,180,916
Storm Water	910,138	1,609,132	-	-	-	698,994	698,994
<b>Total Business-Type Activities</b>	<b>5,557,614</b>	<b>3,721,474</b>	<b>-</b>	<b>11,264,237</b>	<b>-</b>	<b>9,428,097</b>	<b>9,428,097</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 55,427,241</b>	<b>23,793,311</b>	<b>3,415,281</b>	<b>11,264,237</b>	<b>(26,382,509)</b>	<b>9,428,097</b>	<b>(16,954,412)</b>
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					14,673,143	-	14,673,143
Tax Increment					2,315,524	-	2,315,524
Motor Vehicle Taxes					1,420,869	-	1,420,869
Hospitality Taxes					5,028,735	-	5,028,735
Other Taxes					823,922	-	823,922
Intergovernmental Revenue - Unrestricted					844,738	-	844,738
Investment Income					68,753	33,202	101,955
Miscellaneous					930,285	-	930,285
Grants and Contributions Not Restricted to Specific Programs					1,078,916	-	1,078,916
Gain (Loss) on Sale of Assets					39,838	20,289	60,127
Transfers In (Out)					(927,039)	927,039	-
<b>Total General Revenues and Transfers</b>					<b>26,297,684</b>	<b>980,530</b>	<b>27,278,214</b>
<b>CHANGE IN NET POSITION</b>					<b>(84,825)</b>	<b>10,408,627</b>	<b>10,323,802</b>
NET POSITION, Beginning of Year					12,497,849	40,754,659	53,252,508
<b>NET POSITION- End of Year</b>					<b>12,413,024</b>	<b>51,163,286</b>	<b>\$ 63,576,310</b>

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, 2017

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 3,185	-	-	-	14,400	\$ 17,585
Pooled Cash and Cash Equivalents	7,552,561	-	1,932,739	208	2,400,144	11,885,652
Restricted Investments	-	-	-	-	185	185
Property Taxes Receivable, Net	1,706,382	-	-	10,049	83,013	1,799,444
Accounts Receivable, Net	1,480,205	-	409,179	-	728	1,890,112
Commercial Loan Receivables	-	-	-	-	53,686	53,686
Intergovernmental Receivables	-	-	-	-	1,028,526	1,028,526
Due From Other Funds	2,232,931	-	-	-	-	2,232,931
Prepays and Inventories	98,095	-	-	-	-	98,095
Mortgages Receivable: Home Loans	-	-	-	-	71,545	71,545
<b>TOTAL ASSETS</b>	<b>\$ 13,073,359</b>	<b>-</b>	<b>2,341,918</b>	<b>10,257</b>	<b>3,652,227</b>	<b>\$ 19,077,761</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 1,449,320	110,281	-	727	440,756	\$ 2,001,084
Accrued Salaries and Benefits	1,609,822	-	-	-	23,547	1,633,369
Customer Deposits	20,215	-	-	-	-	20,215
Unclaimed Checks	7,157	-	-	-	-	7,157
Retainage Payable	-	9,860	-	-	-	9,860
Intergovernmental Payable	363,413	-	-	-	-	363,413
Due To Other Funds	-	691,337	-	-	633,459	1,324,796
Unearned Revenues	195,890	-	-	-	215,229	411,119
<b>TOTAL LIABILITIES</b>	<b>3,645,817</b>	<b>811,478</b>	<b>-</b>	<b>727</b>	<b>1,312,991</b>	<b>5,771,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Property Taxes	1,695,115	-	-	9,530	43,287	1,747,932
Unavailable Note Receivable	-	-	-	-	114,592	114,592
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,695,115</b>	<b>-</b>	<b>-</b>	<b>9,530</b>	<b>157,879</b>	<b>1,862,524</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>5,340,932</b>	<b>811,478</b>	<b>-</b>	<b>10,257</b>	<b>1,470,870</b>	<b>7,633,537</b>
<b>FUND BALANCES</b>						
Nonspendable: Prepays and Inventories	98,095	-	-	-	-	98,095
Restricted for:						
Debt Service	-	-	-	-	1,586,762	1,586,762
Tourism Related Costs	-	-	2,341,918	-	244,382	2,586,300
Special Revenue Programs	-	-	-	-	338,356	338,356
Committed for: Special Revenue Programs	-	-	-	-	11,857	11,857
Assigned for:						
Utility Projects	1,297,572	-	-	-	-	1,297,572
Insurance Costs	250,000	-	-	-	-	250,000
Unassigned	6,086,760	(811,478)	-	-	-	5,275,282
<b>TOTAL FUND BALANCES</b>	<b>7,732,427</b>	<b>(811,478)</b>	<b>2,341,918</b>	<b>-</b>	<b>2,181,357</b>	<b>11,444,224</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,073,359</b>	<b>-</b>	<b>2,341,918</b>	<b>10,257</b>	<b>3,652,227</b>	<b>\$ 19,077,761</b>

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, 2017

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 11,444,224</b>
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 \$116,787,418 and the accumulated depreciation was \$53,335,737.	63,451,681
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.	1,747,932
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.	114,592
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	1,016,979
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.	(235,107)
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.	473,773
The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(40,353,781)
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.	5,293,670
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:	
Long-Term Debt (including Capital Leases)	(26,907,857)
Compensated Absences (Sick Pay and Vacations)	(3,633,082)
	(30,540,939)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 12,413,024</b>

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, 2017

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$ 14,828,294	-	4,776,238	338,278	4,173,468	\$ 24,116,278
Fees, Licenses, and Permits	16,381,419	-	-	-	-	16,381,419
Fines and Forfeitures	338,617	-	-	-	-	338,617
State Government Contributions	-	300,000	-	-	1,264,114	1,564,114
Federal Government Contributions	-	-	-	-	937,146	937,146
Intergovernmental Revenues	3,099,715	-	-	-	-	3,099,715
Charges for Services	1,849,930	-	-	-	-	1,849,930
Investment Earnings	-	1,413	11,112	-	5,055	17,580
Confiscated Drug Funds	-	-	-	-	6,831	6,831
Donations	-	-	-	-	9,000	9,000
Ground Lease Rent	-	-	-	200,000	-	200,000
Other	219,344	109,131	4,100	-	1,672,244	2,004,819
<b>TOTAL REVENUES</b>	<b>36,717,319</b>	<b>410,544</b>	<b>4,791,450</b>	<b>538,278</b>	<b>8,067,858</b>	<b>50,525,449</b>
<b>EXPENDITURES:</b>						
Current:						
Policy Formulation and Administration	6,232,700	-	-	-	-	6,232,700
Public Safety	16,139,926	-	-	-	-	16,139,926
Parks, Recreation, and Special Events	1,581,047	-	-	-	-	1,581,047
Development Services	2,768,470	-	-	-	-	2,768,470
Public Services	6,088,177	-	-	-	-	6,088,177
Finance and Administrative Services	2,654,915	-	-	-	808,244	3,463,159
Operating	-	-	527,645	-	5,225,143	5,752,788
Capital Outlay	1,367,532	4,354,887	-	-	189	5,722,608
Debt Service:						
Principal Retirement	-	-	-	4,930,000	2,349,388	7,279,388
Interest	-	-	-	254,732	722,215	976,947
Other	-	-	-	29,093	536,234	565,327
<b>TOTAL EXPENDITURES</b>	<b>36,832,767</b>	<b>4,354,887</b>	<b>527,645</b>	<b>5,213,825</b>	<b>9,641,413</b>	<b>56,570,537</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(115,448)</b>	<b>(3,944,343)</b>	<b>4,263,805</b>	<b>(4,675,547)</b>	<b>(1,573,555)</b>	<b>(6,045,088)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	2,435,856	1,532,918	-	128,876	3,348,961	7,446,611
Transfers Out	(2,628,280)	-	(4,035,567)	-	(2,009,803)	(8,673,650)
Refunding Bonds Issuance	-	-	-	4,545,000	-	4,545,000
Proceeds from Sale of Capital Assets	41,538	-	-	-	79,028	120,566
Total Other Financing Sources (Uses)	(150,886)	1,532,918	(4,035,567)	4,673,876	1,418,186	3,438,527
<b>NET CHANGES IN FUND BALANCES</b>	<b>(266,334)</b>	<b>(2,411,425)</b>	<b>228,238</b>	<b>(1,671)</b>	<b>(155,369)</b>	<b>(2,606,561)</b>
FUND BALANCES, Beginning of Year	7,998,761	1,599,947	2,113,680	1,671	2,336,726	14,050,785
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,732,427</b>	<b>(811,478)</b>	<b>2,341,918</b>	<b>-</b>	<b>2,181,357</b>	<b>\$ 11,444,224</b>

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, 2017

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (2,606,561)</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	164,038
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.	(4,545,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.	7,279,388
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.	(44,626)
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.	(88,568)
Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the governmental funds but are reported in the Statement of Activities.	(384,734)
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.	(66,930)
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.	(107,971)
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.	(2,747)
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.	(11,578)
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.	484,670
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 (\$3,114,656) were exceeded by depreciation expense (\$3,213,043) and transfers out (\$55,819) in the current period.	<u>(154,206)</u>
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (84,825)</u></b>

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, 2017

	TRANSIT	PARKING	AIRPORT
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,946	-	-
Pooled Cash and Cash Equivalents	654,035	2,249,002	-
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable, Net	133,286	12,203	2,365,996
Other Assets	-	-	11,376
Prepays and Inventories	97,337	-	81,769
Total Current Assets	<u>891,604</u>	<u>2,261,205</u>	<u>2,459,141</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	179,840	-	15,389,528
Depreciable, Net	4,718,617	18,294,678	8,564,017
Total Non-Current Assets	<u>4,898,457</u>	<u>18,294,678</u>	<u>23,953,545</u>
<b>TOTAL ASSETS</b>	<u>5,790,061</u>	<u>20,555,883</u>	<u>26,412,686</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Pension Charges	-	27,459	70,276
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 5,790,061</u>	<u>20,583,342</u>	<u>26,482,962</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 59,650	3,707	902,985
Accrued Salaries and Benefits	-	4,148	14,169
Retainage Payable	-	-	504,959
Customer Deposits	-	51,751	-
Due To Other Funds	-	-	908,135
Unearned Revenue	1,275	12,203	-
Unclaimed Checks	-	-	-
Accrued Claims/Premiums	-	-	-
Current Portion of Compensated Absences	-	-	10,146
Current Portion of Debt/Capital Leases	-	-	-
Total Current Liabilities	<u>60,925</u>	<u>71,809</u>	<u>2,340,394</u>
Long-Term Liabilities:			
Compensated Absences, Less Current Portion	-	-	10,146
Debt/Capital Leases, Less Current Portion	-	-	-
Net Pension Liability	-	182,046	465,930
Total Long-Term Liabilities	<u>-</u>	<u>182,046</u>	<u>476,076</u>
<b>TOTAL LIABILITIES</b>	<u>60,925</u>	<u>253,855</u>	<u>2,816,470</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	-	2,393	6,125
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,898,457	18,294,678	23,953,545
Unrestricted	830,679	2,032,416	(293,178)
<b>TOTAL NET POSITION</b>	<u>5,729,136</u>	<u>20,327,094</u>	<u>23,660,367</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 5,790,061</u>	<u>20,583,342</u>	<u>26,482,962</u>

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

STORM WATER	NON-MAJOR CC WOODSON	NON-MAJOR	NON-MAJOR	TOTALS	TOTAL INTERNAL SERVICE FUNDS
		SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION		
-	-	-	-	6,946	\$ -
1,839,294	-	-	-	4,742,331	1,826,413
-	-	-	-	-	645,075
40,767	-	-	-	2,552,252	6,692
-	-	-	-	11,376	-
-	-	-	-	179,106	712,900
1,880,061	-	-	-	7,492,011	3,191,080
-	-	-	-	15,569,368	-
294,499	-	-	-	31,871,811	7,150,234
294,499	-	-	-	47,441,179	7,150,234
2,174,560	-	-	-	54,933,190	10,341,314
99,981	-	-	-	197,716	-
<b>2,274,541</b>	-	-	-	<b>55,130,906</b>	<b>\$ 10,341,314</b>
56,442	-	-	-	1,022,784	\$ 64,018
14,162	-	-	-	32,479	-
-	-	-	-	504,959	-
-	-	-	-	51,751	-
-	-	-	-	908,135	-
-	-	-	-	13,478	-
-	-	-	-	-	1,550
-	-	-	-	-	706,965
42,830	-	-	-	52,976	-
-	-	-	-	-	1,093,962
113,434	-	-	-	2,586,562	1,866,495
42,829	-	-	-	52,975	-
-	-	-	-	-	3,181,149
662,875	-	-	-	1,310,851	-
705,704	-	-	-	1,363,826	3,181,149
819,138	-	-	-	3,950,388	5,047,644
8,714	-	-	-	17,232	-
294,499	-	-	-	47,441,179	2,875,123
1,152,190	-	-	-	3,722,107	2,418,547
1,446,689	-	-	-	51,163,286	5,293,670
<b>2,274,541</b>	-	-	-	<b>55,130,906</b>	<b>\$ 10,341,314</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	<u>TRANSIT</u>	<u>PARKING</u>	<u>AIRPORT</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 230,404	447,596	346,861
Contributions	-	-	-
Other Revenues	45,967	8,040	469
Sale of Inventory	-	-	1,033,005
<b>TOTAL OPERATING REVENUES</b>	<u>276,371</u>	<u>455,636</u>	<u>1,380,335</u>
<b>OPERATING EXPENSES</b>			
Personal Services	-	109,159	232,278
Depreciation	445,126	828,723	246,757
Other Services and Charges	1,488,622	185,254	279,304
Claims/Premiums	-	-	-
Cost of Goods Sold	-	-	731,519
Maintenance	-	58,306	28,413
<b>TOTAL OPERATING EXPENSES</b>	<u>1,933,748</u>	<u>1,181,442</u>	<u>1,518,271</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,657,377)</u>	<u>(725,806)</u>	<u>(137,936)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	-	-	(300,000)
Federal and State Contributions	1,945,385	-	9,320,955
Interest Expense	-	(13,818)	-
Investment Earnings	-	16,691	19
Other Revenues (Expenses)	-	(197)	(2,103)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>1,945,385</u>	<u>2,676</u>	<u>9,018,871</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>288,008</b>	<b>(723,130)</b>	<b>8,880,935</b>
Transfers In	560,000	1,124,150	1,226,993
Transfers Out	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>848,008</b>	<b>401,020</b>	<b>10,107,928</b>
NET POSITION, Beginning of Year	<u>4,881,128</u>	<u>19,926,074</u>	<u>13,552,439</u>
<b>NET POSITION, End of Year</b>	<u><b>\$ 5,729,136</b></u>	<u><b>20,327,094</b></u>	<u><b>23,660,367</b></u>

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

<b>STORM WATER</b>	<b>NON-MAJOR CC WOODSON</b>	<b>NON-MAJOR SPARTANBURG PARKING FACILITIES CORPORATION</b>	<b>NON-MAJOR SPARTANBURG AIRPORT FACILITIES CORPORATION</b>	<b>TOTALS</b>	<b>TOTAL INTERNAL SERVICE FUNDS</b>
1,609,132	-	-	-	2,633,993	\$ 1,356,197
-	-	-	-	-	5,385,740
-	-	-	-	54,476	13,358
-	-	-	-	1,033,005	-
<b>1,609,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,721,474</b>	<b>6,755,295</b>
424,081	-	-	-	765,518	-
19,093	-	-	-	1,539,699	1,154,575
455,298	-	-	-	2,408,478	596,472
-	-	-	-	-	4,976,664
-	-	-	-	731,519	-
11,666	-	-	-	98,385	-
910,138	-	-	-	5,543,599	6,727,711
<b>698,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,822,125)</b>	<b>27,584</b>
20,289	-	-	-	(279,711)	(13,333)
-	-	-	-	11,266,340	-
-	-	-	-	(13,818)	(66,446)
16,492	-	-	-	33,202	1,765
-	-	-	-	(2,300)	(16,500)
36,781	-	-	-	11,003,713	(94,514)
<b>735,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,181,588</b>	<b>(66,930)</b>
-	-	-	-	2,911,143	-
(429,583)	(104,794)	(474,668)	(675,059)	(1,684,104)	-
<b>306,192</b>	<b>(104,794)</b>	<b>(474,668)</b>	<b>(675,059)</b>	<b>10,408,627</b>	<b>(66,930)</b>
1,140,497	104,794	474,668	675,059	40,754,659	5,360,600
<b>1,446,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,163,286</b>	<b>\$ 5,293,670</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	TRANSIT	PARKING	AIRPORT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 230,429	450,410	346,861
Receipts from Contributions	-	-	-
Receipts from Sale of Inventory	-	-	1,033,005
Receipts from Other Revenues	45,967	8,040	(1,634)
Payments for Personal Services	-	(96,442)	(300,662)
Payments for Services and Charges	(1,496,843)	(253,101)	(23,845)
Payments for Cost of Goods Sold	-	-	(727,638)
Payments for Other Expenses	-	-	-
Payments for Claims/Premiums	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,220,447)</u>	<u>108,907</u>	<u>326,087</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	560,000	1,124,150	1,157,003
Transfers to Other Funds	-	-	-
Non-Operating State and Federal Grants	1,962,318	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>2,522,318</u>	<u>1,124,150</u>	<u>1,157,003</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,201,791)	-	(8,824,583)
Proceeds on Sale of Capital Assets	-	-	-
Acquisition of Redevelopment Properties	-	-	(300,000)
Capital Grants and Contributions	-	-	7,641,474
Bond, Note and Capital Lease Proceeds	-	-	-
Bond, Note, and Capital Lease Principal Payments	-	(470,000)	-
Bond, Note, and Capital Lease Interest Payments	-	(18,424)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,201,791)</u>	<u>(488,424)</u>	<u>(1,483,109)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	-	16,691	19
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>16,691</u>	<u>19</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>100,080</b>	<b>761,324</b>	<b>-</b>
CASH AND CASH EQUIVALENTS, Including Restricted and Pooled, Beginning of Year	560,901	1,487,678	-
<b>CASH AND CASH EQUIVALENTS, Including Restricted and Pooled, End of Year</b>	<b>\$ 660,981</b>	<b>2,249,002</b>	<b>-</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (1,657,377)	(725,806)	(137,936)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	445,126	828,723	246,757
Other Revenues (Expenses)	-	(197)	(2,103)
Change in Accounts Representing Operating Activities:			
Accounts Receivable	-	2,908	-
Other Assets	-	-	(304)
Prepays and Inventories	16,128	-	3,881
Deferred Pension Charges	-	(14,957)	(29,992)
Accounts Payable/Deposits Payable	(24,349)	(9,344)	284,176
Accrued Salaries and Benefits	-	541	3,662
Customer Deposits	-	2,814	-
Compensated Absences	-	-	(7,208)
Claims/Premiums	-	-	-
Unearned Revenue	25	(2,908)	-
Unclaimed Checks	-	-	-
Net Pension Liability	-	28,087	(30,185)
Deferred Pension Credits	-	(954)	(4,661)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,220,447)</u>	<u>108,907</u>	<u>326,087</u>
Noncash Investing, Capital and Financing Activities:			
Change in Acquisition of Capital Assets Not Yet Paid For	\$ -	-	1,116,513

