

**CITY OF GREENWOOD, SOUTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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 FINANCIAL STATEMENTS  
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PART I  
FINANCIAL SECTION



**GREENE FINNEY & HORTON**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

Mayor and City Council  
City of Greenwood  
Greenwood, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Greenwood, South Carolina (the "City"), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Greenwood, South Carolina, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Greene, Finney & Horton, LLP  
February 28, 2008

## Management's Discussion and Analysis

As management of the City of Greenwood, we offer readers of the City of Greenwood's financial statements this narrative overview and analysis of the financial activities of the City of Greenwood for the fiscal year ended December 31, 2007.

### Financial Highlights

- The assets of the City of Greenwood exceeded its liabilities at the close of the most recent fiscal year by \$22,660,180. Of this amount, \$5,563,482 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$2,267,763. Approximately twenty percent of this is from local Hospitality and Accommodations Taxes increases. Additionally, capital assets net of related debt increased by \$947,800, of which \$499,722 is represented by donations of infrastructure from developers.
- As of the close of the current fiscal year, the City of Greenwood's governmental funds reported combined ending fund balances of \$7,554,138, an increase of \$2,144,996 in comparison with the prior year. Of this total amount, \$4,284,638 is *unreserved fund balance* for the governmental funds. \$892,879 is reserved to liquidate the obligation for a Sutphen Platform Fire Truck.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,396,559, or twenty-eight percent of total general fund expenditures.
- During the current fiscal year, the City of Greenwood's total long-term obligations increased by \$837,611 (30 percent). The debt was reduced by payments of \$223,149 and increased by the issuance of an agreement with Commissioners of Public Works (CPW) to pay for a road on the city's behalf (\$207,230) and a new capital lease for a platform fire truck (\$780,000), and a net increase in compensated absences payable (\$73,530).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Greenwood's basic financial statements. The City of Greenwood's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Greenwood's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Greenwood's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Greenwood is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Greenwood 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 of Greenwood include general government, court, police, fire, building inspection, public works, sanitation, non-departmental and community development. The City of Greenwood does not have any business-type activities.

The government-wide financial statements can be found as listed in the table of contents.

**Fund 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 of Greenwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Greenwood can be divided into two categories: governmental funds and fiduciary funds.

**Governmental 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 this comparison between *governmental funds* and *governmental activities*.

The City of Greenwood maintains nineteen individual 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 fund, the hospitality tax fund, and Rural Infrastructure Fund for Maxwell Avenue Phase IV, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Greenwood adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as listed in the table of contents.

**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 of Greenwood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found as listed in the table of contents.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Greenwood's variances in budget to actual revenues and expenditures. Required supplementary information can be found on page 27 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the City of Greenwood, assets exceed liabilities by \$22,660,180 at the close of the most recent fiscal year.

By far the largest portion of the City of Greenwood's net assets (69 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Greenwood uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Greenwood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



City of Greenwood's Net Assets

	Governmental Activities		Total	
	2007	2006	2007	2006
Current & Other Assets	\$10,052,969	\$6,719,736	\$10,052,969	\$6,719,736
Capital Assets	18,036,358	17,104,478	18,036,358	17,104,478
Total Assets	28,089,327	23,824,214	28,089,327	23,824,214
Long-term Liabilities				
Outstanding	3,626,580	2,788,969	3,626,580	2,788,969
Other Liabilities	1,802,567	642,828	1,802,567	642,828
Total Liabilities	5,429,147	3,431,797	5,429,147	3,431,797
Net Assets:				
Invested in Capital Assets, net of				
Related Debt	15,745,049	14,797,249	15,745,049	14,797,249
Restricted	1,551,649	1,110,425	1,551,649	1,110,425
Unrestricted	5,363,482	4,484,743	5,363,482	4,484,743
Total Net Assets	\$22,660,180	\$20,392,417	\$22,660,180	\$20,392,417

An additional portion of the City of Greenwood's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,363,482) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Greenwood is able to report positive balances in all three categories of net assets, for the government as a whole.

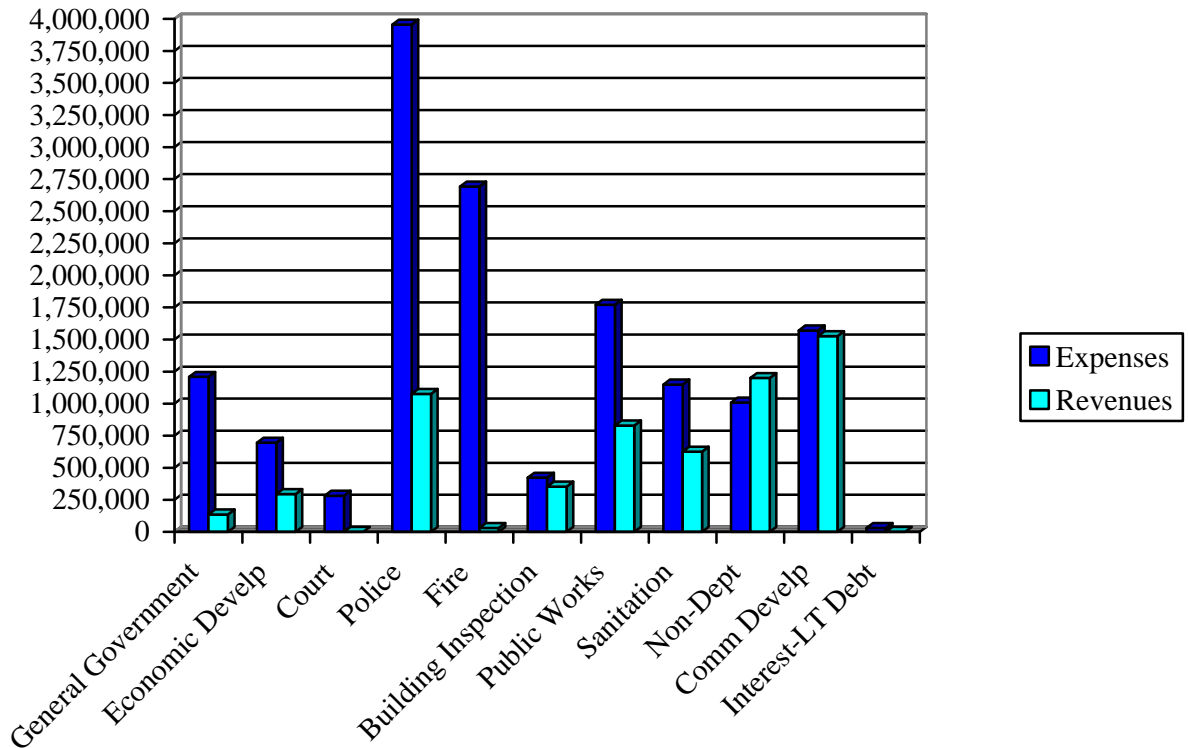
During the current fiscal year, the government's net assets increased by \$2,267,763. Approximately twenty percent of this increase is from Hospitality and Accommodations Taxes collections as these programs have both operated for a full year during 2007. Another forty-two percent of this increase is reflected in an increase of capital assets, mostly from developer contributions. The remaining increases are largely results of revenues growing in business license fees and a five mil property tax increase.

**Governmental activities.** Governmental activities increased the City of Greenwood's net assets by \$2,267,763. Key elements of this increase are as follows:

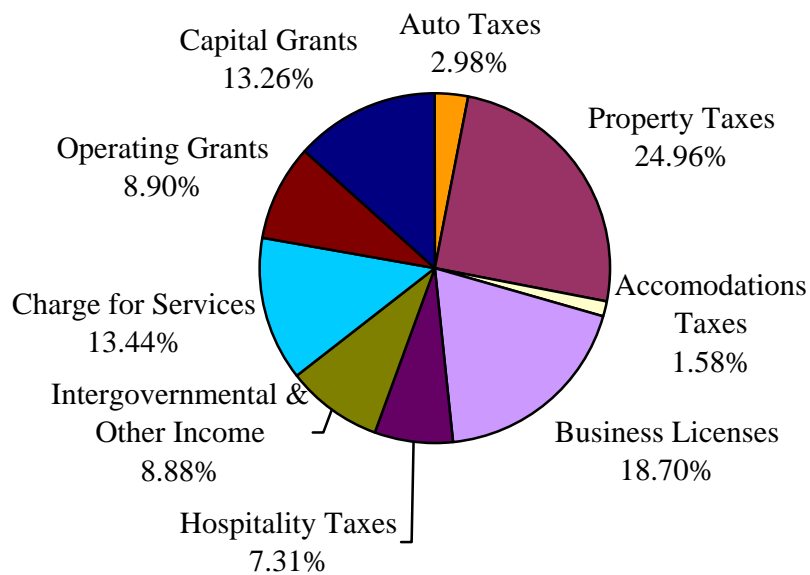
City of Greenwood's Changes in Net Assets

	Governmental Activities		Total	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for Services	\$2,292,166	\$2,094,710	\$2,292,166	\$2,094,710
Operating Grants & Contributions	1,516,879	1,234,617	1,516,879	1,234,617
Capital Grants & Contributions	2,259,831	842,557	2,259,831	842,557
General Revenues:				
Various Taxes	6,278,063	5,598,900	6,278,063	5,598,900
Business Licenses	3,187,278	2,728,755	3,187,278	2,728,755
Grants & Contributions not Restricted to Specific Programs	1,328,877	1,249,701	1,328,877	1,249,701
Other Income	185,629	105,470	185,629	105,470
Total Revenues:	17,048,723	13,854,710	17,048,723	13,854,710
Expenses:				
General Government	1,208,159	1,063,011	1,208,159	1,063,011
Economic Development	695,595	448,592	695,595	448,592
Court	281,422	268,708	281,422	268,708
Police	3,954,466	3,431,209	3,954,466	3,431,209
Fire	2,691,610	2,447,859	2,691,610	2,447,859
Building Inspection	423,105	434,628	423,105	434,628
Public Works	1,770,033	1,505,119	1,770,033	1,505,119
Sanitation	1,148,124	1,157,614	1,148,124	1,157,614
Non-Departmental	1,007,725	980,186	1,007,725	980,186
Community Development	1,570,396	474,577	1,570,396	474,577
Interest on Long Term Debt	30,325	10,153	30,325	10,153
Total Expenses:	14,780,960	12,221,656	14,780,960	12,221,656
Increase in Net Assets	2,267,763	1,633,054	2,267,763	1,633,054
Net Assets - 01/01	20,392,417	18,759,363	20,392,417	18,759,363
Net Assets - 12/31	\$22,660,180	\$20,392,417	\$22,660,180	\$20,392,417

## 2007 Expenses & Program Revenues - Governmental Activities



## 2007 Revenues By Source - Governmental Activities



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Greenwood'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 of Greenwood's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Greenwood's governmental funds reported combined ending fund balances of \$7,554,138, an increase of \$2,144,996 in comparison with the prior year. Of this total amount, \$4,284,638 is *unreserved fund balance* for the governmental funds. \$892,879 is reserved to liquidate the obligation for a Sutphen Platform Fire Truck.

The general fund is the chief operating fund of the City of Greenwood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,396,559, which represents the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. *Unreserved fund balance* represents 28 percent of total general fund expenditures and *total fund balance* represents 49 percent.

During the current fiscal year, the fund balance of the City of Greenwood's general fund increased by \$1,676,911. Key factors in the increase are as follows:

- As the overall economy improves, all categories of revenues have increased from 2006.
- Changes in the structure and increases in the staff of the police department have helped contribute to an increase of \$197,154 in fines and forfeits.
- Business license revenue increased from 2006 by \$458,523.
- A five mil tax increase yielded additional tax revenue of \$188,506.
- During 2007, a platform fire truck was ordered and capital lease proceedings of \$780,000 were secured to pay for part of this expense. The fire truck was not received during 2007 which increased revenue without a corresponding expenditure.