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

STORM WATER	NON-MAJOR CC WOODSON	NON-MAJOR	NON-MAJOR	TOTALS	TOTAL INTERNAL SERVICE FUNDS
		SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION		
1,596,408	-	18,750	20,910	2,663,768	\$ 1,356,197
-	-	-	-	-	5,379,048
-	-	-	-	1,033,005	-
-	-	-	-	52,373	13,358
(402,906)	-	-	-	(800,010)	-
(435,391)	-	(146)	-	(2,209,326)	(1,454,784)
-	-	-	-	(727,638)	-
-	-	-	-	-	(16,500)
-	-	-	-	-	(4,784,849)
758,111	-	18,604	20,910	12,172	492,470
-	-	-	-	2,841,153	-
(429,583)	(104,794)	(474,668)	(675,059)	(1,684,104)	-
-	-	-	-	1,962,318	-
(429,583)	(104,794)	(474,668)	(675,059)	3,119,367	-
(307,303)	-	-	-	(10,333,677)	(1,531,557)
14,000	-	-	-	14,000	19,150
-	-	-	-	(300,000)	-
-	-	-	-	7,641,474	-
-	-	-	-	-	2,000,000
-	-	-	-	(470,000)	(1,395,544)
-	-	-	-	(18,424)	(66,446)
(293,303)	-	-	-	(3,466,627)	(974,397)
16,492	-	-	-	33,202	1,765
16,492	-	-	-	33,202	1,765
51,717	(104,794)	(456,064)	(654,149)	(301,886)	(480,162)
1,787,577	104,794	456,064	654,149	5,051,163	2,951,650
<b>1,839,294</b>	-	-	-	<b>4,749,277</b>	<b>\$ 2,471,488</b>
698,994	-	-	-	(1,822,125)	\$ 27,584
19,093	-	-	-	1,539,699	1,154,575
-	-	-	-	(2,300)	(16,500)
(12,724)	-	18,750	20,910	29,844	(6,692)
-	-	-	-	(304)	-
-	-	-	-	20,009	(712,900)
(51,923)	-	-	-	(96,872)	-
31,573	-	(146)	-	281,910	(145,412)
2,064	-	-	-	6,267	-
-	-	-	-	2,814	-
4,169	-	-	-	(3,039)	-
-	-	-	-	-	190,265
-	-	-	-	(2,883)	-
-	-	-	-	-	1,550
71,018	-	-	-	68,920	-
(4,153)	-	-	-	(9,768)	-
758,111	-	18,604	20,910	12,172	\$ 492,470
-	-	-	-	1,116,513	\$ -

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**JUNE 30, 2017**

	<b>PENSION TRUST</b>	<b>AGENCY</b>
	General Employees'	Donation Fund
<b>ASSETS</b>		
Restricted Investments:		
Commingled Bond Funds	\$ 2,398,208	\$ -
Corporate Bonds	1,615,758	-
Money Market Mutual Funds	599,593	-
Accounts Receivable:		
Interest	26,353	-
Other	-	85,145
<b>TOTAL ASSETS</b>	<b>\$ 4,639,912</b>	<b>\$ 85,145</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 619
Due to Others	-	84,526
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>85,145</b>
<b>NET POSITION</b>		
Restricted for Pensions	4,639,912	-
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b>\$ 4,639,912</b>	<b>\$ 85,145</b>

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, 2017

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	<b>PENSION TRUST</b>
	General Employees'
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 903,842
Member	2,916
Total Contributions	<u>906,758</u>
Investment Earnings:	
Interest	108,601
Realized and Unrealized Appreciation in Fair Value of Investments	(109,583)
Total Investment Earnings	<u>(982)</u>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<u><b>905,776</b></u>
<b>DEDUCTIONS</b>	
Pension Benefits	1,508,124
Administrative Expense	47,982
TOTAL DEDUCTIONS	<u>1,556,106</u>
<b>CHANGE IN NET POSITION</b>	<b>(650,330)</b>
NET POSITION, Beginning of Year	<u>5,290,242</u>
<b>NET POSITION, End of Year</b>	<u><b>\$ 4,639,912</b></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, 2017

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

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The 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 the following blended component units.

#### Blended Component Units

##### 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, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

**Blended Component Units (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. SRFC and CC Woodson achieved the purposes for which they were created in the prior year, and as a result these entities were closed out in the current year.

**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. SPFC achieved the purposes for which it was created in the prior year, and as a result this entity was closed out in the current year.

**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, 2017

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

**A. The Reporting Entity (Continued)**

**Blended Component Units (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. SAFC achieved the purposes for which it was created in the prior year, and as a result this entity was closed out in the current year.

**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 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.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide 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.

**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 its revenues to be available if they are generally collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used. 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 City.

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 fund types and major funds 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 governmental major and nonmajor governmental fund types:

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

*Proprietary fund types* are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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 the following Enterprise Funds:

- The **Transit Fund** is used to account for the local fixed-route public transportation system.
- The **Parking Fund** is used to account for the City's parking garage system.
- The **Storm Water Fund** is used to account for the City's activities of storm water maintenance and repairs.
- The **Airport Fund** is used to account for the activities of the City's downtown airport.
- 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.
- The **Spartanburg Parking Facilities Corporation Fund** is used to account for all of the activities associated with the ownership, construction, operation, and leasing of the new 700-space parking garage on St. John Street.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The **Spartanburg Airport Facilities Corporation Fund** is used to account for the design, renovation, and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangers.

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

- 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.
- 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.

*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.

*Adoption of Accounting Principle*

The City implemented GASB Statement No. 77 "*Tax Abatement Disclosures*" ("GASB #77") for the year ended June 30, 2017. The primary objective of GASB #77 was to provide tax abatement information to financial statement users so that they could more readily evaluate a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individual and entities that is beneficial to the government or its citizens. Although many governments offer tax abatements, the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future, is lacking. GASB #77 requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The adoption of GASB #77 had no impact on the City's financial statements but did result in new and expanded note disclosures. See Note IV.J for more information regarding the City's tax abatements.

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

1. *Cash, Cash Equivalents, and Investments*

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

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

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

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

- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.
- Agency securities are generally backed by mortgage loans, and due to their creation from particular corporations that are sponsored by the U.S. government, they enjoy credit protection based on either an implicit or explicit guarantee from the U.S. Government.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- US securities are generally treasury notes, treasury bonds, treasury bills, and related securities which are debt obligations of the U.S. government (lending money to the federal government for a specified period of time). These debt obligations are backed by the “full faith and credit” of the government, and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments.
- Corporate obligations consists of fixed income securities that include domestic bonds, collateralized mortgage obligation securities, and international fixed income bonds. These corporate obligations are issued by corporations in order to raise financing for various business reasons. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.
- South Carolina Local Government Investment Pool (“LGIP” or “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. In accordance with GASB Statement No. 31 “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*” and GASB Statement No. 72 “*Fair Value Measurement and Application*”, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than 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. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.
- Cash and Investments held by the County Treasurer are funds that are restricted for a specified purposes (in accordance with contracts, agreements, bonds, etc.). The County Treasurer serves as the City’s fiscal agent in these matters. The County Treasurer invests these funds in investments authorized by state statute as outlined above and are carried at either amortized cost or fair value (as applicable). This is a pooled account and all interest and other earnings gained are added back to the City’s account based on its outstanding balance (as a percentage of all balances).

2. Receivables and Payables

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 acquisition 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

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. *Compensated Absences (Continued)*

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 Funds is also recorded in the Proprietary Funds financial statements. If applicable, termination payments incurred prior to yearend 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. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. The City reports deferred pension charges in its Statements of Net Position in connection with the City Pension Plan and their participation in the State retirement plans. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with the City Pension Plan and their participation in the State retirement plans. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance*

In accordance with GAAP, 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 a resolution 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.

9. *Net Position*

Net Position represents the difference between assets, deferred outflows or resources, liabilities and deferred inflows of resources. 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

**10. Pensions**

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.D and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**11. Other Postemployment Benefits**

Other postemployment benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.E and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

**12. Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
  - Quoted prices for similar assets and liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted market prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
  - Fair value is often based on developed models in which there are few, if any, observable inputs.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

**12. Fair Value (Continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**13. 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.

**14. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**15. Comparative Data**

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

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

**A. Budgetary Information**

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

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

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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 was one revision to the General Fund budget in fiscal year 2017. 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, 2017, none of the City’s non-pension trust fund bank balances of approximately \$3,668,000 (book balance of approximately \$3,329,000) was uncollateralized and exposed to custodial credit risk.

*Investments*

As of June 30, 2017, the City’s non-pension trust fund investment portfolio consisted of:

Investment Type	Fair Value Levels (1)	Credit Rating ^	Fair Value	Weighted Average Maturity < 1 year
State Local Government Investment Pool	N/A	NR,NR,NR	\$ 15,149,538	\$ 15,149,538
Institutional U.S. Government Fund (MMMF)	Level 1	AAAm, NR, NR	645,075	645,075
Total Primary Government			\$ 15,794,613	\$ 15,794,613

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

(1) See Note I.C.12 for details of the City's fair value hierarchy.

NR – Not rated.

N/A - Not applicable or not available.

MMMF - Money market mutual fund.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

A. Deposits and Investments (Continued)

*Investments (Continued)*

**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, 2017, none of the 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.

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 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, 2017 is as shown in the following table. The trust reports its investments at fair value.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

A. Deposits and Investments (Continued)

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

Investment Type	Fair Value Levels (1)	Credit Rating ^	Fair Value	Weighted Average Maturity			
				< 1 Year	1 - 3 Years	3 - 5 Years	> 5 Years
Money Market Mutual Funds	Level 1	AAAam,Aaa-mf,NR	\$ 599,593	599,593	-	-	\$ -
Agency Securities	Level 2	AA+, Aaa, AAA	1,408,610	-	-	50,941	1,357,669
US Securities	Level 1	AA+, AAA, AAA	989,598	129,348	209,333	99,028	551,889
Corporate Obligations	Level 2	(2)	1,615,758	164,393	347,458	574,101	529,806
Total Pension Trust			\$4,613,559	893,334	556,791	724,070	\$2,439,364

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

(1) See Note I.C.12 for details of the City's fair value hierarchy.

(2) Credit ratings range from BBB to AA-, BAA2 to AAA, N/A.

NR – Not rated.

N/A - Not applicable or not available.

**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, 2017, none of the 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. The Pension Plan had approximately 30% of its investments with Federal National Mortgage Association as of June 30, 2017. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds are excluded from this disclosure requirement.

B. Receivables and Unavailable, Deferred, and Unearned Revenues

**Property Taxes Receivables and Loan Receivables**

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

Assessed values for real estate are established annually by the County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. Real property in the City for the 2017 tax levy was assessed at approximately \$145,299,000. 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 2017 assessed value was approximately \$21,682,000 for personal property. The City's operating tax rate is currently 105.0 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$1,706,000 and \$93,000 (which is net of an allowance for uncollectibles of approximately \$569,000 and \$22,000 respectively) for general operations and for its tax increment districts, respectively, at June 30, 2017.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

Property Taxes Receivables and Loan Receivables (Continued)

The City has outstanding mortgage and commercial loans receivables of approximately \$125,000 at June 30, 2017.

Unavailable, Deferred, and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). As of June 30, 2017, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Category	Amount
Property Taxes Receivable (General Fund, TIF Funds, and Debt Service Funds)	Unavailable	\$ 1,747,932
Mortgage and Loan Receivables (Special Revenue Funds)	Unavailable	114,592
Other Unearned Revenue (General Fund and Special Revenue Funds)	Unearned	411,119
Total		<u>\$ 2,273,643</u>

C. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2017, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 27,866,413	17,000	-	2,589,916	\$ 30,473,329
Construction In Progress ("CIP")	350,768	3,082,131	-	(2,589,916)	842,983
Total Capital Assets, Non-Depreciable	<u>28,217,181</u>	<u>3,099,131</u>	<u>-</u>	<u>-</u>	<u>31,316,312</u>
Capital Assets, Depreciable					
Buildings and Improvements	30,567,450	-	-	-	30,567,450
Infrastructure	49,308,612	-	-	-	49,308,612
Machinery and Equipment	6,639,170	122,110	(133,276)	(188,684)	6,439,320
Vehicles	15,425,095	1,420,489	(433,463)	-	16,412,121
Furniture and Fixtures	12,099	-	-	-	12,099
Total Capital Assets, Depreciable	<u>101,952,426</u>	<u>1,542,599</u>	<u>(566,739)</u>	<u>(188,684)</u>	<u>102,739,602</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	12,275,292	1,058,001	-	-	13,333,293
Infrastructure	33,056,154	1,970,595	-	-	35,026,749
Machinery and Equipment	5,606,491	247,756	(116,654)	(126,576)	5,611,017
Vehicles	8,796,371	1,091,266	(416,796)	-	9,470,841
Furniture and Fixtures	12,099	-	-	-	12,099
Total Accumulated Depreciation	<u>59,746,407</u>	<u>4,367,618</u>	<u>(533,450)</u>	<u>(126,576)</u>	<u>63,453,999</u>
Total Capital Assets, Depreciable, Net	<u>42,206,019</u>	<u>(2,825,019)</u>	<u>(33,289)</u>	<u>(62,108)</u>	<u>39,285,603</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,423,200</u>	<u>274,112</u>	<u>(33,289)</u>	<u>(62,108)</u>	<u>\$ 70,601,915</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

C. Capital Assets (Continued)

Depreciation expense for governmental activities (which includes internal service fund depreciation expense of approximately \$1,155,000) was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Policy Formulation and Administration	\$ 403,316
Public Safety	637,621
Parks, Recreation, and Special Events	753,076
Development Services	9,076
Public Services	2,552,577
Finance and Administrative Services	11,952
Totals - Governmental Activities	<u>\$ 4,367,618</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2017, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 2,109,296	55,840	-	817,084	\$ 2,982,220
Construction In Progress	3,518,976	9,885,256	-	(817,084)	12,587,148
Total Capital Assets, Non-Depreciable	<u>5,628,272</u>	<u>9,941,096</u>	<u>-</u>	<u>-</u>	<u>15,569,368</u>
Capital Assets, Depreciable:					
Buildings and Improvements	40,488,310	-	-	-	40,488,310
Infrastructure	6,876,243	-	-	-	6,876,243
Machinery and Equipment	918,714	-	(188,684)	188,684	918,714
Vehicles	3,719,673	1,509,094	(821,793)	-	4,406,974
Total Capital Assets, Depreciable	<u>52,002,940</u>	<u>1,509,094</u>	<u>(1,010,477)</u>	<u>188,684</u>	<u>52,690,241</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	16,099,278	1,035,414	-	-	17,134,692
Infrastructure	692,942	190,094	-	-	883,036
Machinery and Equipment	849,820	49,405	(132,865)	126,576	892,936
Vehicles	2,464,773	264,786	(821,793)	-	1,907,766
Total Accumulated Depreciation	<u>20,106,813</u>	<u>1,539,699</u>	<u>(954,658)</u>	<u>126,576</u>	<u>20,818,430</u>
Total Capital Assets, Depreciable, Net	<u>31,896,127</u>	<u>(30,605)</u>	<u>(55,819)</u>	<u>62,108</u>	<u>31,871,811</u>
Business-Type Activities Capital Assets, Net	<u>\$ 37,524,399</u>	<u>9,910,491</u>	<u>(55,819)</u>	<u>62,108</u>	<u>\$ 47,441,179</u>

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

Functions/Programs	Depreciation Expense
Transit	\$ 445,126
Parking	828,723
Airport	246,757
Storm Water	19,093
Totals - Business-Type Activities	<u>\$ 1,539,699</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

C. Capital Assets (Continued)

The cost of equipment recorded under capital lease was approximately \$6,096,000. Accumulated amortization was approximately \$922,000 at June 30, 2017. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

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 2017, the City did not receive any significant donated infrastructure.

The City has outstanding construction commitments of approximately \$21,326,000 at June 30, 2017 primarily related to the airport runway extension project.

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 Refunding Bonds (“TIRB”) 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. 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 the TIRB, RB, or capital lease obligations nor the interest thereon. Details for each debt issue and outstanding capital lease as of June 30, 2017, are as follows:

Principal Outstanding  
at Year End

***General Obligation Bonds***

\$5,280,000 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 1<sup>st</sup> and October 1<sup>st</sup> 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.

***Tax Increment Refunding Bonds***

\$4,545,000 Series 2017 – Tax Increment Refunding Bonds issued in March 2017, in an original amount of \$4,545,000 with an interest rate of 2.24%. The bonds mature April 1, 2025. Interest payments are due April 1<sup>st</sup> of each calendar year. Annual principal payments of \$525,000 begin April 1, 2018, and increase in amounts annually until the annual payment reaches \$610,000 in year 2025. The proceeds of these bonds were primarily used to refund the Series 2010 Tax Increment Refunding Bonds.

***Hospitality Tax Bonds***

\$6,185,000 Series 2014 Hospitality Tax Refunding Bonds (Hospitality Fee Pledge) – 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 1<sup>st</sup> 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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Hospitality Tax Bonds (Continued)*

\$3,735,000 Series 2016A Special Obligation Refunding and Improvement Bond (Hospitality Fee Pledge) – Issued May 2016, in an original amount of \$4,005,000 with an interest rate of 2.33%. The bonds mature April 1, 2030. Interest payments are due April 1<sup>st</sup> of each year. Principal payments begin April 1, 2017, at \$270,000 and increase in amounts annually until the annual payment reaches \$290,000 in year 2030. Part of the proceeds of these bonds were used to refund the Series 2005 Certificates of Participation (“COPS”) with the rest going to acquire the capital assets of the Airport Facilities Corporation (blended component unit).

\$5,545,000 Series 2016B Special Obligation Bond (Hospitality Fee Pledge) – Issued May 2016, in an original amount of \$6,130,000 with an interest rate of 3.54%. The bonds mature April 1, 2029. Interest payments are due April 1<sup>st</sup> of each year. Principal payments begin April 1, 2017, at \$585,000 and fluctuate in amounts annually until the final payment of \$485,000 in year 2029. The proceeds of these bonds were used to purchase the capital assets of the Spartanburg Parking Facilities Corporation (blended component unit).

*Promissory Note*

\$418,814 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.

*Capital Leases*

\$652,821 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).

\$1,787,000 In April 2015, the City entered into a 10-year capital lease for the purchase of vehicles and equipment. The rate of interest is 1.49%. The lease is due in full in April 2025. The lease requires semi-annual payments (interest and principal) of \$223,492 beginning October 1, 2015 and decreasing to \$47,350 on April 1, 2025. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

\$64,085 In September 2014, the City entered into a 5-year capital lease for Phase I of a new telephone system. The rate of interest is 3.63%. The lease is due in full in August 2019. The lease requires monthly payments (interest and principal) of \$2,588. This lease is funded in the General Fund.

\$37,683 In September 2014, the City entered into a 5-year capital lease for Phase II of the new telephone system. The rate of interest is 4.91%. The lease is due in full in September 2019. The lease requires monthly payments (interest and principal) of \$1,494. This lease is funded in the General Fund.

\$707,884 In December, 2015 the City entered into a 7-year capital technology lease purchase agreement for a police records system. The rate of interest is 2.95%. The lease requires annual payments (principal and interest) of \$154,349.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Capital Leases (Continued)*

\$389,391 In March 2016, the City entered into a 5-year building lease (including land and parking lot) on Church Street with Spartanburg Development Corporation (a related party). The implicit rate of interest is 7.585%. The lease requires monthly payments (principal and interest) of \$9,969 beginning in March 2016. Upon the expiration of the lease, the City has the right to purchase the building for \$10.

\$1,835,290 In September 2016, the City entered into a 10-year capital lease for the purchase of vehicles and equipment. The rate of interest is 1.42%. The lease is due in full in October 2026. The lease requires semi-annual payments (interest and principal) of \$180,181 for the first five years and \$29,884 for the last five years. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

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, 2017, the City had \$5,280,000 of bonded debt subject to the 8% legal debt limit of approximately \$11,624,000, resulting in an unused legal debt margin of approximately \$6,344,000.