## General Fund Budgetary Highlights

During the year there were no changes in total appropriations between the original and final amended budget. Several significant variances between the final budget and actual results exist. A minor personnel shortage in the police department reduced expenditures in the related department (\$200,117). The fire truck that was ordered was not received, resulting in less expenditures in the fire department (\$996,294). Business license revenue, mostly insurance collections, were much higher than planned (\$407,278). The fire truck has been budgeted in 2008 and no other variances are expected to have a significant impact on future budgets.

## Capital Assets and Long Term Obligations

**Capital assets.** The City of Greenwood's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$18,036,358 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sanitation system, machinery and equipment, roads, sidewalks and storm drainage systems.

Major capital asset events during the current fiscal year included the following:

- Construction was begun and completed on Oregon Avenue. This construction included a new road base, asphalt, storm drains, decorative sidewalks and streetscaping. The total addition to Infrastructure for this project was \$594,480.
- An addition to our infrastructure and land of \$449,722 was made through developer contributions for Parkway and parts of Hospitality Boulevard.
- Through a tax incentive agreement, the city purchased a newly constructed road for \$207,230.

Additional information on the City of Greenwood's capital assets can be found in note 4 as listed in the table of contents.

**Long-term obligations.** At the end of the current fiscal year, the City of Greenwood had capital lease debt of \$951,507 and infrastructure reimbursement agreement debt of \$1,562,573. Additionally, the City of Greenwood owed the CPW a total of \$557,230 as part of a tax incentive agreement.

During the current fiscal year, the City of Greenwood's total long-term obligations increased by \$837,611 (30 percent). The debt was reduced by payments of \$223,149 and increased by the issuance of an agreement with Commissioners of Public Works (CPW) to pay for a road on the city's behalf (\$207,230) and a new capital lease for a platform fire truck (\$780,000), and a net increase in compensated absences payable (\$73,530).

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. Capital lease debt is not subject to the statutory limitations because council must authorize payment of the lease each year. The current debt limitation for the City of Greenwood is \$3,925,493, which is available in whole to the City of Greenwood.

Additional information on the City of Greenwood's long-term obligations can be found in note 6 as listed in the table of contents.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County of Greenwood is currently 7.3 percent, which is a slight decrease from a rate of 8.7 percent a year ago. This does not compare favorably to the state's average unemployment rate of 6.6 percent and the national average rate of 5.0 percent.
- The SC state legislature implemented a cap on the amount that the tax millage rate can be raised during this year to be effective immediately. This cap is based on a combination of CPI and estimated population changes.
- Due to prior experience, liability insurance coverage is set to increase over eleven percent.

All of these factors were considered in preparing the City of Greenwood's budget for the 2008 fiscal year.

During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$3,396,559. The City of Greenwood has appropriated \$523,116 of this amount for spending in the 2008 fiscal year budget. The city has increased the property tax millage by 3.6 mills for the 2008 tax year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Greenwood's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 520 Monument St, P.O. Box 40, Greenwood, SC 29648.

**City of Greenwood, South Carolina**  
**Statement of Net Assets**  
**December 31, 2007**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and Investments	\$ 3,770,608	\$ 3,770,608
Restricted Cash and Investments	806,096	806,096
Taxes Receivable (Net of Allowance)	3,016,065	3,016,065
Accounts Receivable	129,892	129,892
Mortgages Receivable	276,156	276,156
Due from Other Governments	1,999,227	1,999,227
Other Assets	54,925	54,925
Capital Assets (Net of Accumulated Depreciation):		
Land	7,258,657	7,258,657
Buildings and Improvements	2,915,169	2,915,169
Sanitation System	334,386	334,386
Infrastructure	4,401,439	4,401,439
Machinery and Equipment	2,900,153	2,900,153
Intangibles	226,554	226,554
Total assets	28,089,327	28,089,327
<b>LIABILITIES</b>		
Accounts Payable	883,597	883,597
Retainage Payable	90,063	90,063
Employee Funds Withheld	42,899	42,899
Accrued Expenses	388,118	388,118
Deferred Revenue	363,964	363,964
Due to Other Governments	33,926	33,926
Noncurrent Liabilities:		
Due Within One Year	597,200	597,200
Due in More Than One Year	3,029,380	3,029,380
Total liabilities	5,429,147	5,429,147
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,745,049	15,745,049
Restricted For:		
Accomodations Tax	331,743	331,743
Beautification Fund	2,263	2,263
Community Development	467,718	467,718
Firemans Fund	5,322	5,322
Forfeiture Fund	12,531	12,531
Hospitality Tax	632,417	632,417
Victims Assistance	99,655	99,655
Unrestricted	5,363,482	5,363,482
Total net assets	\$ 22,660,180	\$ 22,660,180

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

**City of Greenwood, South Carolina**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
<b>Primary government:</b>					
Governmental activities:					
General Government	\$ 1,208,159	\$ 135,767	\$ -	\$ -	\$ (1,072,392)
Economic Development	695,595	-	294,341	-	(401,254)
Court	281,422	-	-	-	(281,422)
Police	3,954,466	1,024,873	3,300	47,347	(2,878,946)
Fire	2,691,610	26,656	3,816	-	(2,661,138)
Building Inspection	423,105	352,175	-	-	(70,930)
Public Works	1,770,033	127,101	-	702,120	(940,812)
Sanitation	1,148,124	625,594	-	-	(522,530)
Non-Departmental	1,007,725	-	1,200,000	-	192,275
Community Development	1,570,396	-	15,422	1,510,364	(44,610)
Interest on Long Term Debt	30,325	-	-	-	(30,325)
Total governmental activities	<u>14,780,960</u>	<u>2,292,166</u>	<u>1,516,879</u>	<u>2,259,831</u>	<u>(8,712,084)</u>
Total primary government	<u>\$ 14,780,960</u>	<u>\$ 2,292,166</u>	<u>\$ 1,516,879</u>	<u>\$ 2,259,831</u>	<u>(8,712,084)</u>

General revenues:	
Property Taxes	4,254,688
Auto Taxes	508,191
Accommodations Taxes	268,575
Hospitality Taxes	1,246,609
Business Licenses	3,187,278
Intergovernmental	1,328,877
Unrestricted Investment Earnings	184,733
Miscellaneous Income	896
Total general revenues	<u>10,979,847</u>
Change in net assets	<u>2,267,763</u>
Net assets - beginning	20,392,417
Net assets - ending	<u>\$ 22,660,180</u>

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

**City of Greenwood, South Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

	General Fund	Hospitality Tax Fund	RIF II - Maxwell Ave. Phase IV	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 1,723,067	\$ 1,032,713	\$ 331,127	\$ 683,701	\$ 3,770,608
Restricted Cash and Investments	806,096	-	-	-	806,096
Taxes Receivable (Net)	3,016,065	-	-	-	3,016,065
Accounts Receivable	124,116	-	-	5,776	129,892
Mortgages Receivable	-	-	-	276,156	276,156
Due From Other Funds	167,396	12,466	-	-	179,862
Due From Other Governments	1,625,350	-	9,791	364,086	1,999,227
Other Assets	54,925	-	-	-	54,925
Total assets	<u>\$ 7,517,015</u>	<u>\$ 1,045,179</u>	<u>\$ 340,918</u>	<u>\$ 1,329,719</u>	<u>\$ 10,232,831</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	357,689	322,699	-	191,341	871,729
Retainage Payable	-	90,063	-	-	90,063
Employee Funds Withheld	42,499	-	-	400	42,899
Accrued Expenses	357,468	-	-	2,789	360,257
Deferred Revenue	700,249	-	331,127	56,713	1,088,089
Due to Other Funds	12,466	-	9,791	157,605	179,862
Due to Other Governments	1,134	-	-	32,792	33,926
Due to Designated Recipients	11,868	-	-	-	11,868
Total liabilities	<u>1,483,373</u>	<u>412,762</u>	<u>340,918</u>	<u>441,640</u>	<u>2,678,693</u>
Fund balances:					
Reserved for:					
Encumbrances	892,879	-	-	-	892,879
Hospitality Taxes	-	632,417	-	-	632,417
Unreserved, designated for:					
Beautification Fund	2,263	-	-	-	2,263
Employee Recognition	133,766	-	-	-	133,766
Capital Improvements	1,596,856	-	-	-	1,596,856
Right-of-Way Acquisitions	11,319	-	-	-	11,319
Unreserved, undesignated reported in:					
General Fund	3,396,559	-	-	-	3,396,559
Special Revenue	-	-	-	888,079	888,079
Total fund balances	<u>6,033,642</u>	<u>632,417</u>	<u>-</u>	<u>888,079</u>	<u>7,554,138</u>
Total liabilities and fund balances	<u>\$ 7,517,015</u>	<u>\$ 1,045,179</u>	<u>\$ 340,918</u>	<u>\$ 1,329,719</u>	<u>\$ 10,232,831</u>