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, 2017.

**Current Refunding**

In March 2017, the City issued \$4,545,000 in Tax Increment Refunding Bonds to current refund the outstanding balance on the Series 2010 Tax Increment Bonds of \$4,450,000 and the cost of issuance of approximately \$95,000. The current refunding decreased total future debt service payments by approximately \$108,000 due to a lower interest rate and resulted in an economic gain of approximately \$97,000.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

D. Long-Term Obligations (Continued)

Following is a summary of changes in long-term obligations for governmental and business-type activities for the year ended June 30, 2017:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
2010 Series - GOB	\$ 5,590,000	-	310,000	5,280,000	\$ 325,000
2010 Series - TIRB	4,930,000	-	4,930,000	-	-
2014 Hospitality Tax Refunding	6,890,000	-	705,000	6,185,000	720,000
2014 Mary Black Promissory Note	618,619	-	199,805	418,814	206,139
2016 Series A - SOB	4,005,000	-	270,000	3,735,000	270,000
2016 Series B - SOB	6,130,000	-	585,000	5,545,000	570,000
2017 Series - TIRB	-	4,545,000	-	4,545,000	525,000
<b>Total Debt</b>	<b>28,163,619</b>	<b>4,545,000</b>	<b>6,999,805</b>	<b>25,708,814</b>	<b>2,616,139</b>
Capital Leases:					
2010 Capital Lease	66,097	-	66,097	-	-
2012 Capital Lease	421,190	-	421,190	-	-
2014 Capital Lease	972,368	-	319,547	652,821	324,101
2015 Capital Lease	2,211,000	-	424,000	1,787,000	434,000
2015 Telephone Capital Lease Phase I	91,685	-	27,600	64,085	28,828
2015 Telephone Capital Lease Phase II	52,896	-	15,213	37,683	16,134
2016 Police Records System Capital Lease	837,526	-	129,642	707,884	133,467
2016 Church Street Capital Lease	496,519	-	107,128	389,391	93,297
2017 Capital Lease	-	2,000,000	164,710	1,835,290	335,861
<b>Total Capital Leases</b>	<b>5,149,281</b>	<b>2,000,000</b>	<b>1,675,127</b>	<b>5,474,154</b>	<b>1,365,688</b>
Compensated Absences	3,525,111	2,049,375	1,941,404	3,633,082	1,870,113
<b>Total Governmental Activities</b>	<b>\$ 36,838,011</b>	<b>8,594,375</b>	<b>10,616,336</b>	<b>34,816,050</b>	<b>\$ 5,851,940</b>
<b>Business-Type Activities:</b>					
Debt:					
RB - 2008	\$ 470,000	-	470,000	-	\$ -
<b>Total Debt</b>	<b>470,000</b>	<b>-</b>	<b>470,000</b>	<b>-</b>	<b>-</b>
Compensated Absences	108,990	54,677	57,716	105,951	52,976
<b>Total Business-Type Activities</b>	<b>\$ 578,990</b>	<b>54,677</b>	<b>527,716</b>	<b>105,951</b>	<b>\$ 52,976</b>

The General Fund (via transfers out), Hospitality Tax Fund (via transfers out) and the Debt Service funds (General Debt Service Fund and the Broad Street TIF Fund) resources have been used to liquidate the governmental activities debt and capital lease obligations. The General Fund (via transfers out) and the Parking Fund have been used to liquidate the business-type activities general obligation bonds and revenue bonds. The General Fund or the respective Enterprise funds from which the employees originate have been used to liquidate compensated absence liabilities.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

D. Long-Term Obligations (Continued)

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

Year Ending June 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2018	\$ 2,616,139	733,773	1,365,688	109,239	\$ 4,824,839
2019	2,692,675	662,591	1,400,237	79,806	4,835,309
2020	2,535,000	592,676	1,061,682	51,134	4,240,492
2021	2,305,000	524,774	668,616	28,200	3,526,590
2022	2,375,000	465,432	442,653	14,857	3,297,942
2023-2027	9,875,000	1,378,329	535,278	16,561	11,805,168
2028-2030	3,310,000	225,562	-	-	3,535,562
Totals	<u>\$ 25,708,814</u>	<u>4,583,137</u>	<u>5,474,154</u>	<u>299,797</u>	<u>\$ 36,065,902</u>

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

Interfund balances at June 30, 2017, consisted of the following fund receivables and payables:

Fund	Receivables	Payables
<b>Major Governmental Funds</b>		
General Fund	\$ 2,232,931	\$ -
Capital Projects Fund	-	691,337
<b>Enterprise Funds</b>		
Airport Fund	-	908,135
<b>Non-Major Funds - In Aggregate by Type</b>		
Special Revenue Funds	-	633,459
Totals	<u>\$ 2,232,931</u>	<u>\$ 2,232,931</u>

The Capital Projects Fund, Airport Fund and the Special Revenue Fund payables are for expenses paid by the General Fund that are expected to be repaid within one year. The Capital Projects Fund repayment is conditioned on the City obtaining necessary financing for the T.K. Gregg Center – as these costs are expected to be repaid with debt proceeds.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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, 2017, consist of the following:

Fund	Transfers Out	Transfers In
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 2,628,280	\$ 2,435,856
Capital Projects Fund	-	1,532,918
Hospitality Tax Fund	4,035,567	-
St. John - Daniel Morgan TIF Fund	-	128,876
<b><u>Enterprise Funds</u></b>		
Transit Fund	-	560,000
Parking Fund	-	1,124,150
Airport Fund	-	1,226,993
Storm Water Utility Fund	429,583	-
CC Woodson	104,794	-
St. John Parking Facility	474,668	-
Airport Facilities Corp	675,059	-
<b><u>Non-Major Funds - In Aggregate By Type</u></b>		
Special Revenue Funds	374,490	280,841
Debt Service Funds	1,635,313	3,068,120
Total	\$ 10,357,754	\$ 10,357,754

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.

Debt Service Funds

Transfers in and out were primarily for debt service payments.

Transit Fund

Transfers in were for operating grant match.

Parking Fund

Transfers in were for debt service, operating funding and the transfer of the residual amounts from the Spartanburg Parking Facilities Corporation.

Airport Fund

Transfers in were for operating funding, grant matches for capital projects and the transfer of the residual amounts from the Spartanburg Airport Facilities Corporation. There were no transfers out.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

Storm Water utility Fund

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

CC Woodson Fund

The transfers out were to transfer all of the residual amounts to the General Fund as this fund was closed out.

Spartanburg Parking Facilities Corporation Fund

The transfers out were for the transfer of the residual amounts of the fund to the Parking Fund as this fund was closed out.

Airport Facilities Corporation Fund

The transfers out were for the transfer of the residual amounts of the fund to the Airport Fund as this fund was closed out.

Special Revenue Funds

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

F. Net Investment in Capital Assets

During the year ended June 30, 2016, the City issued its Series 2016 A & B Hospitality Tax Bonds in the combined amount of \$10,135,000 to refund all of the outstanding Series 2005 COPS (\$1,105,000), for which a portion of the proceeds were originally used to fund the Morgan Square Project, and the remaining portion was used to purchase the capital assets (pay off the outstanding debt) in the Spartanburg Airport Facilities Corporation and the Spartanburg Parking Facilities Corporation (\$9,030,000). The Spartanburg Parking Facilities Corporation and the Spartanburg Airport Facilities Corporation are reported in the business-type activities and the 2016 A & B Hospitality Tax bonds are reported in the government-wide financial statements' governmental activities as it will be repaid by governmental activities. The capital assets are reported in the business-type activities. Accordingly, approximately \$8,249,000 of the outstanding balance of these two bonds at June 30, 2017 is included in the calculation of the governmental activities' unrestricted net position in the Statement of Net Position, but the net book value of these capital assets are included in the business-type activities' net investment in capital assets. Consequently, the City is including these amounts in an Adjustment column on the Statement of Net Position in order to reflect the correct amount for the City's total net position components.

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).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

A. Agreements (Continued)

**Renaissance Park Project (Continued)**

*Ground Lease Agreement (Continued)*

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.

*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 Credit 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"). During 2016, the Project successfully completed the seven year NMTC waiting period (and complied with other terms and conditions) and thus the City closed out/culminated the NMTC by purchasing the new renovated community centers for approximately \$5,600,000 ("Purchase Price") from CC Woodson. SRFC and CC Woodson achieved the purposes for which they were created in the prior year, and as a result these entities were closed out in the current year.

*Spartanburg Parking and Airport Facilities Corporation*

In February 2009, the City, the SPFC (blended component unit), and TD Bank, N.A (formerly 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. 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 funds available for airport improvements (i.e. design, renovation and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangars).

During 2016, the City elected to go ahead and close out/culminate the NMTC agreements by purchasing the capital assets of Spartanburg Parking Facilities Corporation and Spartanburg Airport Facilities Corporation (collectively "Facilities Corporations"). SPFC and SAFC achieved the purposes for which they were created in the prior year, and as a result these entities were closed out in the current year.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

**B. Commitments and Contingencies**

*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.

*BF Spartanburg, LLC Agreement*

In October 2016, the City executed a development agreement with BF Spartanburg, LLC (“Developer”) to provide certain economic incentives for the development and renovation of the historic Montgomery Building. The development will include 72 apartments on the upper seven floors, 9,000 square feet of office space on the second floor, and 9,500 square feet of retail and restaurant space on the ground floor. The City has agreed to provide an allotted number of parking spaces in the St. John Street Garage at no cost for ten years, and at a reduced rate for an additional ten years. Additionally, the City has agreed to provide streetscape and lighting improvements along the building facades and will contribute \$750,000 over a period of three years for parking lot and park improvements and for easements along the property. These funds will be disbursed in annual payments of \$250,000 and the first payment was made on April 1, 2017. The agreement also grants the development rights on a small City-owned piece of land next to the Montgomery Building to the Developer.

*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, 2017.

**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, 2017, the City made premium payments totaling approximately \$769,000. 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, 2016, totaled approximately \$9,434,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

*Participation in Public Entity Risk Pools (Continued)*

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, 2017, the City made premium payments totaling approximately \$225,000. 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, 2016, totaled approximately \$50,507,000. 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 approximately \$707,000 reported in the medical insurance internal service fund at June 30, 2017 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 liability are as follows:

Medical Insurance Fund	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2014-2015	\$ 546,722	3,469,059	(3,514,333)	\$ 501,448
2015-2016	501,448	3,588,456	(3,573,204)	516,700
2016-2017	\$ 516,700	4,636,563	(4,446,298)	\$ 706,965

For the self-insurance health plan, the City has not significantly reduced insurance coverages for employees from the previous year; and settled claims in excess of insurance coverage for the last three years were immaterial. However, insurance coverage has changed for retirees. Effective January 1, 2016 the City will no longer offer retiree insurance coverage. Instead, the City will place \$200 into a Health Reimbursement Account for up to ten years, or until the retiree is available for Medicare (see Note IV.E for details on the City’s postemployment benefit plan).

D. Retirement Plans

*State Retirement Plans*

The City participates in the State of South Carolina’s retirement plan, which is administered by the South Carolina Public Employee Benefit Authority (“PEBA”), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

The PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the System’s Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

*Plan Description*

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

*Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Plan Benefits (Continued)*

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS ("Plans") employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted earlier, both employees and the City are required to contribute to the Plan at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Plan Contributions (Continued)*

	SCRS Rates			PORS Rates		
	2015	2016	2017	2015	2016	2017
Employer Rate: <sup>^</sup>						
Retirement	10.75%	10.91%	11.41%	13.01%	13.34%	13.84%
Incidental Death Benefit	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.75%</u>	<u>10.91%</u>	<u>11.41%</u>	<u>13.41%</u>	<u>13.74%</u>	<u>14.24%</u>
Employee Rate	<u>8.00%</u>	<u>8.16%</u>	<u>8.66%</u>	<u>8.41%</u>	<u>8.74%</u>	<u>9.24%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed by the City to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2017	\$ 911,996	100%	\$ 1,323,613	100%
2016	857,983	100%	1,232,942	100%
2015	\$ 814,863	100%	\$ 1,192,042	100%

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2017	\$ 7,992,956	9,295,062	\$ 17,288,018
2016	7,864,192	8,973,376	16,837,568
2015	\$ 7,580,122	8,889,205	\$ 16,469,327

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Actuarial Assumptions and Methods (Continued)*

South Carolina state statute requires than an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the System’s consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2015 actuarial valuations as adopted by the SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Plan’s fiscal year ended June 30, 2016 using generally accepted actuarial principles. Information included in these notes are based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for the SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.5 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.10%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>7.85%</u>

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2016 measurement date, for the SCRS and PORS are presented in the following table:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	23,996,362,354	\$ 21,359,852,398	52.9%
PORS	\$ 6,412,510,458	3,876,035,732	\$ 2,536,474,726	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2017, the City reported liabilities of approximately \$17,111,000 and \$17,853,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2015 that was projected forward to the measurement date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2016 measurement date, the City's SCRS proportion was 0.080109 percent, which was an increase of 0.000377 from its proportion measured as of June 30, 2015. At the June 30, 2016 measurement date, the City's PORS proportion was 0.70387 percent, which was a decrease of 0.014492 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of approximately \$1,445,000 and \$1,915,000 SCRS and PORS, respectively. At June 30, 2017, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 177,377	\$ 18,583
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,439,599	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	51,907	206,357
City's Contributions Subsequent to the Measurement Date	911,996	-
Total SCRS	<u>2,580,879</u>	<u>224,940</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	264,911	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,024,422	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	147,178	240,857
City's Contributions Subsequent to the Measurement Date	1,323,613	-
Total PORS	<u>3,760,124</u>	<u>240,857</u>
Total SCRS and PORS	<u>\$ 6,341,003</u>	<u>\$ 465,797</u>

Approximately \$912,000 and \$1,324,000 that was reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2018	\$ 318,099	502,375	\$ 820,474
2019	225,383	488,946	714,329
2020	574,810	786,144	1,360,954
2021	325,651	418,189	743,840
Total	<u>\$ 1,443,943</u>	<u>2,195,654</u>	<u>\$ 3,639,597</u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System'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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Discount Rate (Continued)*

The following table presents the sensitivity of the City’s proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City’s proportionate share of the net pension liability of the SCRS	\$ 21,345,709	17,111,164	\$ 13,586,065
City’s proportionate share of the net pension liability of the PORS	23,398,454	17,853,434	12,870,193
	<u>\$ 44,744,163</u>	<u>34,964,598</u>	<u>\$ 26,456,258</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

*Payable to Plans*

The City reported a payable of approximately \$125,000 and \$168,000 to the PEBA as of June 30, 2017, representing required employer and employee contributions for the month of June 2017 for the SCRS and PORS, respectively. This amount is included in Accrued Salaries and Benefits on the financial statements and was paid in July 2017.

*Plan Developments*

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS and PORS contribution rates to 13.56% and 16.24%, respectively, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS and PORS employer rate totaling 18.56% and 21.24%, respectively, for fiscal year 2023 and thereafter. The legislation (a) would also increase and cap the employee SCRS and PORS contribution rates to 9.00% and 9.75%, respectively, provides, after June 30, 2027, for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (b) lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (c) for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*City Pension Plan*

*Plan Description*

The City sponsors a single-employer defined benefit pension plan (“City 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 City Pension Plan’s year-end is June 30. Pension Plan financial information can be obtained by writing to Finance Director, City of Spartanburg, and P.O. Box 1749, Spartanburg, SC 29304.

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 95; vested inactive employees not yet receiving benefits – 4; and active employees – 1. Covered payroll for the year was approximately \$41,000.

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*

The City Pension Plan implemented GASB #67 “Financial Reporting for Pension Plans” (“GASB #67”) 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 City 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 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.

*Plan Investments*

The investment objective of the City Pension Plan is to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the City’s acceptable risk level. The primary objectives, in priority order, in investment activities are safety, liquidity, and yield.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was a loss of .02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*City Pension Plan (Continued)*

*Plan Investments (Continued)*

For more information on the actual investments being held by the City Pension Plan and any significant concentration risk, see "Note III.A Deposits and Investments."

*Plan Contributions*

The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarially determined contributions. The City contributed approximately \$904,000 during 2017 and has committed to contributing \$950,000 per year for the next 19 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 annual required contribution under the actuarially determined rate is approximately \$1,114,000. This contribution is designed to fully fund the liability over 14 years.

*Plan Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation on January 1, 2017, using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
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:	4.00%, compounded annually
Mortality Rate:	RP2006 Mortality Table for Employees and Health annuitants, projected generationally using Scale MP2016. Mortality for disabled lives is based on the same mortality table.
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 54 - 1% 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:	Change in mortality assumption from the RP2014 mortality table to the RP2006 mortality table.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*City Pension Plan (Continued)*

*Plan Actuarial Assumptions (Continued)*

The discount rate used to measure the total pension liability was 4.00%. 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 \$950,000 per year for the next 19 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.

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. City Code does not require that an actuarial experience study be completed. The last experience study was performed on data through January 1, 2017, and the next experience study is scheduled to be conducted January 1, 2018.

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, 2017 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

Asset Class	Expected Real Rate of Return
Domestic Equity (Large Cap)	6.5%
International Equity	7.3%
Domestic Fixed Income (Short-Term)	4.2%
Domestic Fixed Income (Long-Term)	3.5%
International Fixed Income	4.9%
Cash	2.6%

*Net Pension Liability*

The components of the net pension liability of the City Pension Plan at June 30, 2017 were as follows:

Components of the Net Pension Liability	
Total Pension Liability	\$ 17,207,284
Plan Fiduciary Net Position	(4,639,912)
City's Net Pension Liability	<u>\$ 12,567,372</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.96%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

*City Pension Plan (Continued)*

*Sensitivity of the Net Pension Liability Changes in the Discount Rate*

The following presents the net pension liability of the City Pension Plan, calculated using the discount rate of 4.00%, 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 (3.00%) or 1-percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Current Rate (4.00%)	1% Increase (5.00%)
Total Pension Liability	\$ 18,956,208	17,207,284	\$ 15,692,293
Plan Fiduciary Net Position	(4,639,912)	(4,639,912)	(4,639,912)
City's Net Pension Liability	<u>\$ 14,316,296</u>	<u>12,567,372</u>	<u>\$ 11,052,381</u>

*Changes in the Net Pension Liability*

The components of the change in the City Pension Plan's liability for the year ended June 30, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at beginning of the year:	\$ 18,486,857	5,290,243	\$ 13,196,614
Changes for the Year:			
Interest	709,312	-	709,312
Differences between Expected and Actual Experience	200,278	-	200,278
Changes of Assumptions	(681,039)		(681,039)
Contributions - Employer	-	903,842	(903,842)
Contributions - Employee	-	2,916	(2,916)
Net Investment Income	-	(983)	983
Benefit Payments, Net	(1,508,124)	(1,508,124)	-
Administrative Expenses	-	(47,982)	47,982
Net Changes	<u>(1,279,573)</u>	<u>(650,331)</u>	<u>(629,242)</u>
Balance at end of the year:	<u>\$ 17,207,284</u>	<u>4,639,912</u>	<u>\$ 12,567,372</u>
City Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability			
Beginning of the Year		28.62%	
End of the Year		26.96%	

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

*City Pension Plan (Continued)*

*City's Recognition of Net Pension Assets, Pension Expense, and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2017, the City recognized pension expense of approximately \$129,000. At June 30, 2017, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the City Pension Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Investments	\$ 172,616	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30,	City Pension Plan
2018	\$ 51,217
2019	51,217
2020	30,256
2021	39,926
Total	<u>\$ 172,616</u>

**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.

Active employees who retire with at least 20 years of continuous service to the City and are eligible to retire under the South Carolina Retirement System (SCRS or PORS) are eligible to participate in the City's OPEB Plan. Employees who become disabled and are unable to return to work are eligible to participate if they have completed at least 20 years of service with the City and attained age 50 prior to disability. Rehired retirees may continue to accrue additional service toward this benefit.