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



**City of Greenwood, South Carolina**  
**Reconciliation of Total Governmental Fund Balances**  
**To Net Assets of Governmental Activities**  
**For the Year Ended December 31, 2007**

Fund Balances	\$	7,554,140
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,036,358
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		28,889
Other assets have been earned, but are unavailable and, therefore are not receivables in the funds.		695,236
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,654,443)</u>
Net assets of governmental activities	\$	<u><u>22,660,180</u></u>

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

**City of Greenwood, South Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	General Fund	Hospitality Tax Fund	RIF II - Maxwell Ave. Phase IV	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 4,695,989	\$ 1,246,609	\$ -	\$ 223,305	\$ 6,165,903
Licenses	3,187,278	-	-	-	3,187,278
Intergovernmental	1,597,663	-	79,289	1,492,037	3,168,989
Fines and Forfeits	843,197	-	-	94,046	937,243
Contributions and Donations	-	-	5,000	329,946	334,946
Charges For Services	1,250,980	-	-	-	1,250,980
Commission of Pub Wks Contribution	1,200,000	-	-	-	1,200,000
Interest	182,848	18,806	-	24,587	226,241
Mortgage Collections	-	-	-	26,978	26,978
Total revenues	<u>12,957,955</u>	<u>1,265,415</u>	<u>84,289</u>	<u>2,190,899</u>	<u>16,498,558</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,070,719	-	-	-	1,070,719
Economic Development	-	194,765	-	491,419	686,184
Court	280,670	-	-	-	280,670
Police	3,622,436	-	-	98,336	3,720,772
Fire	2,506,327	-	-	28,164	2,534,491
Building Inspection	406,186	-	-	-	406,186
Public Works	1,527,517	-	-	12,387	1,539,904
Sanitation	1,108,573	-	-	-	1,108,573
Non-Departmental	1,007,725	-	-	-	1,007,725
Community Development	-	-	-	1,185,704	1,185,704
Capital Outlay:	586,772	-	382,323	681,720	1,650,815
Debt service:					
Principal Retirement	173,131	-	-	-	173,131
Interest	8,382	-	-	-	8,382
Total expenditures	<u>12,298,438</u>	<u>194,765</u>	<u>382,323</u>	<u>2,497,730</u>	<u>15,373,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>659,517</u>	<u>1,070,650</u>	<u>(298,034)</u>	<u>(306,831)</u>	<u>1,125,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	298,034	325,755	623,789
Transfers Out	-	(623,789)	-	-	(623,789)
Proceeds from the Sale of Capital Assets	30,164	-	-	2,300	32,464
Proceeds From the Issuance of Long Term Debt	987,230	-	-	-	987,230
Total other financing sources and uses	<u>1,017,394</u>	<u>(623,789)</u>	<u>298,034</u>	<u>328,055</u>	<u>1,019,694</u>
Net change in fund balances	1,676,911	446,861	-	21,224	2,144,996
Fund balances -- beginning	<u>4,356,731</u>	<u>185,556</u>	<u>-</u>	<u>866,855</u>	<u>5,409,142</u>
Fund balances -- ending	<u>\$ 6,033,642</u>	<u>\$ 632,417</u>	<u>\$ -</u>	<u>\$ 888,079</u>	<u>\$ 7,554,138</u>