Dependent coverage for spouses of those retired prior to January 1, 2009 will be allowed access to the City's on-site health clinic. Spouse coverage ceases on the earlier of (1) the date the spouse reaches age 65 or (2) the retiree's death. Spouse coverage is not available to new retirees, rehired retirees, or current retirees who retired on or after January 1, 2009.

Retirees are responsible for choosing their own coverage and will not be covered by the City's Medical Plan beyond any coverage required by COBRA. The City contributes \$200/month to a Health Reimbursement Account to offset retiree health premiums. Additionally, retirees will have free access to the City of Spartanburg's on-site health clinic. Coverage ceases at the earlier of (1) 10 years after retirement or (2) age 65.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

*Plan Description (Continued)*

Retirees who retired prior to January 1, 2009 will be covered until age 65 and are not subject to the 10 year limit, if applicable. Rehired retirees currently working for the City are not considered part of this exception. Retirees will have access to the City's on-site health clinic. They will not be extended access to the City's health plan beyond that required by COBRA.

Information regarding SCRS and PORS 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 January 1, 2017, the actuarial/measurement date, there were 412 covered participants; 36 members are retirees or their spouses receiving benefits and 376 are active participants.

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

*Actuarial Methods and Assumptions*

The City's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the actuarially determined employer contribution ("ADEC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ADEC 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 2.25%.

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.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

*Actuarial Methods and Assumptions (Continued)*

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

Actuarial Valuation Date:	January 1, 2017
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay, closed
Amortization Period:	30 Years
Asset Valuation Method:	5-Year Smoothed Market Value - 80% - 120% Corridor
Actuarial Assumptions:	
Investment Rate of Return:	4.75%
Medical Cost Trend Rate	7.50% - 5.00%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	2023
Includes Inflation at	2.25%
Mortality Table:	RP 2014 Employee Mortality Table
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.

*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 2017) was as follows:

1. Net OPEB Obligation (Asset), Beginning of the Plan Year	<u>\$ (562,341)</u>
2. One Year's Interest on the Net OPEB Obligation	(28,117)
3. Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	126,669
4. Adjustment to Annual Required Contribution	<u>25,216</u>
5. Annual OPEB Cost: (2)+(3)+(4)	123,768
6. Contributions Made for the Plan Year	<u>(35,200)</u>
7. Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	<u>88,568</u>
8. Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u><u>\$ (473,773)</u></u>

*Schedule of Employer Contributions*

Contributions include \$35,000 paid by the City through payment of covered participants' explicit and implicit subsidized benefits.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

*Schedule of Employer Contributions (Continued)*

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for the past three years 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, 2015	\$ 216,333	459,850	212.57%	\$ (531,794)
June 30, 2016	126,657	157,204	124.12%	(562,341)
June 30, 2017	\$ 123,768	35,200	28.44%	\$ (473,773)

*Schedule of Funding Progress*

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)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 587,860	2,408,239	\$ 1,820,379	24.41%	\$ 15,405,926	11.82%
July 1, 2015	837,133	1,892,451	1,055,318	44.24%	15,319,521	6.89%
January 1, 2017	\$ 840,196	2,395,022	\$ 1,554,826	35.08%	\$ 16,198,642	9.60%

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.

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 and has completed the remediation.

Included in the original total landfill post-closure care liability was 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 that it has completed the required post closure monitoring and there is no liability remaining at June 30, 2017.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Conduit Debt**

The Spartanburg Water System (“Water System”) has issued the following Bonds in the name of the City: \$31,200,000 in March 2007; \$33,935,000 in December 2009; \$8,000,000 in June 2012; \$27,255,000 in October 2013; \$32,340,000 in June 2015; and \$59,080,000 in June 2017. The purpose of these bonds was to fund capital improvements. At June 30, 2017, the outstanding balances on these bonds were approximately \$161,935,000 (excluding deferred amounts). The bonds are payable solely from the gross revenues derived from the operation of the Water System after first paying operation and maintenance of the Water System. The bonds are secured by a statutory lien upon the Water System assets granted by the bond ordinances. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**H. Litigation**

The City was 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 granted Certiorari to hear the appeal in early spring 2017. Due to the uncertain nature of the future proceedings this case was settled in June 2017 and approximately \$500,000 was paid out in July 2017. This amount was included in accounts payable for the year ended June 30, 2017.

**I. Related Party Transactions**

The City purchases vehicles from Vic Bailey Ford for which a Council member is the General Manager. All of the vehicles purchased were under state contract. The amount of vehicles purchased in 2017 was approximately \$738,000.

**J. Tax Abatements**

*City’s Tax Abatements*

The City does not have any significant tax abatement agreements of its own.

*Spartanburg County Tax Abatements*

The City’s property tax revenues were reduced by approximately \$471,000 under agreements entered into by Spartanburg County (“County”).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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IV. OTHER INFORMATION (CONTINUED)

**K. Pending Implementation of GASB Statement on OPEB**

GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“Statement”), which was issued by the GASB in June 2015, is required to be implemented by the City for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local government employers about financial support for OPEB 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 OPEB liability of that plan. It is GASB’s intention that this new Statement 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, this Statement will require the City to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its OPEB plan 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. It is anticipated that its implementation will not have a significant impact on the City’s governmental funds.

The City has been in communications with its actuary on the effect of implementing this Statement. Based on recent information provided by the actuary, it is anticipated that the City’s net OPEB liability for its OPEB plan will decrease its governmental and business-type activities beginning net position for the year ended June 30, 2018 by approximately \$2,029,000.

**L. Subsequent Events**

In September 2017, the City entered into a construction contract with an asphalt paving and grading contractor for approximately \$1,045,000 for their annual street resurfacing project.

In October 2017, the City entered into a lease purchase agreement with Bank of America in the amount of \$2,550,000 for ten years for the purpose of financing the acquisition of various vehicles and equipment. The lease purchase requires semi-annual payments of approximately \$229,000 for the first five years and approximately \$43,000 for the last five years. These semi-annual payments include interest at 1.849%.

In December 2017, City Council approved the issuance and sale of General Obligation Refunding Bonds in the amount of \$4,680,000. The purpose of this issuance is to advance refund \$4,275,000 of the \$5,280,000 total outstanding principal portion of the City’s 2010 General Obligation Bonds. Annual principal payments on the new bonds range from \$55,000 to \$495,000 beginning April 1, 2018 and concluding on April 1, 2030 plus interest at 2.71%.

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, 2017

	<b>GENERAL FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Taxes	\$ 14,983,926	14,983,926	14,828,294	\$ (155,632)
Fees, Licenses, and Permits	14,449,388	14,449,388	16,381,419	1,932,031
Fines and Forfeitures	461,000	461,000	338,617	(122,383)
Intergovernmental Revenues	3,057,197	3,058,447	3,099,715	41,268
Charges for Services	1,782,106	1,751,306	1,849,930	98,624
Other Revenues	96,925	126,475	219,344	92,869
<b>TOTAL REVENUES</b>	<b>34,830,542</b>	<b>34,830,542</b>	<b>36,717,319</b>	<b>1,886,777</b>
<b>EXPENDITURES</b>				
Policy Formulation and Administration	5,264,640	5,799,183	6,328,085	(528,902)
Public Safety	15,594,885	15,829,585	16,879,006	(1,049,421)
Parks, Recreation, and Special Events	2,357,407	1,677,864	1,583,776	94,088
Development Services	2,893,308	2,893,308	2,783,354	109,954
Public Services	6,705,590	6,705,590	6,594,884	110,706
Finance and Administrative Services	2,043,326	2,043,326	2,663,662	(620,336)
<b>TOTAL EXPENDITURES</b>	<b>34,859,156</b>	<b>34,948,856</b>	<b>36,832,767</b>	<b>(1,883,911)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(28,614)</b>	<b>(118,314)</b>	<b>(115,448)</b>	<b>2,866</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,331,060	2,331,060	2,435,856	104,796
Transfers Out	(2,332,446)	(2,477,746)	(2,628,280)	(150,534)
Proceeds from Sale of Capital Assets	30,000	30,000	41,538	11,538
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>28,614</b>	<b>(116,686)</b>	<b>(150,886)</b>	<b>(34,200)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>(235,000)</b>	<b>(266,334)</b>	<b>(31,334)</b>
FUND BALANCES, Beginning of Year	7,998,761	7,998,761	7,998,761	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,998,761</b>	<b>7,763,761</b>	<b>7,732,427</b>	<b>\$ (31,334)</b>

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

Note: The City's revised budget reflected an expected use of fund balance of approximately \$235,000.

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, 2017

	<b>HOSPITALITY TAX FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Hospitality Taxes	\$ 4,544,242	4,544,242	4,776,238	\$ 231,996
Investment Earnings	4,000	4,000	11,112	7,112
Other Revenues	500	500	4,100	3,600
<b>TOTAL REVENUES</b>	<b>4,548,742</b>	<b>4,548,742</b>	<b>4,791,450</b>	<b>242,708</b>
<b>EXPENDITURES</b>				
Operating	602,932	602,932	527,645	75,287
<b>TOTAL EXPENDITURES</b>	<b>602,932</b>	<b>602,932</b>	<b>527,645</b>	<b>75,287</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,945,810</b>	<b>3,945,810</b>	<b>4,263,805</b>	<b>317,995</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(3,945,810)	(3,945,810)	(4,035,567)	(89,757)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,945,810)</b>	<b>(3,945,810)</b>	<b>(4,035,567)</b>	<b>(89,757)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>228,238</b>	<b>228,238</b>
FUND BALANCES, Beginning of Year	2,113,680	2,113,680	2,113,680	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 2,113,680</b>	<b>2,113,680</b>	<b>2,341,918</b>	<b>\$ 228,238</b>

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED JUNE 30, 2017**

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 Ended	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%
June 30, 2015	216,333	459,850	212.57%
June 30, 2016	129,401	157,204	121.49%
June 30, 2017	\$ 126,669	\$ 35,200	27.79%

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
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
July 1, 2015	837,133	1,892,451	1,055,318	44.24%	15,319,521
January 1, 2017	\$ 840,196	2,395,022	\$ 1,554,826	35.08%	\$ 16,198,642

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 FOUR YEARS

	Year Ended June 30,			
	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ -	2,616	7,928	\$ 12,311
Interest	709,312	719,395	711,075	761,034
Differences Between Expected and Actual Experience	200,278	555,443	(3,011)	(436,740)
Changes of Assumptions	(681,039)	-	551,546	-
Benefit Payments, Including Refunds of Member Contributions	(1,508,124)	(1,545,732)	(1,568,073)	(1,664,935)
Net Change in Total Pension Liability	(1,279,573)	(268,278)	(300,535)	(1,328,330)
Total Pension Liability - Beginning of Year	18,486,857	18,755,135	19,055,670	20,384,000
Total Pension Liability - End of Year	<u>\$ 17,207,284</u>	<u>18,486,857</u>	<u>18,755,135</u>	<u>\$ 19,055,670</u>
Plan Fiduciary Net Position:				
Employer Contribution	\$ 903,842	855,676	810,401	\$ 812,083
Employee Contribution	2,916	4,539	8,304	8,672
Net Investment Income	(982)	264,312	130,645	267,102
Benefit Payments, Including Refunds of Member Contributions	(1,508,124)	(1,545,732)	(1,568,073)	(1,664,935)
Administrative Expenses	(47,983)	(62,040)	(70,455)	(89,978)
Net Change in Plan Fiduciary Net Position	(650,331)	(483,245)	(689,178)	(667,056)
Plan Fiduciary Net Position - Beginning of Year	5,290,243	5,773,488	6,462,666	7,129,722
Plan Fiduciary Net Position - End of Year	<u>\$ 4,639,912</u>	<u>5,290,243</u>	<u>5,773,488</u>	<u>\$ 6,462,666</u>
Net Pension Liability - End of Year	<u>\$ 12,567,372</u>	<u>13,196,614</u>	<u>12,981,647</u>	<u>\$ 12,593,004</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.96%	28.62%	30.78%	33.91%
Covered - Employee Payroll	\$ 41,016	41,580	73,802	\$ 103,745
Net Pension Liability as a Percentage of Covered-Employee Payroll	30640.17%	31737.89%	17589.83%	12138.42%

Notes to Schedule:

Significant Changes of Assumptions - Change in mortality assumptions from the RP2014 mortality table to the RP2006 mortality table.

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN OF THE CITY OF SPARTANBURG -  
SCHEDULE OF CONTRIBUTIONS

LAST TEN YEARS

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially Determined Contribution	\$ 1,103,709	1,112,221	1,076,602	1,040,830	1,969,995	1,126,558	899,946	739,797	208,870	\$ 412,957
Contributions in Relation to the Actuarially Determined Contribution:										
Employer Contribution	903,842	855,676	810,401	812,083	821,331	548,235	546,920	39,244	248,078	358,381
Employee Contribution	2,916	4,539	8,304	8,672	-	-	-	-	-	-
Total Contributions	906,758	860,215	818,705	820,755	821,331	548,235	546,920	39,244	248,078	358,381
Contribution Deficiency (Excess)	\$ 196,951	252,006	257,897	220,075	1,148,664	578,323	353,026	700,553	(39,208)	\$ 54,576
Covered-Employee Payroll	\$ 41,016	41,580	73,802	103,745	125,428	207,200	210,891	264,820	516,784	\$ 624,469
Contributions as a Percentage of Covered-Employee Payroll	2210.74%	2068.82%	1109.33%	791.13%	654.82%	264.59%	259.34%	14.82%	48.00%	57.39%

Notes to Schedule:

Valuation Date:

January 1, 2017 (actuarially determined contribution rates are calculated as of January 1st each year, at the beginning of the fiscal year in which contributions are reported).

Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed
- Remaining Amortization Period: 30 Years
- Asset Valuation Method: Market Value
- Salary Increases: 3.5%, Average, Including Inflation
- Investment Rate of Return: 4.00%
- Retirement Age: 65
- Mortality: RP2006 Combined Healthy Mortality Table

Other Information:

None

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREMENT PLAN OF THE CITY OF SPARTANBURG -  
SCHEDULE OF INVESTMENT RETURNS**

**LAST TEN YEARS**

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual Money-Weighted Rate of Return, Net of Investment Expense	-0.02%	4.90%	3.50%	-2.40%	6.64%	0.99%	10.80%	18.53%	-26.04%	8.11%

Note: Above rates are based on a calendar year.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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	<b>Year Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.080109%	0.079732%	0.081914%	0.081914%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,111,164	15,121,558	14,102,875	\$ 14,692,450
City's Covered Payroll	\$ 7,864,192	7,580,122	7,543,452	\$ 7,766,052
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	217.58%	199.49%	186.96%	189.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.91%	56.99%	59.92%	56.39%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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	<u>2017</u>	<u>Year Ended June 30,</u>		<u>2014</u>
		<u>2016</u>	<u>2015</u>	
Contractually Required Contribution	\$ 911,996	857,983	814,863	\$ 788,291
Contributions in Relation to the Contractually Required Contribution:	911,996	857,983	814,863	788,291
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
City's Covered Payroll	\$ 7,992,956	7,864,192	7,580,122	\$ 7,543,452
Contributions as a Percentage of Covered Payroll:	11.41%	10.91%	10.75%	10.45%

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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	<b>Year Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.70387%	0.71836%	0.70614%	0.70614%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,853,434	15,656,674	13,518,595	\$ 14,638,150
City's Covered Payroll	\$ 8,973,376	8,889,205	8,497,405	\$ 8,444,238
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	198.96%	176.13%	159.09%	173.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.44%	64.57%	67.55%	62.98%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST FOUR FISCAL YEARS**

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	<b>Year Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 1,323,613	1,232,942	1,192,042	\$ 1,091,067
Contributions in Relation to the Contractually Required Contribution:	1,323,613	1,232,942	1,192,042	1,091,067
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
City's Covered Payroll	\$ 9,295,062	8,973,376	8,889,205	\$ 8,497,405
Contributions as a Percentage of Covered Payroll:	14.24%	13.74%	13.41%	12.84%

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.



City of  
**SPARTANBURG**  
south carolina

**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, 2017

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current	\$ 14,503,926	14,276,230	\$ (227,696)
Prior Years, Including Penalties and Execution Fees	480,000	552,064	72,064
<b>Total Taxes</b>	<b><u>14,983,926</u></b>	<b><u>14,828,294</u></b>	<b><u>(155,632)</u></b>
<b>Fees, Licenses, and Permits:</b>			
Business Licenses and Penalties	10,278,608	12,214,073	1,935,465
Utility Franchise Fees	3,657,580	3,448,870	(208,710)
Building Permits	290,000	446,221	156,221
Electrical Permits	35,000	65,604	30,604
Plumbing Permits	20,000	33,518	13,518
Heating & Air Conditioning Permits	25,000	40,654	15,654
Miscellaneous Inspections/License Fees	143,200	132,479	(10,721)
<b>Total Fees, Licenses, and Permits</b>	<b><u>14,449,388</u></b>	<b><u>16,381,419</u></b>	<b><u>1,932,031</u></b>
<b>Fines and Forfeitures:</b>			
Criminal Fines	100,000	89,408	(10,592)
Traffic Fines	333,000	227,859	(105,141)
Parking Tickets	28,000	21,350	(6,650)
<b>Total Fines and Forfeitures</b>	<b><u>461,000</u></b>	<b><u>338,617</u></b>	<b><u>(122,383)</u></b>
<b>Intergovernmental Revenues:</b>			
Local Government Funds	791,466	838,273	46,807
General Government Funds	201,500	270,982	69,482
Accommodations Tax	32,922	38,289	5,367
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	5,763	6,337	574
Sunday Alcohol Sales	72,000	84,500	12,500
Water System Payments	1,000,000	1,000,000	-
Worker's Compensation Recoveries	260,000	160,073	(99,927)
Federal Reimbursement	-	6,465	6,465
<b>Total Intergovernmental Revenues</b>	<b><u>3,058,447</u></b>	<b><u>3,099,715</u></b>	<b><u>41,268</u></b>
<b>Charges for Services:</b>			
District 6 & 7 School Guards	162,005	250,160	88,155
Dorman High School Security	128,888	73,625	(55,263)
Parks and Recreation	78,000	73,103	(4,897)
Fleet Charges	90,000	64,124	(25,876)
Sanitation Service Charge	1,292,413	1,388,918	96,505
<b>Total Charges for Services</b>	<b><u>\$ 1,751,306</u></b>	<b><u>1,849,930</u></b>	<b><u>\$ 98,624</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Other Revenues:</b>			
Fair Association	\$ 27,500	13,750	\$ (13,750)
Interest	12,000	51,132	39,132
Miscellaneous	84,975	151,462	66,487
Rents	2,000	3,000	1,000
<b>Total Other Revenues</b>	<b>126,475</b>	<b>219,344</b>	<b>92,869</b>
<b>TOTAL REVENUES</b>	<b>34,830,542</b>	<b>36,717,319</b>	<b>1,886,777</b>
<b>EXPENDITURES</b>			
<b>Policy Formulation and Administration</b>			
Mayor and Council:			
Personnel Services	146,410	138,068	8,342
Operating Expenditures	81,783	48,532	33,251
	<u>228,193</u>	<u>186,600</u>	<u>41,593</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	219,895	232,117	(12,222)
Operating Expenditures	138,155	169,166	(31,011)
	<u>358,050</u>	<u>401,283</u>	<u>(43,233)</u>
City Manager:			
Personnel Services	411,232	424,267	(13,035)
Operating Expenditures	42,350	62,701	(20,351)
	<u>453,582</u>	<u>486,968</u>	<u>(33,386)</u>
Communication and Marketing:			
Personnel Services	255,206	251,562	3,644
Operating Expenditures	63,396	57,200	6,196
	<u>318,602</u>	<u>308,762</u>	<u>9,840</u>
Community Relations:			
Personnel Services	388,495	462,821	(74,326)
Operating Expenditures	45,798	49,077	(3,279)
Capital Outlay	3,984	3,984	-
	<u>\$ 438,277</u>	<u>515,882</u>	<u>\$ (77,605)</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, 2017

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Code Enforcement:			
Personnel Services	\$ 198,295	175,477	\$ 22,818
Operating Expenditures	39,914	41,095	(1,181)
Capital Outlay	3,057	3,057	-
	<u>241,266</u>	<u>219,629</u>	<u>21,637</u>
Municipal Court:			
Personnel Services	384,140	400,469	(16,329)
Operating Expenditures	97,470	73,985	23,485
	<u>481,610</u>	<u>474,454</u>	<u>7,156</u>
Non-Departmental Services:			
Operating Expenditures	282,650	1,007,355	(724,705)
	<u>282,650</u>	<u>1,007,355</u>	<u>(724,705)</u>
Worker's Compensation:			
Personnel Services	77,032	81,103	(4,071)
Operating Expenditures	564,055	565,637	(1,582)
	<u>641,087</u>	<u>646,740</u>	<u>(5,653)</u>
Human Resources:			
Personnel Services	311,017	248,252	62,765
Operating Expenditures	87,564	106,776	(19,212)
Capital Outlay	1,219	1,219	-
	<u>399,800</u>	<u>356,247</u>	<u>43,553</u>
Information Technology:			
Personnel Services	447,048	455,978	(8,930)
Operating Expenditures	1,099,720	1,008,764	90,956
Capital Outlay	238,830	87,125	151,705
	<u>1,785,598</u>	<u>1,551,867</u>	<u>233,731</u>
Employee Development:			
Personnel Services	86,000	90,875	(4,875)
Operating Expenditures	81,559	79,573	1,986
	<u>167,559</u>	<u>170,448</u>	<u>(2,889)</u>
<b>Total Policy Formulation and Administration</b>	<b><u>5,799,183</u></b>	<b><u>6,328,085</u></b>	<b><u>(528,902)</u></b>
<b>Public Safety</b>			
Administration			
Director's Office:			
Personnel Services	665,304	718,917	(53,613)
Operating Expenditures	173,660	143,668	29,992
Capital Outlay	16,204	16,204	-
	<u>\$ 855,168</u>	<u>878,789</u>	<u>\$ (23,621)</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, 2017

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Technical and Support Administration:			
Personnel Services	\$ 360,297	335,210	\$ 25,087
Operating Expenditures	342,794	362,508	(19,714)
	<u>703,091</u>	<u>697,718</u>	<u>5,373</u>
Total Administration	<u>1,558,259</u>	<u>1,576,507</u>	<u>(18,248)</u>
Law Enforcement			
Detention Transport:			
Operating Expenditures	26,157	52,640	(26,483)
Capital Outlay	2,701	2,701	-
	<u>28,858</u>	<u>55,341</u>	<u>(26,483)</u>
Patrol:			
Personnel Services	4,736,136	5,046,907	(310,771)
Operating Expenditures	206,956	192,080	14,876
Capital Outlay	383,267	350,167	33,100
	<u>5,326,359</u>	<u>5,589,154</u>	<u>(262,795)</u>
Crime Prevention:			
Personnel Services	509,393	576,103	(66,710)
Operating Expenditures	27,344	25,213	2,131
	<u>536,737</u>	<u>601,316</u>	<u>(64,579)</u>
Investigations:			
Personnel Services	1,597,909	1,922,583	(324,674)
Operating Expenditures	174,878	159,533	15,345
Capital Outlay	71,901	71,901	-
	<u>1,844,688</u>	<u>2,154,017</u>	<u>(309,329)</u>
Records:			
Personnel Services	457,462	485,740	(28,278)
Operating Expenditures	22,865	17,705	5,160
	<u>480,327</u>	<u>503,445</u>	<u>(23,118)</u>
Animal Control:			
Personnel Services	113,017	119,503	(6,486)
Operating Expenditures	97,060	83,393	13,667
Capital Outlay	14,607	14,607	-
	<u>224,684</u>	<u>217,503</u>	<u>7,181</u>
Law Enforcement Administration:			
Personnel Services	341,571	286,556	55,015
Operating Expenditures	30,244	24,463	5,781
	<u>\$ 371,815</u>	<u>311,019</u>	<u>\$ 60,796</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, 2017

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
School Crossing Guard:			
Personnel Services	\$ 138,284	67,283	\$ 71,001
Operating Expenditures	8,285	3,987	4,298
	<u>146,569</u>	<u>71,270</u>	<u>75,299</u>
Total Law Enforcement	<u>8,960,037</u>	<u>9,503,065</u>	<u>(543,028)</u>
Fire			
Fire Administration:			
Personnel Services	567,629	630,005	(62,376)
Operating Expenditures	124,273	127,659	(3,386)
Capital Outlay	12,000	12,040	(40)
	<u>703,902</u>	<u>769,704</u>	<u>(65,802)</u>
Fire Suppression:			
Personnel Services	3,900,952	4,316,650	(415,698)
Operating Expenditures	434,975	441,620	(6,645)
Capital Outlay	271,460	271,460	-
	<u>4,607,387</u>	<u>5,029,730</u>	<u>(422,343)</u>
Total Fire	<u>5,311,289</u>	<u>5,799,434</u>	<u>(488,145)</u>
<b>Total Public Safety</b>	<b><u>15,829,585</u></b>	<b><u>16,879,006</u></b>	<b><u>(1,049,421)</u></b>
<b>Parks, Recreation, and Special Events</b>			
Parks, Recreation, and Special Events Administration:			
Personnel Services	173,721	172,896	825
Operating Expenditures	175,963	185,180	(9,217)
	<u>349,684</u>	<u>358,076</u>	<u>(8,392)</u>
Special Events:			
Personnel Services	155,813	163,771	(7,958)
Operating Expenditures	11,348	9,039	2,309
	<u>167,161</u>	<u>172,810</u>	<u>(5,649)</u>
Parks:			
Personnel Services	288,723	284,743	3,980
Operating Expenditures	63,770	51,049	12,721
Capital Outlay	2,729	2,729	-
	<u>355,222</u>	<u>338,521</u>	<u>16,701</u>
Recreation Centers:			
Personnel Services	356,258	332,816	23,442
Operating Expenditures	96,920	93,366	3,554
	<u>\$ 453,178</u>	<u>426,182</u>	<u>\$ 26,996</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, 2017

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Aquatics:			
Personnel Services	\$ 168,269	126,620	\$ 41,649
Operating Expenditures	15,472	7,045	8,427
	<u>183,741</u>	<u>133,665</u>	<u>50,076</u>
Athletics			
Personnel Services	103,563	83,508	20,055
Operating Expenditures	65,315	71,014	(5,699)
	<u>168,878</u>	<u>154,522</u>	<u>14,356</u>
<b>Total Parks, Recreation, and Special Events</b>	<b><u>1,677,864</u></b>	<b><u>1,583,776</u></b>	<b><u>94,088</u></b>
<b>Development Services</b>			
Economic Development:			
Personnel Services	200,233	121,292	78,941
Operating Expenditures	153,465	190,812	(37,347)
	<u>353,698</u>	<u>312,104</u>	<u>41,594</u>
City Engineering:			
Personnel Services	160,065	108,841	51,224
Operating Expenditures	45,557	43,602	1,955
	<u>205,622</u>	<u>152,443</u>	<u>53,179</u>
Planning Department:			
Personnel Services	245,854	157,730	88,124
Operating Expenditures	33,782	17,258	16,524
	<u>279,636</u>	<u>174,988</u>	<u>104,648</u>
Inspections:			
Personnel Services	550,203	597,679	(47,476)
Operating Expenditures	53,809	93,326	(39,517)
Capital Outlay	6,360	6,360	-
	<u>610,372</u>	<u>697,365</u>	<u>(86,993)</u>
Parking Enforcement:			
Personnel Services	123,720	99,835	23,885
Operating Expenditures	9,314	3,554	5,760
	<u>133,034</u>	<u>103,389</u>	<u>29,645</u>
Construction Management:			
Personnel Services	153,049	161,227	(8,178)
Operating Expenditures	8,809	16,878	(8,069)
	<u>\$ 161,858</u>	<u>178,105</u>	<u>\$ (16,247)</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, 2017

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Building Maintenance:			
Personnel Services	\$ 331,725	319,066	\$ 12,659
Operating Expenditures	805,839	837,370	(31,531)
Capital Outlay	11,524	8,524	3,000
	<u>1,149,088</u>	<u>1,164,960</u>	<u>(15,872)</u>
<b>Total Development Services</b>	<b><u>2,893,308</u></b>	<b><u>2,783,354</u></b>	<b><u>109,954</u></b>
<b>Public Services</b>			
Public Services Administration:			
Personnel Services	145,947	56,849	89,098
Operating Expenditures	15,105	9,194	5,911
	<u>161,052</u>	<u>66,043</u>	<u>95,009</u>
Ground Maintenance:			
Personnel Services	1,044,709	1,064,307	(19,598)
Operating Expenditures	384,535	442,336	(57,801)
Capital Outlay	181,685	181,685	-
	<u>1,610,929</u>	<u>1,688,328</u>	<u>(77,399)</u>
Street Maintenance:			
Personnel Services	255,432	288,958	(33,526)
Operating Expenditures	133,722	108,595	25,127
Capital Outlay	53,878	53,878	-
	<u>443,032</u>	<u>451,431</u>	<u>(8,399)</u>
Traffic Services:			
Personnel Services	396,621	391,497	5,124
Operating Expenditures	835,057	802,050	33,007
Capital Outlay	5,942	5,942	-
	<u>1,237,620</u>	<u>1,199,489</u>	<u>38,131</u>
Fleet Maintenance:			
Personnel Services	664,368	694,327	(29,959)
Operating Expenditures	1,183,951	1,039,374	144,577
Capital Outlay	3,831	3,831	-
	<u>1,852,150</u>	<u>1,737,532</u>	<u>114,618</u>
Solid Waste:			
Personnel Services	871,512	932,797	(61,285)
Operating Expenditures	262,924	257,893	5,031
Capital Outlay	266,371	261,371	5,000
	<u>1,400,807</u>	<u>1,452,061</u>	<u>(51,254)</u>
<b>Total Public Services</b>	<b><u>\$ 6,705,590</u></b>	<b><u>6,594,884</u></b>	<b><u>\$ 110,706</u></b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>Finance and Administrative Services</b>			
Administrative/Risk:			
Operating Expenditures	\$ 817,348	1,269,772	\$ (452,424)
	<u>817,348</u>	<u>1,269,772</u>	<u>(452,424)</u>
Finance Administration:			
Personnel Services	631,635	624,378	7,257
Operating Expenditures	185,270	130,423	54,847
Capital Outlay	1,171	1,171	-
	<u>818,076</u>	<u>755,972</u>	<u>62,104</u>
Business License Code Enforcement:			
Personnel Services	188,727	175,831	12,896
Operating Expenditures	8,885	243,290	(234,405)
Capital Outlay	3,269	3,269	-
	<u>200,881</u>	<u>422,390</u>	<u>(221,509)</u>
Procurement and Property:			
Personnel Services	153,342	161,059	(7,717)
Operating Expenditures	49,372	50,162	(790)
Capital Outlay	4,307	4,307	-
	<u>207,021</u>	<u>215,528</u>	<u>(8,507)</u>
<b>Total Finance and Administrative Services</b>	<b><u>2,043,326</u></b>	<b><u>2,663,662</u></b>	<b><u>(620,336)</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>34,948,856</u></b>	<b><u>36,832,767</u></b>	<b><u>(1,883,911)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>(118,314)</u></b>	<b><u>(115,448)</u></b>	<b><u>2,866</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,331,060	2,435,856	104,796
Transfers Out	(2,477,746)	(2,628,280)	(150,534)
Proceeds from Sale of Capital Assets	30,000	41,538	11,538
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(116,686)</u></b>	<b><u>(150,886)</u></b>	<b><u>(34,200)</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b><u>(235,000)</u></b>	<b><u>(266,334)</u></b>	<b><u>(31,334)</u></b>
FUND BALANCES, Beginning of Year	7,998,761	7,998,761	-
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 7,763,761</u></b>	<b><u>7,732,427</u></b>	<b><u>\$ (31,334)</u></b>

## **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 Initiative Program Fund 710 – to account for funds to stabilize property values and prevent future foreclosures for existing property owners in strategically targeted areas through the removal of blighted structures.

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, 2017

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,400	-	\$ 14,400
Pooled Cash and Cash Equivalents	776,160	1,623,984	2,400,144
Restricted Investments	-	185	185
Property Taxes Receivable, Net	-	83,013	83,013
Accounts Receivable	728	-	728
Commercial Loan Receivables	53,686	-	53,686
Intergovernmental Receivables	1,028,526	-	1,028,526
Mortgages Receivable:			
Home Loans	71,545	-	71,545
<b>TOTAL ASSETS</b>	<b>\$ 1,945,045</b>	<b>1,707,182</b>	<b>\$ 3,652,227</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 363,623	77,133	\$ 440,756
Accrued Salaries and Benefits	23,547	-	23,547
Due To Other Funds	633,459	-	633,459
Unearned Revenue	215,229	-	215,229
<b>TOTAL LIABILITIES</b>	<b>1,235,858</b>	<b>77,133</b>	<b>1,312,991</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Taxes	-	43,287	43,287
Unavailable Notes Receivable	114,592	-	114,592
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>114,592</b>	<b>43,287</b>	<b>157,879</b>
<b>FUND BALANCES</b>			
Restricted For:			
Debt Service	-	1,586,762	1,586,762
Tourism Related Costs	244,382	-	244,382
Special Revenue Programs	338,356	-	338,356
Committed For:			
Special Revenue Programs	11,857	-	11,857
<b>TOTAL FUND BALANCES</b>	<b>594,595</b>	<b>1,586,762</b>	<b>2,181,357</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,945,045</b>	<b>1,707,182</b>	<b>\$ 3,652,227</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Federal Government Contributions	\$ 937,146	-	\$ 937,146
State Government Contributions	1,264,114	-	1,264,114
Taxes	2,203,393	1,970,075	4,173,468
Investment Earnings	4,871	184	5,055
Miscellaneous	1,672,244	-	1,672,244
Confiscated Drug Funds	6,831	-	6,831
Donations	9,000	-	9,000
<b>TOTAL REVENUES</b>	<b>6,097,599</b>	<b>1,970,259</b>	<b>8,067,858</b>
<b>EXPENDITURES:</b>			
Current:			
Finance and Administrative Services	808,244	-	808,244
Operating	5,225,143	-	5,225,143
Capital Outlay	189	-	189
Debt Service			
Principal Retirement	-	2,349,388	2,349,388
Interest	-	722,215	722,215
Other	-	536,234	536,234
<b>TOTAL EXPENDITURES</b>	<b>6,033,576</b>	<b>3,607,837</b>	<b>9,641,413</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>64,023</b>	<b>(1,637,578)</b>	<b>(1,573,555)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	280,841	3,068,120	3,348,961
Transfers Out	(374,490)	(1,635,313)	(2,009,803)
Proceeds from Sale of Capital Assets	79,028	-	79,028
<b>Total Other Financing Sources (Uses)</b>	<b>(14,621)</b>	<b>1,432,807</b>	<b>1,418,186</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>49,402</b>	<b>(204,771)</b>	<b>(155,369)</b>
FUND BALANCES, Beginning of Year	545,193	1,791,533	2,336,726
<b>FUND BALANCES, End of Year</b>	<b>\$ 594,595</b>	<b>1,586,762</b>	<b>\$ 2,181,357</b>



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2017

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Pooled Cash and Cash Equivalents	183,674	1,218
Accounts Receivable	-	-
Intergovernmental Receivables	231	-
Commercial Loan Receivables	-	-
Mortgages Receivable-Home Loans	60,906	10,639
<b>TOTAL ASSETS</b>	<b>\$ 244,811</b>	<b>11,857</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 130,761	-
Accrued Salaries and Benefits	-	-
Due To Other Funds	-	-
Deferred Revenue	-	-
<b>TOTAL LIABILITIES</b>	<b>130,761</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Notes Receivable	60,906	-
<b>FUND BALANCES</b>		
Restricted	53,144	-
Committed	-	11,857
<b>TOTAL FUND BALANCES</b>	<b>53,144</b>	<b>11,857</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 244,811</b>	<b>11,857</b>

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
-	-	14,400	-	\$ -
69,147	63,070	10,310	27,137	194,764
-	-	728	-	-
187,072	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>256,219</b>	<b>63,070</b>	<b>25,438</b>	<b>27,137</b>	<b>\$ 194,764</b>
33,073	-	13,960	-	\$ 26,251
15,487	1,520	478	-	-
-	-	-	-	-
204,229	-	11,000	-	-
<b>252,789</b>	<b>1,520</b>	<b>25,438</b>	<b>-</b>	<b>26,251</b>
-	-	-	-	-
3,430	61,550	-	27,137	168,513
-	-	-	-	-
<b>3,430</b>	<b>61,550</b>	<b>-</b>	<b>27,137</b>	<b>168,513</b>
<b>256,219</b>	<b>63,070</b>	<b>25,438</b>	<b>27,137</b>	<b>\$ 194,764</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2017

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Pooled Cash and Cash Equivalents	183,231	34,170
Accounts Receivable	-	-
Intergovernmental Receivables	89,414	13,370
Commercial Loan Receivables	-	53,686
Mortgages Receivable-Home Loans	-	-
<b>TOTAL ASSETS</b>	<b>\$ 272,645</b>	<b>101,226</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 28,263	26,335
Accrued Salaries and Benefits	-	6,062
Due To Other Funds	-	-
Deferred Revenue	-	-
<b>TOTAL LIABILITIES</b>	<b>28,263</b>	<b>32,397</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Notes Receivable	-	53,686
<b>FUND BALANCES</b>		
Restricted	244,382	15,143
Committed	-	-
<b>TOTAL FUND BALANCES</b>	<b>244,382</b>	<b>15,143</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 272,645</b>	<b>101,226</b>

Fund 710	Fund 803	Fund 804		Combined Funds
Neighborhood Initiative Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund		
-	-	-	\$	14,400
-	2,666	6,773		776,160
-	-	-		728
738,439	-	-		1,028,526
-	-	-		53,686
-	-	-		71,545
<b>738,439</b>	<b>2,666</b>	<b>6,773</b>	<b>\$</b>	<b>1,945,045</b>
104,980	-	-	\$	363,623
-	-	-		23,547
633,459	-	-		633,459
-	-	-		215,229
738,439	-	-		1,235,858
-	-	-		114,592
-	2,666	6,773		582,738
-	-	-		11,857
-	2,666	6,773		594,595
<b>738,439</b>	<b>2,666</b>	<b>6,773</b>	<b>\$</b>	<b>1,945,045</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
<b>REVENUES</b>		
Federal Government Contributions	\$ 75,420	-
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	-	-
Storm Water Fees and Permit	-	-
Investment Earnings	1,617	93
Miscellaneous	-	-
Confiscated Drug Funds	-	-
Donations	-	-
Total Revenues	<u>77,037</u>	<u>93</u>
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	-
Operating	77,060	2,700
Capital Outlay	-	-
Total Expenditures	<u>77,060</u>	<u>2,700</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(23)</u>	<u>(2,607)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	-	-
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(23)</b>	<b>(2,607)</b>
FUND BALANCES, Beginning of Year	<u>53,167</u>	<u>14,464</u>
<b>FUND BALANCES, End of Year</b>	<u><b>\$ 53,144</b></u>	<u><b>11,857</b></u>