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

**City of Greenwood, South Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--total governmental funds	\$ 2,144,996
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was exceeded by capital outlays in the current period.	572,949
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	358,931
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	50,441
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(786,024)
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 governmental funds.	<u>(73,530)</u>
Change in net assets of governmental activities	<u><u>\$ 2,267,763</u></u>

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

**City of Greenwood, South Carolina**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**December 31, 2007**

	<u>Uptown Greenwood Local Development Corporation Agency Fund</u>	<u>Police Seizure Agency Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash - Unrestricted	\$ 14,087	\$ 53,955	\$ 68,042
Cash - Loan Fund - Restricted	53,120	-	53,120
Accounts Receivable	600	-	600
Loans Receivable - Restricted	<u>137,314</u>	<u>-</u>	<u>137,314</u>
Total assets	<u><u>205,121</u></u>	<u><u>53,955</u></u>	<u><u>259,076</u></u>
<b>LIABILITIES</b>			
Accounts Payable	5,256	-	5,256
Due to Designated Recipients-Unrestricted	2,686	53,955	56,641
Due to Designated Recipients-Restricted	<u>197,179</u>	<u>-</u>	<u>197,179</u>
Total liabilities	<u><u>\$ 205,121</u></u>	<u><u>\$ 53,955</u></u>	<u><u>\$ 259,076</u></u>

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

CITY OF GREENWOOD  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the City of Greenwood (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential units. Component units are entities for which the City is considered financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to the primary government. Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* provides guidance on combining component unit data with data of the primary government as blended or discrete presentations. Blended component units are legally separate entities albeit, in substance, part of the primary government and, therefore are included with data of the primary government. Discretely presented component units are presented separately to emphasize legal separation from the primary government.

There are no blended or discretely presented component units included in this financial statement. No entities are excluded that would make the financial statements misleading.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 segment is 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*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The City did not maintain any proprietary funds (business-type activities) during the year ending December 31, 2007.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *hospitality fund* is a special revenue fund that accounts for all financial resources generated by a two percent local hospitality tax collected by all businesses that serve prepared meals and/or beverages within the City. The *Rural Infrastructure Fund – II Maxwell Avenue Phase IV* is also a special revenue fund that accounts for grant monies, Council-approved hospitality tax fund transfers and local owner contributions to be used for public infrastructure and building façade improvements.

Additionally, the government reports the following fund types:

*Agency funds* account for activities of the Uptown Greenwood Local Development Corporation and police drug seizure funds. The Uptown Greenwood Local Development Corporation was established to provide economic stimulus to the uptown area of Greenwood. The corporation receives revenues from a Special Tax District to conduct these activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund, special revenue funds, and agency funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

#### D. Cash, Cash Equivalents and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City is allowed to invest in (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan associations to the extent that the same are

secured by the Federal Deposit Insurance Corporation; (4) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) 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.

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 and in the past year has used the following investments:

South Carolina Pooled Investment Fund (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

#### E. Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least forty days prior to January 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Municipal Building to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, the revisions that alter the total expenditures of any fund must be approved by the City Council. During the year, there were no amendments to the budget.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund only.
6. The budget for the General Fund is adopted on a basis consistent with GAAP.

The Special Revenue Funds generally include state and federal grant programs, which have project-length budgets only and are not legally required to adopt a budget. The Hospitality Fund has expenditures based on City Council approval of community requests. No formal budget was adopted for 2007. The Maxwell Avenue Rural Infrastructure Fund expenditures are within the budget established during the grant process.

#### F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities, but do reflect a commitment of the year-end fund balance. Unencumbered appropriations lapse at year-end. The City had \$892,879 in outstanding encumbrances as of December 31, 2007.