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
390,324	-	-	-	\$ -
196,568	-	-	350,000	-
-	-	-	842,044	1,108,852
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,691
1,078,915	49,037	480,292	-	-
-	-	-	-	-
-	-	-	9,000	-
<b>1,665,807</b>	<b>49,037</b>	<b>480,292</b>	<b>1,201,044</b>	<b>1,110,543</b>
478,148	49,624	86,010	-	-
1,249,186	6,702	549,354	1,228,403	727,085
189	-	-	-	-
<b>1,727,523</b>	<b>56,326</b>	<b>635,364</b>	<b>1,228,403</b>	<b>727,085</b>
<b>(61,716)</b>	<b>(7,289)</b>	<b>(155,072)</b>	<b>(27,359)</b>	<b>383,458</b>
63,808	-	155,072	-	-
-	(11,216)	-	-	(336,774)
-	-	-	-	-
<b>63,808</b>	<b>(11,216)</b>	<b>155,072</b>	<b>-</b>	<b>(336,774)</b>
<b>2,092</b>	<b>(18,505)</b>	<b>-</b>	<b>(27,359)</b>	<b>46,684</b>
1,338	80,055	-	54,496	121,829
<b>3,430</b>	<b>61,550</b>	<b>-</b>	<b>27,137</b>	<b>\$ 168,513</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ -	471,402
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	252,497	-
Investment Earnings	1,276	143
Miscellaneous	-	1,000
Confiscated Drug Funds	-	-
Donations	-	-
Total Revenues	<u>253,773</u>	<u>472,545</u>
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	194,462
Operating	196,172	340,968
Capital Outlay	-	-
Total Expenditures	<u>196,172</u>	<u>535,430</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>57,601</b></u>	<u><b>(62,885)</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	(26,500)	-
Proceeds from Sale of Capital Assets	-	78,028
Total Other Financing Sources (Uses)	<u>(26,500)</u>	<u>78,028</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>31,101</b>	<b>15,143</b>
FUND BALANCES, Beginning of Year	<u>213,281</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<u><b>\$ 244,382</b></u>	<u><b>15,143</b></u>

Fund 710	Fund 803	Fund 804		
Neighborhood Initiative Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Combined Funds	
-	-	-	\$	937,146
717,546	-	-		1,264,114
-	-	-		1,950,896
-	-	-		252,497
-	21	30		4,871
63,000	-	-		1,672,244
-	-	6,831		6,831
-	-	-		9,000
<u>780,546</u>	<u>21</u>	<u>6,861</u>		<u>6,097,599</u>
-	-	-		808,244
842,507	-	5,006		5,225,143
-	-	-		189
<u>842,507</u>	<u>-</u>	<u>5,006</u>		<u>6,033,576</u>
<b>(61,961)</b>	<b>21</b>	<b>1,855</b>		<b>64,023</b>
61,961	-	-		280,841
-	-	-		(374,490)
-	-	1,000		79,028
<u>61,961</u>	<u>-</u>	<u>1,000</u>		<u>(14,621)</u>
-	<b>21</b>	<b>2,855</b>		<b>49,402</b>
-	2,645	3,918		545,193
<u>-</u>	<u><b>2,666</b></u>	<u><b>6,773</b></u>	<u>\$</u>	<u><b>594,595</b></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, 2017

	<b>FEDERAL HOME PROGRAM FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 444,770	444,770	75,420	\$ (369,350)
Investment Earnings	-	-	1,617	1,617
<b>TOTAL REVENUES</b>	<b>444,770</b>	<b>444,770</b>	<b>77,037</b>	<b>(367,733)</b>
<b>EXPENDITURES</b>				
Operating	444,770	444,770	77,060	367,710
<b>TOTAL EXPENDITURES</b>	<b>444,770</b>	<b>444,770</b>	<b>77,060</b>	<b>367,710</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(23)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(23)</b>
FUND BALANCES, Beginning of Year	53,167	53,167	53,167	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 53,167</b>	<b>53,167</b>	<b>53,144</b>	<b>\$ (23)</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2017

	<b>VICTIMS ASSISTANCE FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Other Revenues	\$ 63,309	63,309	49,037	\$ (14,272)
<b>TOTAL REVENUES</b>	<b>63,309</b>	<b>63,309</b>	<b>49,037</b>	<b>(14,272)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	63,309	63,309	49,624	13,685
Operating	-	-	6,702	(6,702)
<b>TOTAL EXPENDITURES</b>	<b>63,309</b>	<b>63,309</b>	<b>56,326</b>	<b>6,983</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(7,289)</b>	<b>(7,289)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(11,216)	11,216
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(11,216)</b>	<b>11,216</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(18,505)</b>	<b>(18,505)</b>
FUND BALANCES, Beginning of Year	80,055	80,055	80,055	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 80,055</b>	<b>80,055</b>	<b>61,550</b>	<b>\$ (18,505)</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2017

	<b>COMMUNITY DEVELOPMENT FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 919,586	919,586	471,402	\$ (448,184)
Investment Earnings	300	300	143	(157)
Other Revenues	1,000	1,000	1,000	-
<b>TOTAL REVENUES</b>	<b>920,886</b>	<b>920,886</b>	<b>472,545</b>	<b>(448,341)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	230,299	230,299	194,462	35,837
Operating	699,361	699,361	340,968	358,393
<b>TOTAL EXPENDITURES</b>	<b>929,660</b>	<b>929,660</b>	<b>535,430</b>	<b>394,230</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,774)</b>	<b>(8,774)</b>	<b>(62,885)</b>	<b>(54,111)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	8,774	8,774	78,028	69,254
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,774</b>	<b>8,774</b>	<b>78,028</b>	<b>69,254</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>15,143</b>	<b>15,143</b>
FUND BALANCES, Beginning of Year	-	-	-	-
<b>FUND BALANCES, End of Year</b>	<b>\$ -</b>	<b>-</b>	<b>15,143</b>	<b>\$ 15,143</b>

## **DEBT SERVICE FUNDS**

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

General Debt Service Fund – to account for accumulation of resources and payment of bond principal interest and related costs. These particular funds were used for certain capital projects.

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



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2017

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ -	1,623,984	\$ 1,623,984
Restricted Investments	185	-	185
Property Taxes Receivable, Net	-	83,013	83,013
<b>TOTAL ASSETS</b>	<b>\$ 185</b>	<b>1,706,997</b>	<b>\$ 1,707,182</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	77,133	\$ 77,133
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>77,133</b>	<b>77,133</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Property Taxes	-	43,287	43,287
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>43,287</b>	<b>43,287</b>
<b>FUND BALANCE</b>			
Restricted for Debt Service	185	1,586,577	1,586,762
<b>TOTAL FUND BALANCES</b>	<b>185</b>	<b>1,586,577</b>	<b>1,586,762</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 185</b>	<b>1,706,997</b>	<b>\$ 1,707,182</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>REVENUES</b>			
Tax Increment	\$ -	1,970,075	\$ 1,970,075
Investment Earnings	184	-	184
<b>TOTAL REVENUES</b>	<b>184</b>	<b>1,970,075</b>	<b>1,970,259</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	2,349,388	-	2,349,388
Interest	722,215	-	722,215
Other	556	535,678	536,234
<b>TOTAL EXPENDITURES</b>	<b>3,072,159</b>	<b>535,678</b>	<b>3,607,837</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,071,975)</b>	<b>1,434,397</b>	<b>(1,637,578)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	3,068,120	-	3,068,120
Transfers Out	-	(1,635,313)	(1,635,313)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,068,120</b>	<b>(1,635,313)</b>	<b>1,432,807</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(3,855)</b>	<b>(200,916)</b>	<b>(204,771)</b>
FUND BALANCES, Beginning of Year	4,040	1,787,493	1,791,533
<b>FUND BALANCES, End of Year</b>	<b>\$ 185</b>	<b>1,586,577</b>	<b>\$ 1,586,762</b>

## **INTERNAL SERVICE FUNDS**

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

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

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



City of  
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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF NET POSITION - ALL INTERNAL SERVICE FUNDS

JUNE 30, 2017

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 1,532,592	293,821	\$ 1,826,413
Restricted Cash and Cash Equivalents	645,075	-	645,075
Accounts Receivable	-	6,692	6,692
Prepays	712,900	-	712,900
Total Current Assets	<u>2,890,567</u>	<u>300,513</u>	<u>3,191,080</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	7,150,234	-	7,150,234
Total Non-Current Assets	<u>7,150,234</u>	<u>-</u>	<u>7,150,234</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,040,801</u></b>	<b><u>300,513</u></b>	<b><u>\$ 10,341,314</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 31,293	32,725	\$ 64,018
Claims/Premiums	-	706,965	706,965
Unclaimed Checks	-	1,550	1,550
Current Portion of Capital Lease Payable	1,093,962	-	1,093,962
Total Current Liabilities	<u>1,125,255</u>	<u>741,240</u>	<u>1,866,495</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	3,181,149	-	3,181,149
Total Long-Term Liabilities	<u>3,181,149</u>	<u>-</u>	<u>3,181,149</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,306,404</u></b>	<b><u>741,240</u></b>	<b><u>5,047,644</u></b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,875,123	-	2,875,123
Unrestricted	2,859,274	(440,727)	2,418,547
<b>TOTAL NET POSITION</b>	<b><u>5,734,397</u></b>	<b><u>(440,727)</u></b>	<b><u>5,293,670</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 10,040,801</u></b>	<b><u>300,513</u></b>	<b><u>\$ 10,341,314</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,356,197	-	\$ 1,356,197
Contributions	-	5,385,740	5,385,740
Other	-	13,358	13,358
<b>TOTAL OPERATING REVENUES</b>	<b><u>1,356,197</u></b>	<b><u>5,399,098</u></b>	<b><u>6,755,295</u></b>
<b>OPERATING EXPENSES</b>			
Services and Charges	174,038	422,434	596,472
Claims/Premiums	-	4,976,664	4,976,664
Depreciation	1,154,575	-	1,154,575
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,328,613</u></b>	<b><u>5,399,098</u></b>	<b><u>6,727,711</u></b>
<b>OPERATING INCOME</b>	<b><u>27,584</u></b>	<b><u>-</u></b>	<b><u>27,584</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	(13,333)	-	(13,333)
Interest Expense	(66,446)	-	(66,446)
Investment Earnings	1,765	-	1,765
Other	(16,500)	-	(16,500)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(94,514)</u></b>	<b><u>-</u></b>	<b><u>(94,514)</u></b>
<b>CHANGE IN NET POSITION</b>	<b><u>(66,930)</u></b>	<b><u>-</u></b>	<b><u>(66,930)</u></b>
NET POSITION, Beginning of Year	<u>5,801,327</u>	<u>(440,727)</u>	<u>5,360,600</u>
<b>TOTAL NET POSITION, End of Year</b>	<b><u>\$ 5,734,397</u></b>	<b><u>(440,727)</u></b>	<b><u>\$ 5,293,670</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2017

	<b>EQUIPMENT REPLACEMENT</b>	<b>MEDICAL INSURANCE TRUST</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 1,356,197	-	\$ 1,356,197
Receipts from Contributions	-	5,379,048	5,379,048
Receipts from Other Revenues	-	13,358	13,358
Payments for Services and Charges	(1,031,908)	(422,876)	(1,454,784)
Payments for Other Expenses	(16,500)	-	(16,500)
Payments for Claims/Premiums	-	(4,784,849)	(4,784,849)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>307,789</b>	<b>184,681</b>	<b>492,470</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,531,557)	-	(1,531,557)
Proceeds on Sale of Capital Assets	19,150	-	19,150
Capital Lease Proceeds	2,000,000	-	2,000,000
Capital Lease Payments	(1,395,544)	-	(1,395,544)
Interest Paid	(66,446)	-	(66,446)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(974,397)</b>	<b>-</b>	<b>(974,397)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	1,765	-	1,765
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,765</b>	<b>-</b>	<b>1,765</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(664,843)</b>	<b>184,681</b>	<b>(480,162)</b>
<b>RESTRICTED, POOLED, AND UNRESTRICTED</b>			
CASH AND CASH EQUIVALENTS - Beginning of Year	2,842,510	109,140	2,951,650
<b>RESTRICTED, POOLED, AND UNRESTRICTED</b>			
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 2,177,667</b>	<b>293,821</b>	<b>\$ 2,471,488</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>			
Net Operating Income (Loss)	\$ 27,584	-	\$ 27,584
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities			
Depreciation Expense	1,154,575	-	1,154,575
Other Revenues (Expenses)	(16,500)	-	(16,500)
Change in:			
Accounts Receivable	-	(6,692)	(6,692)
Prepays	(712,900)	-	(712,900)
Accounts Payable	(144,970)	(442)	(145,412)
Claims/Premiums	-	190,265	190,265
Unclaimed Checks	-	1,550	1,550
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 307,789</b>	<b>184,681</b>	<b>\$ 492,470</b>



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.



City of  
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**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2017**

---

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
<b>ASSETS</b>				
Other Receivables	\$ 80,561	43,927	39,343	\$ 85,145
<b>TOTAL ASSETS</b>	<u>\$ 80,561</u>	<u>43,927</u>	<u>39,343</u>	<u>\$ 85,145</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,501	619	1,501	\$ 619
Amounts Held for Custody for Others	79,060	43,308	37,842	84,526
<b>TOTAL LIABILITIES</b>	<u>\$ 80,561</u>	<u>43,927</u>	<u>39,343</u>	<u>\$ 85,145</u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2017**

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Court Fines and Assessments:

Court Fines Collected	\$ 667,344
Court Fines and Assessments Retained by City	<u>(366,277)</u>
Total Court Fines and Assessments Remitted to the State Treasurer	<u><u>\$ 301,067</u></u>

Court Surcharges:

Court Surcharges Remitted to State Treasurer	<u><u>\$ 148,667</u></u>
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Victims Services:

Funds Available for Carryforward, Beginning of the Year	\$ 80,055
Court Assessments allocated to Victim Services	37,986
Court Surcharges allocated to Victim Services	11,051
Victim Services Expenditures	<u>(67,542)</u>
Funds Available for Carryforward, End of Year	<u><u>\$ 61,550</u></u>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

DMT Contract #: PT-78099-47					
Performance Period: July 1, 2016 - June 30, 2017					
	Budget	Section 5307	SMTF	Local	Variance
<b>OPERATIONS</b>					
Management Services	\$ 115,000	45,497	14,160	39,508	\$ 15,835
Professional and Technical	851,070	240,810	82,564	292,380	235,316
Contract Maintenance Services	3,000	65	-	1,031	1,904
Custodial Services	6,000	1,462	167	2,061	2,310
Uniforms	15,000	5,421	2,156	5,153	2,270
Other Employee Costs	3,000	-	-	1,031	1,969
Training	1,700	-	-	584	1,116
Dues and Subscriptions	1,600	-	(2,899)	550	3,949
Fuel and Lubricants	260,000	44,493	16,704	89,321	109,482
Tools and Minor Equipment	5,000	7,288	2,084	1,718	(6,090)
Computers Under \$5,000	2,000	-	-	687	1,313
Office Supplies	15,700	-	-	5,394	10,306
Radio Supplies	3,200	-	-	1,099	2,101
Safety Supplies	5,000	-	(734)	1,718	4,016
Utilities	83,200	21,963	5,033	28,583	27,621
Casualty and Liability	255,000	70,947	30,744	87,604	65,705
Vehicle Leasing and Fees	100	-	(3)	34	69
Advertising	1,000	716	133	344	(193)
Travel	3,500	1,480	512	1,200	308
<b>TOTAL OPERATIONS</b>	<u>1,630,070</u>	<u>440,142</u>	<u>150,621</u>	<u>560,000</u>	<u>479,307</u>
<b>CAPITAL</b>					
Preventive Maintenance	353,000	268,822	-	-	84,178
30 Ft Bus	350,000	340,507	-	-	9,493
<b>TOTAL CAPITAL</b>	<u>703,000</u>	<u>609,329</u>	<u>-</u>	<u>-</u>	<u>93,671</u>
<b>TOTAL PROGRAM</b>	<u>\$ 2,333,070</u>	<u>1,049,471</u>	<u>150,621</u>	<u>560,000</u>	<u>\$ 572,978</u>
Approved Budget	\$ 2,333,070				
Total Federal Costs	(1,049,471)				
Total State Costs	(150,621)				
Total Local Costs	(560,000)				
Budget Balance	<u>\$ 572,978</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.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	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									
	2008 *	2009	2010	2011	2012	2013*	2014	2015	2016**	2017**
Governmental Activities										
Net Investment in Capital Assets	\$ 53,074,516	53,384,024	55,779,502	54,003,930	49,678,593	46,374,702	43,048,637	44,324,590	50,867,232	\$ 52,133,237
Restricted	4,209,971	2,130,497	834,855	3,962,772	4,898,660	4,816,041	7,148,564	6,286,921	4,410,117	4,443,720
Unrestricted	1,443,237	1,018,340	6,026,925	3,413,824	(68,032)	1,020,587	3,245,357	(33,929,319)	(42,779,500)	(44,163,933)
Total Governmental Activities Net Position	58,727,724	56,532,861	62,641,282	61,380,526	54,509,221	52,211,330	53,442,558	16,682,192	12,497,849	12,413,024
Business-Type Activities										
Net Investment in Capital Assets	17,282,372	20,908,586	19,354,866	19,671,901	22,706,093	23,034,331	22,224,018	23,014,313	37,054,399	47,441,179
Restricted	1,100,000	1,100,000	-	-	-	-	-	-	-	-
Unrestricted	347,749	562,885	1,312,976	1,080,566	1,875,323	2,291,267	3,403,403	2,736,386	3,700,260	3,722,107
Total Business-Type Activities Net Position	18,730,121	22,571,471	20,667,842	20,752,467	24,581,416	25,325,598	25,627,421	25,750,699	40,754,659	51,163,286
Primary Government										
Net Investment in Capital Assets	70,356,888	74,292,610	75,134,368	73,675,831	72,384,686	69,409,033	65,272,655	67,338,903	78,891,631	91,324,922
Restricted	5,309,971	3,230,497	834,855	3,962,772	4,898,660	4,816,041	7,148,564	6,286,921	4,410,117	4,443,720
Unrestricted	1,790,986	1,581,225	7,339,901	4,494,390	1,807,291	3,311,854	6,648,760	(31,192,933)	(30,049,240)	(32,192,332)
Total Primary Government Net Position	\$ 77,457,845	79,104,332	83,309,124	82,132,993	79,090,637	77,536,928	79,069,979	42,432,891	53,252,508	\$ 63,576,310

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.

\*\* The total for Net Investment in Capital Assets does not add down due to debt recorded in Governmental Activities, but the proceeds were used to fund capital assets in Business-Type Activities. See Note III.F in the Notes to the 2017 Financial Statements for details.

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
Policy Formulation and Administration	\$ 9,011,543	5,931,181	6,653,577	5,427,127	4,858,280	5,513,826	6,004,329	7,217,844	7,550,338	\$ 6,071,710
Public Safety	13,118,630	13,645,106	13,499,377	13,814,584	14,047,102	15,355,555	14,781,345	15,009,975	16,193,535	17,864,273
Parks, Recreation, and Special Events	2,434,395	2,137,461	2,550,485	2,665,563	2,628,409	2,338,124	2,075,383	1,336,488	2,247,585	2,592,220
Development Services	1,677,517	2,362,617	2,044,391	1,582,139	4,311,104	1,504,594	2,635,403	4,254,332	3,000,367	3,790,091
Public Services	12,948,923	12,355,374	8,402,885	10,764,474	9,271,201	9,901,909	9,059,910	8,238,416	8,335,035	8,563,016
Finance and Administrative Services	2,441,508	2,491,167	2,773,086	2,698,109	2,389,918	2,291,448	3,029,842	2,463,035	2,771,890	3,534,213
Operating	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577	4,786,784	5,403,591	4,938,750	5,010,013	5,800,758
Interest and Other Charges	1,641,700	1,563,341	1,522,450	2,156,316	1,983,406	1,228,999	1,216,595	1,234,964	1,030,383	1,653,346
Total Governmental Activities Expenses	47,520,500	45,552,689	41,769,413	43,814,831	45,864,997	42,921,239	44,206,398	44,693,804	46,139,146	49,869,627
Business-Type Activities:										
Transit	1,806,189	1,927,191	1,936,117	2,112,672	2,124,224	1,995,486	2,006,752	1,916,397	1,852,015	1,933,748
Parking	985,169	1,049,102	884,137	871,809	971,528	1,021,561	874,213	812,939	801,105	1,195,457
Sanitary Sewer	621,073	954	1,100,785	77,419	-	-	-	-	-	-
Airport	1,936,607	1,613,828	1,651,488	1,468,607	1,549,591	1,543,868	1,412,982	1,465,961	1,442,379	1,518,271
Storm Water	-	-	-	649,945	697,833	1,162,763	1,166,062	1,381,968	1,182,618	910,138
CC Woodson	-	295,900	538,612	677,770	444,010	443,947	410,073	410,084	397,663	-
Spartanburg Parking Facilities Corporation	-	313,769	522,162	806,896	858,495	961,788	980,169	1,009,657	1,873,815	-
Spartanburg Airport Facilities Corporation	-	-	102,509	212,804	376,667	291,632	396,478	382,543	419,359	-
Total Business-Type Activities Expenses	5,349,038	5,200,744	6,735,810	6,877,922	7,022,348	7,421,045	7,246,729	7,379,549	7,968,954	5,557,614
Total Primary Government Expenses	\$ 52,869,538	50,753,433	48,505,223	50,692,753	52,887,345	50,342,284	51,453,127	52,073,353	54,108,100	\$ 55,427,241
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Public Safety	\$ 1,191,111	1,285,197	1,049,519	1,128,967	959,335	1,047,142	884,408	908,902	1,036,591	\$ 713,104
Parks, Recreation, and Special Events	219,537	229,714	255,177	268,951	251,713	231,659	154,449	115,815	111,305	97,453
Development Services	737,226	474,247	415,996	471,430	408,985	298,312	341,919	329,411	821,947	715,327
Public Services	2,230,552	3,521,417	3,264,799	3,098,216	3,033,347	2,998,689	2,716,693	2,718,472	2,603,285	2,641,489
Finance and Administrative Services	12,026,190	12,255,309	12,262,638	12,511,056	12,606,571	12,930,317	13,577,368	13,819,673	14,279,201	15,904,464
Operating Grants and Contributions										
Public Safety	1,886,705	957,197	1,291,281	1,575,721	1,851,029	928,999	607,124	453,976	762,640	586,892
Development Services	-	1,006,376	1,729,005	1,578,931	1,575,554	1,107,254	-	1,216,341	1,680,967	1,627,345
Public Services	530,695	667,390	846,449	710,750	1,147,838	814,341	511,452	383,470	670,435	\$ 1,201,044

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital Grants and Contributions										
Public Safety	-	-	28,705	-	-	-	-	-	-	\$ -
Parks, Recreation, and Special Events	-	3,642,158	-	-	-	-	-	-	-	-
Development Services	60,000	-	-	-	-	-	-	-	-	-
Public Services	3,366,293	959,063	3,750,755	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	22,248,309	24,998,068	24,894,324	21,344,022	21,834,372	20,356,713	18,793,413	19,946,060	21,987,092	23,487,118
Business-Type Activities:										
Charges for Services:										
Transit	314,853	275,932	291,211	317,707	266,724	286,317	296,982	273,393	255,887	276,371
Parking	278,605	304,189	347,997	341,999	342,268	349,048	419,370	353,899	408,525	455,636
Sanitary Sewer	1,019,003	35,016	-	-	-	-	-	-	-	-
Airport	1,728,105	1,195,722	1,200,337	1,154,466	1,085,466	1,070,888	969,613	1,099,310	1,037,349	1,380,335
Storm Water	-	-	-	917,038	1,503,209	1,114,310	1,631,758	1,852,620	1,649,011	1,609,132
CC Woodson	-	17,938	48,000	48,000	48,000	48,000	48,000	48,000	30,062	-
Spartanburg Parking Facilities Corporation	-	-	18,750	18,750	37,500	37,500	18,750	56,250	37,500	-
Spartanburg Airport Facilities Corporation	-	-	27,322	80,961	137,194	151,412	141,654	157,258	168,134	-
Operating Grants and Contributions										
Transit	880,601	1,236,057	975,280	904,296	2,193,599	1,413,559	855,002	-	777,885	-
Airport	607,099	338,229	368,397	794,303	2,279,445	1,517,382	892,782	-	910,377	-
Capital Grants and Contributions										
Transit	-	-	-	-	-	-	-	-	-	1,945,385
Airport	-	-	-	-	-	-	-	-	-	9,318,852
CC Woodson	-	2,150,000	-	-	-	-	-	-	-	-
Spartanburg Parking Facilities Corporation	-	-	536,000	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	4,828,266	5,553,083	3,794,544	4,577,520	8,393,405	5,988,416	5,273,911	3,840,730	5,274,730	14,985,711
Total Primary Government Program Revenues	\$ 27,076,575	\$ 30,551,151	\$ 28,688,868	\$ 25,921,542	\$ 30,227,777	\$ 26,345,129	\$ 24,067,324	\$ 23,786,790	\$ 27,261,822	\$ 38,472,829
Net (Expense)/Revenue										
Governmental Activities	\$ (25,272,191)	\$ (20,554,621)	\$ (16,875,089)	\$ (22,470,809)	\$ (24,030,625)	\$ (22,564,526)	\$ (25,412,985)	\$ (24,747,744)	\$ (24,152,054)	\$ (26,382,509)
Business-Type Activities	(520,772)	352,339	(2,941,266)	(2,300,402)	1,371,057	(1,432,629)	(1,972,818)	(782,851)	(2,694,224)	9,428,097
Total Primary Government Net (Expense)/Revenue	\$ (25,792,963)	\$ (20,202,282)	\$ (19,816,355)	\$ (24,771,211)	\$ (22,659,568)	\$ (23,997,155)	\$ (27,385,803)	\$ (25,530,595)	\$ (26,846,278)	\$ (16,954,412)

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Taxes by Source:										
Property Taxes Levied for General Purposes	\$ 12,776,753	13,483,193	14,344,269	13,459,316	13,458,825	13,505,430	13,911,802	14,538,966	14,426,686	\$ 14,673,143
Tax Increment	2,280,212	2,048,264	2,202,158	2,435,944	2,347,008	2,234,718	2,506,919	2,532,266	2,445,214	2,315,524
Motor Vehicle Taxes	1,161,680	977,093	768,532	902,292	944,522	954,596	1,192,612	1,336,580	1,356,512	1,420,869
Hospitality Taxes	3,497,438	3,423,105	3,364,211	3,474,814	3,762,816	3,954,089	4,128,299	4,357,875	4,747,239	5,028,735
Other Taxes	826,975	807,585	828,885	843,104	823,052	814,120	809,435	868,264	811,053	823,922
Intergovernmental Revenue - Unrestricted	1,273,314	1,273,314	1,091,766	881,044	688,658	799,823	798,466	798,466	812,175	844,738
Unrestricted Investment Earnings	322,073	109,092	46,866	54,933	77,763	16,426	11,797	23,370	42,227	68,753
Miscellaneous	2,200,286	449,662	727,412	912,648	680,963	796,676	919,488	954,259	823,483	930,285
Grants/Contributions Not Restricted to Specific Programs	426,450	617,505	595,453	590,549	857,561	810,300	4,040,241	966,696	4,991,545	1,078,916
Gains (Loss) on Disposal/Sale of Capital Assets	64,850	11,148	(77,404)	-	120,202	-	547,108	-	206,051	39,838
Special Item - Impairment of Asset **	-	(1,425,841)	-	-	(1,445,731)	(1,244,765)	-	-	-	-
Transfers	(204,258)	(3,414,362)	(908,638)	(2,344,591)	(2,404,751)	(2,374,778)	(2,221,954)	(2,048,651)	(10,694,474)	(927,039)
Total Governmental Activities	24,625,773	18,359,758	22,983,510	21,210,053	19,910,888	20,266,635	26,644,213	24,328,091	19,967,711	26,297,684
Business-Type Activities:										
Investment Income	131,693	74,649	125,010	40,436	53,141	54,229	52,687	56,639	43,710	33,202
Miscellaneous	-	-	594	-	-	-	-	-	-	-
Gains (Loss) on Disposal/Sale of Capital Assets	100	-	3,395	-	-	-	-	-	-	20,289
Gain on Extinguishment of Debt	-	-	-	-	-	-	-	-	6,960,000	-
Special Item - Loss on Transfer of Net Sewer Assets *	(9,766,505)	-	-	-	-	-	-	-	-	-
Transfers	204,258	3,414,362	908,638	2,344,591	2,404,751	2,374,778	2,221,954	2,048,651	10,694,474	927,039
Total Business-Type Activities	(9,430,454)	3,489,011	1,037,637	2,385,027	2,457,892	2,429,007	2,274,641	2,105,290	17,698,184	980,530
Total Primary Government	\$ 15,195,319	21,848,769	24,021,147	23,595,080	22,368,780	22,695,642	28,918,854	26,433,381	37,665,895	\$ 27,278,214
<b>Change in Net Position:</b>										
Governmental Activities	\$ (646,418)	(2,194,863)	6,108,421	(1,260,756)	(4,119,737)	(2,297,891)	1,231,228	(419,653)	(4,184,343)	\$ (84,825)
Business-Type Activities	(9,951,226)	3,841,350	(1,903,629)	84,625	3,828,949	996,378	301,823	1,322,439	15,003,960	10,408,627
Total Primary Government	\$ (10,597,644)	1,646,487	4,204,792	(1,176,131)	(290,788)	(1,301,513)	1,533,051	902,786	10,819,617	\$ 10,323,802

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

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

Note: In 2016, the City completed and closed out the new market tax credit agreements which resulted in a significant gain on extinguishment of debt (due to forgiveness of debt). See Note IV.A in the notes to the 2016 financial statements for more information.

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
<u>Pre-GASB 54*</u>										
Reserved	\$ 95,441	84,409	103,654	-	-	-	-	-	-	\$ -
Unreserved	4,775,526	4,044,591	4,963,758	-	-	-	-	-	-	-
<u>Post-GASB 54*</u>										
Nonspendable	-	-	-	116,402	106,008	102,098	101,836	106,683	113,135	98,095
Assigned	-	-	-	667,200	900,107	1,144,933	1,378,933	1,485,024	1,519,081	1,547,572
Unassigned	-	-	-	5,020,942	4,936,665	5,354,546	5,888,594	5,506,926	6,366,545	6,086,760
Total General Fund	\$ 4,870,967	4,129,000	5,067,412	5,804,544	5,942,780	6,601,577	7,369,363	7,098,633	7,998,761	\$ 7,732,427
All Other Governmental Funds										
<u>Pre-GASB 54*</u>										
Reserved, Reported In:	\$ -	318,062	270,062	-	-	-	-	-	-	\$ -
Special Revenue Funds	163,542	165,086	-	-	-	-	-	-	-	-
Capital Projects Funds	262,145	358,412	1,062,968	-	-	-	-	-	-	-
Unreserved, Reported In:										
Special Revenue Funds	3,063,166	1,111,729	1,298,303	-	-	-	-	-	-	-
Capital Projects Funds	2,556,208	2,415,584	2,857,583	-	-	-	-	-	-	-
Debt Service Funds	928,763	830,502	743,797	-	-	-	-	-	-	-
<u>Post-GASB 54*</u>										
Nonspendable	-	-	-	222,062	174,062	126,062	78,062	30,062	1,494	-
Restricted	-	-	-	111,366,916	6,320,226	5,430,648	7,108,271	6,297,316	4,436,119	4,511,418
Committed	-	-	-	28,996	203,019	191,818	160,196	16,723	14,464	11,857
Assigned	-	-	-	1,301,097	-	-	-	-	1,599,947	-
Unassigned	-	-	-	-	-	-	-	-	-	(811,478)
Total All Other Governmental Funds	\$ 6,973,824	5,199,375	6,232,713	12,919,071	6,697,307	5,748,528	7,346,529	6,344,101	6,052,024	\$ 3,711,797

\* 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 ("Pre") and after ("Post") its implementation.

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

LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 20,509,688	20,258,175	20,291,332	20,952,315	21,405,253	20,808,394	22,147,732	23,501,227	23,474,056	\$ 24,116,278
Fees, Licenses and Permits	12,538,972	12,571,179	12,469,852	12,783,762	12,855,275	13,038,564	13,412,343	13,728,730	14,752,846	16,381,419
Fines and Forfeitures	566,601	548,396	542,713	665,917	656,368	529,992	469,079	484,261	623,483	338,617
State Government Contributions	1,555,012	552,757	978,951	224,118	445,143	588,436	760,701	309,534	875,843	1,564,114
Federal Government Contributions	1,569,560	1,833,615	2,874,063	3,223,159	3,439,345	2,223,423	2,292,837	869,299	1,541,957	937,146
Intergovernmental Revenue	4,296,385	4,608,818	3,830,517	3,503,780	3,179,792	3,323,655	3,402,420	3,323,739	3,134,270	3,099,715
Charges for Services	921,596	2,037,283	2,039,231	2,041,770	1,866,123	1,816,294	1,733,977	1,913,727	1,870,789	1,849,930
Investment Earnings	167,550	63,889	16,502	37,008	67,398	10,717	6,522	7,362	13,551	17,580
Confiscated Drug Funds	74,020	20,236	120,746	25,044	14,073	234,017	46,970	62,039	3,181	6,831
Donations	393,000	507,500	542,921	538,754	687,708	747,504	3,931,638	826,255	4,651,000	9,000
Ground Lease Rent	400,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Other	2,217,240	1,235,719	884,692	885,940	1,098,916	869,964	1,069,156	967,455	1,310,481	2,004,819
<b>Total Revenues</b>	<b>\$ 45,189,624</b>	<b>44,437,567</b>	<b>44,791,520</b>	<b>45,081,567</b>	<b>45,915,394</b>	<b>44,390,960</b>	<b>49,473,375</b>	<b>46,193,628</b>	<b>52,451,457</b>	<b>\$ 50,525,449</b>

**Expenditures**

Current:										
Policy Formulation and Administration	\$ 5,092,676	5,807,254	4,278,734	4,755,876	4,470,733	5,081,462	5,661,977	6,542,355	6,484,193	\$ 6,232,700
Public Safety	12,492,637	12,921,842	12,553,639	12,775,459	13,196,470	13,627,497	14,013,012	14,365,186	14,691,899	16,139,926
Parks, Recreation, and Special Events	1,789,556	1,989,003	2,109,339	2,049,555	2,126,283	1,752,671	1,595,250	1,536,359	1,529,640	1,581,047
Development Services	3,408,697	2,108,556	2,086,943	1,784,428	1,781,632	1,487,142	2,285,664	2,516,168	2,576,337	2,768,470
Public Services	6,866,608	8,055,305	7,648,214	7,146,465	7,098,549	6,417,008	5,881,653	5,773,917	5,752,163	6,088,177
Finance and Administrative Services	2,420,329	2,466,170	2,776,225	2,668,849	2,397,943	2,286,954	2,246,173	2,456,687	2,745,905	3,463,159
Operating	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577	4,782,012	5,403,591	4,629,834	4,995,812	5,752,788
Capital Outlay	5,203,163	3,376,908	2,569,316	3,700,295	7,488,084	3,104,384	2,525,081	3,779,066	4,016,937	5,722,608
Debt Service:										
Principal Retirement	1,970,000	2,060,000	1,895,000	17,190,000	2,579,000	2,712,000	13,686,000	2,877,192	3,054,434	7,339,390
Interest	1,586,260	1,510,319	1,428,562	1,493,317	1,986,043	1,096,090	1,089,906	715,114	586,019	916,945
Other	50,116	51,662	113,013	614,370	143,533	88,653	187,576	260,869	352,550	565,327
<b>Total Expenditures</b>	<b>45,126,326</b>	<b>45,413,461</b>	<b>41,782,147</b>	<b>58,885,133</b>	<b>49,643,847</b>	<b>42,435,873</b>	<b>54,575,883</b>	<b>45,452,747</b>	<b>46,785,889</b>	<b>56,570,537</b>
Excess of Revenues Over (Under) Expenditures	\$ 63,298	(975,894)	3,009,373	(13,803,566)	(3,728,453)	1,955,087	(5,102,508)	740,881	5,665,568	\$ (6,045,088)

(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 5,238,325	5,413,774	4,934,707	3,520,517	2,914,132	3,670,598	3,811,100	6,344,645	5,645,481	\$ 7,446,611
Transfers Out	(5,442,583)	(7,007,964)	(6,112,792)	(5,865,108)	(5,287,956)	(6,045,376)	(6,033,054)	(8,393,296)	(22,280,745)	(8,673,650)
Proceeds from Bonds	-	-	4,795,000	23,320,000	-	-	9,250,000	-	10,135,000	-
Defeasement of Debt	-	-	(4,725,000)	182,660	-	-	-	-	-	-
Refunding Bonds Issuance	-	-	-	-	-	-	-	-	-	4,545,000
Capital Lease Proceeds	-	-	-	-	-	-	-	-	1,394,045	-
Proceeds from Sale of Capital Assets	3,108	53,668	70,462	68,987	18,749	129,709	440,249	34,612	48,702	120,566
Total Other Financing Sources (Uses)	(201,150)	(1,540,522)	(1,037,623)	21,227,056	(2,355,075)	(2,245,069)	7,468,295	(2,014,039)	(5,057,517)	3,438,527
Net Change in Fund Balances	\$ (137,852)	(2,516,416)	1,971,750	7,423,490	(6,083,528)	(289,982)	2,365,787	(1,273,158)	608,051	\$ (2,606,561)
Capital Asset Expenditures	\$ 2,353,664	1,040,378	904,094	1,420,695	2,663,832	1,703,880	233,768	3,779,066	1,256,121	\$ 3,114,656
Debt Service as a Percentage of Noncapital Expenditures	8.4%	8.2%	8.4%	33.6%	10.0%	9.6%	27.5%	9.2%	8.8%	16.5%

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					
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%
2015	113,122,699	7,373,620	11,365,480	9,671,332	189,490	141,343,641	105.0	2,180,337,371	6.5%
2016	113,476,606	7,324,060	12,496,157	10,351,108	123,000	143,524,931	105.0	2,160,480,729	6.6%
2017	\$ 111,225,265	8,000,230	12,579,360	9,102,398	117,500	\$ 140,789,753	105.0	\$ 2,247,052,360	6.3%

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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>City Direct Rates:</b>										
Basic Rate	104.70	101.00	101.00	101.00	101.00	101.00	103.00	105.00	105.00	105.00
Total Direct Rate	104.70	101.00	101.00	101.00	101.00	101.00	103.00	105.00	105.00	105.00
<b>County Rates:</b>										
Spartanburg County	70.00	68.40	69.50	69.80	70.80	71.50	73.20	74.40	74.40	74.40
<b>School District Rates:</b>										
School District #7	229.50	227.20	273.90	279.20	274.30	280.40	280.50	286.80	286.80	296.80
<b>Sewer District Rates:</b>										
Spartanburg Sewer District	8.20	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	8.90

Source: Spartanburg County Tax Auditor's Office

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Spartanburg. Not all overlapping rates apply to all of the City of Spartanburg 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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Corp	\$ 3,961,550	1	2.9%	\$ 3,410,850	2	2.6%
Yeomans Charles L III et al	2,953,240	2	2.2%	3,553,530	1	2.8%
American Credit Acceptance, LLC	1,292,140	3	0.9%	2,976,590	3	2.4%
SSK Land, LLC	1,230,600	4	0.9%			
Inland Western Spartanburg , LLC	1,170,950	5	0.9%	2,549,550	5	1.0%
East Main Redevelopment, LLC	1,115,750	6	0.8%			
HD Development of Maryland, Inc	1,055,990	7	0.8%			2.0%
Bellsouth Telecommunications	987,490	8	0.7%	2,825,610	4	
Inland Western Spartanburg , LLC	979,650	9	0.7%			
White Oak Manor, Inc	812,180	10	0.6%			
ERP Hillcrest, LLC				1,413,330	6	1.1%
Renaissance Park Hotel, LLC				1,346,780	7	1.1%
Charter Fiberlink SC CCO, LLC				1,132,150	8	0.90%
Susan E Yeomans				1,015,770	9	0.8%
Wal-Mart Real Estate Business				900,720	10	0.7%
Totals	<u>\$ 15,559,540</u>		<u>11.4%</u>	<u>\$ 21,124,880</u>		<u>15.4%</u>

Source: Spartanburg County Tax Auditor's Office

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Original Tax Levy for		Adjustments to Original Tax Levy for		Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2015	14,910,487		69,405		14,841,082	14,025,397	94.5%	532,891	14,558,288	98.1%
2016	15,132,219		62,101		15,070,118	14,131,766	93.8%	579,001	14,710,767	97.6%
2017	\$ 14,638,993		(143,931)		14,782,924	\$ 14,276,230	96.6%	\$ 552,064	\$ 14,828,294	100.3%

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			
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
2015	5,890,000	15,092,285	5,286,773	-	920,000	20,600,000	47,789,058	6.0%	1,274
2016	5,590,000	22,573,619	5,149,281	-	470,000	-	33,782,900	4.3%	900
2017	\$ 5,280,000	20,428,814	5,474,154	-	-	-	\$ 31,182,968	3.8%	\$ 823

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**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
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
2015	5,890,000	N/A	5,890,000	0.3%	157
2016	5,590,000	N/A	5,590,000	0.3%	148
2017	\$ 5,280,000	N/A	\$ 5,280,000	0.2%	\$ 139

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, 2017**

**UNAUDITED**

<b>Governmental Unit</b>	<b>Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>County:</b>			
General County Purpose	\$ 16,268,598	20%	\$ 3,243,958
<b>School District:</b>			
School District 7	101,829,849	58%	59,214,057
School District 6	14,360,000	16%	2,307,652
<b>Sewer District:</b>			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 43,712,000	23%	10,202,381
Subtotal, Overlapping Debt			<u>74,968,048</u>
City of Spartanburg Direct Debt			<u>31,182,968</u>
Total Direct and Overlapping Debt			<u><u>\$ 106,151,016</u></u>

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

Notes: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City of Spartanburg's taxable assessed value that is within the government's boundaries and dividing it by the 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 10,362,042	11,502,078	11,577,932	11,262,914	11,174,957	11,154,283	11,522,923	11,668,270	11,852,614	\$ 11,623,959
Total Net Debt Applicable to Debt Limit	820,000	630,000	430,000	7,215,000	6,730,000	6,460,000	6,180,000	5,890,000	5,590,000	5,280,000
Legal Debt Margin	\$ 9,542,042	10,872,078	11,147,932	4,047,914	4,444,957	4,694,283	5,342,923	5,778,270	6,262,614	\$ 6,343,959
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	7.9%	5.5%	3.7%	64.1%	60.2%	57.9%	53.6%	50.5%	47.2%	45.4%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value*	\$ 140,789,753
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	145,299,493
Debt Limit (8% of Total Assessed Value)	11,623,959
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	5,280,000
Total Amount of Debt Applicable to Debt Limit	5,280,000
Legal Debt Margin	\$ 6,343,959

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

PLEGDED REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	**COP/Special Obligation Bonds					Tax Increment Bonds					Revenue Bonds					
	Hospitality Tax	Debt Service		Coverage	Tax Increment Funds	Less: Operating Expenses	Net Available Revenue		Coverage	Revenue	Less: Operating Expenses	Net Available Revenue		Debt Service Principal	Interest	Coverage
		Principal	Interest				Principal	Interest				Principal	Interest			
2008	\$ 3,530,454	\$ 595,000	\$ 627,731	2.89	\$ 3,131,220	N/A	\$ 3,131,220	1.015,000	\$ 744,455	1.78	\$ 1,837,147	811,975	1,025,173	324,054	\$ 462,424	1.30
2009	3,375,863	620,000	605,059	2.76	2,260,476	N/A	2,260,476	1,070,000	693,785	1.28	797,618	433,991	363,627	365,000	381,407	0.49
2010	3,287,828	640,000	581,449	2.69	2,430,657	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	665,000	555,969	2.78	2,602,280	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	785,000	827,608	2.28	2,554,101	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	625,085	2.65	2,435,365	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	835,000	336,755	3.36	2,492,951	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
2015	4,216,193	910,000	221,500	3.73	2,540,901	N/A	2,540,901	1,458,000	214,276	1.52	428,536	328,525	100,011	435,000	53,116	0.20
2016	4,552,714	1,775,000	217,517	2.28	2,437,627	N/A	2,437,627	465,000	174,798	3.81	442,495	289,366	153,129	450,000	36,064	0.32
2017*	\$ 4,780,338	1,560,000	\$ 410,187	2.43	\$ 2,308,353	N/A	\$ 2,308,353	385,000	\$ 159,732	4.24	\$ 445,772	269,036	176,736	470,000	\$ 18,424	0.36

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. We paid off the 2005 COPS during Fiscal Year 2016.

\* During FY we refinanced 2010 Series Refunding. See notes for further information. We "netted" the Bond Principal Amount for this schedule.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SECURITY FOR THE SERIES 2000 BONDS**

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

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<b>Fiscal Year</b>		<b>Franchise Fees</b>	<b>CPW Payments</b>		<b>Totals</b>
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
2015		3,553,294	1,100,000		4,653,294
2016		3,466,527	1,000,000		4,466,527
2017	\$	3,448,870	1,000,000	\$	4,448,870

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MILLAGE RATE FOR THE BROAD STREET DEVELOPMENT AREA**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>(1) Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
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
2015	1,176,998	5,126,345	3,949,347	474	2,085,308	4,653,294	6,738,602
2016	1,176,998	5,025,906	3,848,908	474	2,081,523	4,466,527	6,548,050
2017	\$ 1,176,988	5,303,644	\$ 4,126,656	485	\$ 1,970,075	4,448,870	\$ 6,418,945

(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**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
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
2015	657,060	1,564,658	907,598	474	455,593	4,653,293	5,108,886
2016	657,060	1,503,144	846,084	474	356,104	4,466,527	4,822,631
2017	\$ 657,060	1,542,543	\$ 885,483	485	\$ 338,278	4,448,870	\$ 4,787,148

Notes: This schedule reports data from the first year collections above the total equalized assessed value.

\* 2008 includes two years of tax collections.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Personal Income</b>	<b>(2) Per Capita Personal Income</b>	<b>(3) Median Age</b>	<b>(4) School Enrollment</b>	<b>(5) Unemployment Rate</b>
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%
2015	37,525	755,866,075	20,143	36.5	8,218	6.9%
2016	37,867	789,829,886	20,858	35.7	8,223	5.7%
2017	37,876	\$ 827,666,352	\$ 21,852	35.3	7,969	4.2%

Data Sources:

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2017*</b>			<b>2008</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Spartanburg Regional	7,085	1	18.98%	4,607	1	11.95%
Spartanburg County	1,557	2	4.17%	1,379	2	3.58%
Spartanburg School District #7	1,300	3	3.48%	1,300	3	3.37%
Walmart	708	4	1.90%	-	-	-
American Credit Acceptance	599	5	1.60%	-	-	-
QSI Headquarters	525	6	1.41%	350	6	0.91%
Wofford College	471	7	1.26%	347	7	0.90%
Advance America, Inc.	420	8	1.12%	250	9	0.65%
City of Spartanburg*	415	9	1.11%	480	4	1.24%
Denny's Corporate Office	365	10	0.98%	439	5	1.14%
Converse College	-	-	-	300	8	0.78%
Vic Bailey Auto	-	-	-	225	10	0.58%
<b>Totals</b>	<b>13,445</b>		<b>36.01%</b>	<b>9,677</b>		<b>25.10%</b>

Source: City of Spartanburg Economic Development Division.

Notes: \* Includes part-time City employees. See the "Full-time Equivalent City Government Employees by Function" table for the number of full-time City employees.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<b>Fiscal Year</b>	<b>Number of Units</b>	<b>Commercial Building Permit Value (A)</b>	<b>Number of Units</b>	<b>Residential Building Permit Value (A)</b>	<b>Commercial</b>	<b>Residential</b>
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
2015	12	6,749,544	19	2,539,928	978,602,988	966,613,994
2016	18	132,213,281	24	4,568,776	953,322,989	969,678,243
2017	18	\$ 25,422,584	62	\$ 9,638,567	1,011,254,028	\$ 1,075,833,644

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Finance and Administrative Services	10	12	14	14	14	13	13	13	13	14
Community Development	44	41	22	25	30	29	29	31	28	32
Parks, Recreation, and Special Events	24	23	17	17	14	15	15	13	15	16
Policy Formulation and Administration	38	40	40	35	35	33	32	32	34	32
Public Safety	217	215	221	220	218	212	212	218	226	211
Public Works	115	107	100	102	81	70	73	73	69	69
Business-Type Activities										
Parking Enterprise	3	2	2	3	3	2	2	1	1	1
Airport	11	9	8	10	10	8	9	9	7	7
<b>Total</b>	<b>462</b>	<b>449</b>	<b>424</b>	<b>426</b>	<b>405</b>	<b>382</b>	<b>385</b>	<b>390</b>	<b>393</b>	<b>382</b>

Source: City Payroll

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

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

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Finance and Administrative Services										
Business Licenses Issued	5,517	5,330	5,567	5,763	5,381	5,101	4,950	4,975	5,595	5,940
Courtesy Summons Issued	826	824	610	589	638	542	478	485	358	506
Development Services										
Building Permits Issued	4,227	2,929	3,026	3,334	3,111	2,862	2,691	2,863	3,526	3,860
Building Inspections Conducted	7,667	5,846	5,042	4,501	4,735	4,266	4,073	3,641	3,723	5,457
Policy Formulation and Management										
Judicial Cases	14,797	13,822	15,319	16,462	14,207	12,176	10,776	13,031	10,636	7,603
Police Department										
Calls for Service	62,563	62,470	75,313	75,480	76,490	77,903	74,867	81,499	80,011	77,269
Physical Arrests	3,804	3,757	4,073	5,420	6,365	5,894	5,361	3,874	4,185	3,616
Traffic Violations	11,434	11,597	11,793	13,226	11,061	10,613	8,276	11,264	8,920	6,509
Fire Department										
Emergency Responses	2,031	2,228	2,127	2,254	2,057	2,113	2,220	2,261	2,508	2,569
Fires Extinguished	328	347	277	315	294	273	156	152	193	184
Inspections	3,863	3,085	3,466	1,482	2,927	934	1,510	1,520	1,900	2,021
Public Works										
Roads Maintained (miles)	173	173	174	177	181	187	187	187	187	187
Refuse Collection (tons)	10,924	10,581	9,291	9,339	8,596	9,319	9,319	9,610	10,309	10,640
Yard Waste Collection (tons)	-	-	6,791	7,152	9,166	6,684	7,911	6,585	7,034	4,725
Recycling Collection (tons)	-	-	835	925	802	1,048	1,222	1,215	1,205	3,447
Transit										
Passengers per Year	534,688	534,599	519,084	513,886	524,187	520,143	487,579	457,758	432,168	397,546
Parking										
Garages	3	3	4	4	4	4	4	4	4	4
Parking Lots	5	5	5	5	5	5	5	5	5	5
Total Public Spaces	2,261	2,261	3,011	3,011	3,011	3,011	3,011	3,011	3,011	3,011
Airport										
Fuel Gallons Sold	247,649	162,360	193,796	154,407	168,931	260,335	148,561	211,589	251,862	293,034
Hours of Aircraft Maintenance	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.

\* For FY 14/15 - Airport has sub-contracted out the maintenance shop

CITY OF SPARTANBURG, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community Development										
Traffic Signals	123	123	123	123	156	130	132	133	133	133
Public Safety - Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	86	80	80	80	80	80	74	122	66	54
Public Safety - Fire										
Fire Station	5	5	5	5	5	5	5	5	5	5
Fire Trucks	12	12	13	13	11	10	10	10	10	10
Public Works										
Streets (in Miles)	173	173	174	177	181	187	187	187	187	187
Collection/Refuse Trucks	37	34	30	30	23	28	28	24	14	11
Parks and Recreation										
Parks Acreage	278	278	278	301	301	301	301	301	301	301
Parks	20	21	21	24	24	24	24	24	24	24
Ball fields	10	10	10	9	9	9	9	9	9	9
Swimming Pools	2	2	2	2	2	2	1	1	1	1
Community Centers	4	4	4	4	2	2	2	2	3	3
Solid Waste										
Collection/Refuse Trucks	37	34	30	30	23	28	28	24	14	11
Transit										
Passenger Buses	11	11	11	10	11	11	12	12	12	11
Parking										
Garages	3	3	4	4	4	4	4	4	4	4
Airport										
Community Hangars	4	4	4	4	4	4	4	4	3	3
Maintenance Hangars	1	1	1	1	1	1	1	1	1	1
T-Hangars	30	30	30	46	46	35	46	46	46	46

Sources: Various City departments.

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF STATE APPROPRIATIONS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Local Government Fund</b>	<b>Merchants Inventory</b>	<b>Accommodations Tax</b>	<b>Manufacturing Tax</b>	<b>Total</b>
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
2016	911,127	694,796	34,289	5,763	1,645,975
2017	838,339	694,796	35,325	6,380	1,574,840
2018	\$ 836,016	694,796	38,289	6,337	\$ 1,575,438

Note: This schedule is a part of our Continuing Disclosure for the Outstanding General Obligation Debt  
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, 2017

Program	CFDA Number	Grant / Contract Number	Expenditures	Expenditures to Subrecipients
<b>DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>				
Direct:				
CDBG Entitlement Grant, 40th	14.218	B-14-MC-45-0001	\$ 24,144	\$ 10,945
CDBG Entitlement Grant, 41st	14.218	B-15-MC-45-0001	170,251	30,365
CDBG Entitlement Grant, 42nd	14.218	B-16-MC-45-0001	275,841	75,257
	Subtotal 14.218		<u>470,236</u>	<u>116,567</u>
Home Program Year 2011	14.239	M-11-45-0207	21,797	21,797
Home Program Year 2013	14.239	M-13-45-0207	38,251	1,011
Home Program Year 2016	14.239	M-16-45-0207	15,372	22
	Subtotal 14.239		<u>75,420</u>	<u>22,830</u>
Rental Subsidy - Oakview	14.871	N/A	109,131	-
<b>TOTAL DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			<u><b>654,787</b></u>	<u><b>139,397</b></u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Direct:				
FEMA Assistance to Firefighters Grant	97.083	EMW-2013-FH-00265	29,512	-
Pass Through Hilton Head Public Disaster Assistance Grants	97.036	N/A	4,141	-
Pass Through City of Anderson Upstate Regional Type III Incident Management	97.067	9SHP13	2,324	-
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<u><b>35,977</b></u>	<u><b>-</b></u>
<b>DEPARTMENT OF JUSTICE</b>				
Direct:				
Cops 2013 Cops Hiring Program	16.710	2013-UM-WX-0102	27,266	-
Cops 2014 Cops Hiring Program	16.710	2014-UM-WX-0139	97,024	-
	Subtotal 16.710		<u>124,290</u>	<u>-</u>
Justice Assistance Grant	16.738	2013-DJ-BX-1132	4,882	-
Justice Assistance Grant	16.738	2015-DJ-BX-0192	986	-
Justice Assistance Grant - Body Worn Cameras Project	16.738	2015-DE-BS-K012	115,444	-
	Subtotal 16.738		<u>121,312</u>	<u>-</u>
Grants to Encourage Arrest Policies	16.590	2014-WE-AX-0037	101,883	86,919
Bulletproof Vest Partnership	16.607	N/A	13,327	-
Law Enforcement Victim Advocate	16.922	IV15141	12,266	-
Law Enforcement Victim Advocate	16.922	IV6043	32,598	-
	Subtotal 16.922		<u>44,864</u>	<u>-</u>
Pass Through SC Department of Public Safety:				
Paul Coverdell Forensic Science	16.742	INF10007	595	-
Reduced Crime for Status Offenders	16.540	IJ13004	8,334	7,546
Reduced Crime for Status Offenders	16.540	IJ12005	2,026	-
Reduced Crime for Status Offenders	16.540	IJ12006	61,489	11,882
Reduced Crime for Status Offenders	16.540	IJ12007	3,517	-
	Subtotal 16.540		<u>75,366</u>	<u>19,428</u>
Youth Empowerment	16.523	IJS12007	736	-
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<u><b>\$ 482,373</b></u>	<u><b>\$ 106,347</b></u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Program	CFDA Number	Grant / Contract Number	Expenditures	Expenditures to Subrecipients
<b>DEPARTMENT OF TRANSPORTATION</b>				
Direct:				
Federal Aviation Administration:				
Airport Improvement Program (AIP)	20.106	3-45-0051-19	3,715,137	-
Airport Improvement Program (AIP)	20.106	3-45-0051-20	4,467,623	-
Airport Improvement Program (AIP)	20.106	3-45-0051-22	740,062	-
	Subtotal 20.106		<u>8,922,822</u>	<u>-</u>
Federal Transit Administration:				
Operating Assistance	20.507	SC-90-X283-00	380,649	-
Operating Assistance	20.507	SC-90-X308-00	668,822	-
	Subtotal 20.507		<u>1,049,471</u>	<u>-</u>
Pass Through SC Department of Public Safety:				
Office of Highway Safety and Justice Programs	20.600	PT-2016-HS-18-16	16,135	-
Office of Highway Safety and Justice Programs	20.600	PT-2016-HS-18-17	39,336	-
	Subtotal 20.600		<u>55,471</u>	<u>-</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<u><b>10,027,764</b></u>	<u><b>-</b></u>
<b>GRAND TOTALS</b>			<u><b>\$ 11,200,901</b></u>	<u><b>\$ 245,744</b></u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2017**

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**A. – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Spartanburg, South Carolina (the “City”) for the year ended June 30, 2017. 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 generally 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.

**E. INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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, 2017, 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 21, 2017.

**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.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

## **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 results 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, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
December 21, 2017



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**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's (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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, 2017.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Greene Finney, LLP  
Mauldin, South Carolina  
December 21, 2017

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2017**

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There were no findings in the prior year.





City of  
**SPARTANBURG**  
south carolina