#### G. Restricted Assets and Reserves

The City has set aside \$11,319 for anticipated future expenditures for street right-of-way acquisitions and \$2,263 for the beautification fund. In addition, the City is holding \$792,514 in funds to be used to acquire a platform ladder fire truck. These funds are restricted until they are needed for the purpose specified.

## H. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	5-40
Public Domain Infrastructure	10-50
Vehicles	5-8
Office Equipment	5-25
Computer Equipment	3-5

## I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. If material, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the

applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

The City has designated \$1,596,856 for future capital improvements. The City has also designated \$133,766 of a refund for insurance premiums for employee recognition and other benefits



#### L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are classified as invested in capital assets net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, including accrued interest, used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

#### M. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds." (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1, and are payable without penalty through January 15. Unpaid taxes attach as an enforceable lien on property as of the following March 17.

Greenwood County bills and collects real and vehicle property taxes for the City. Property taxes receivable represent unpaid real and personal taxes, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable as of year end, except those collected within 45 days after year end, are recorded as deferred revenue and thus not recognized in the governmental funds until collected. At December 31, 2007, taxes receivable was \$3,016,065, net of an allowance for uncollectible taxes of \$321,209. There was no allowance for uncollectible trade accounts receivable at December 31, 2007.

#### N. Inventory and Other Assets

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Prepaid items (for example, insurance) are accounted for over the period they are used rather than when paid.

#### O. 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. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### NOTE 2 - Cash and Investments

*Custodial credit risk – deposits.* Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk but follows the policy statutes of the State of South Carolina. As of December 31, 2007, \$2,845,045 of the City's bank balances of \$3,045,045, which had a reported value of \$2,961,215, were exposed to custodial credit risk as they were uninsured and collateralized with securities held by the pledging financial institutions' agent but not in the name of the City.

#### Investments

South Carolina Local Government Investment Pool is duly chartered and administered by the Office of the State Treasurer. GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. South Carolina Local Government Investment Pool has not been assigned a risk category since the City is not issued securities, but rather it owns an undivided beneficial interest in the assets of South Carolina Local Government Investment Pool. At year end, the amount invested in the South Carolina Local Government Investment Pool was \$1,736,651.

NOTE 3 - Commissioners of Public Works

The Commissioners of Public Works (CPW) is an entity that was created by an act of the South Carolina General Assembly and requires the consent of City Council to issue any revenue bond indebtedness. CPW has in the past followed the practice of making an annual cash contribution to the City equal to the amount of the year's charges for service provided to the City. Upon receipt of this contribution, the City has written a check to the CPW for a like amount in payment of such services. This amount was \$624,689 for 2007.

In addition, CPW contributed \$575,311 to the City in 2007 under an agreement reached in 2006. The CPW has agreed to contribute a total of \$1.2 million less the amount of utilities used. The annual receipt of these funds is contingent on CPW having surplus funds. This determination is made annually.

NOTE 4 - Capital Assets

A summary of changes in capital assets follows:

	Balance December 31, 2006	Increases	Decreases	Balance December 31, 2007
Capital Assets, Not Being Depreciated:				
Land	\$7,113,275	\$160,332	(14,950)	\$7,258,657
Construction in Progress	81,503	-	(81,503)	-
Intangibles	199,265	27,289	-	226,554
Total Capital Assets, Not Being Depreciated	<u>7,394,043</u>	<u>187,621</u>	<u>(96,453)</u>	<u>7,485,211</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,513,188	103,332	-	4,616,520
Sanitation System	725,267	57,890	(29,027)	754,130
Machinery and Equipment	7,175,104	401,581	(477,108)	7,099,577
Infrastructure	7,149,706	1,259,228	(81,991)	8,326,943
Total Capital Assets, Being Depreciated	<u>19,563,265</u>	<u>1,822,031</u>	<u>(588,126)</u>	<u>20,797,170</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,594,622)	(106,729)	-	(1,701,351)
Sanitation System	(401,233)	(44,236)	25,725	(419,744)
Machinery and Equipment	(4,155,608)	(478,267)	434,451	(4,199,424)
Infrastructure	(3,701,367)	(276,265)	52,128	(3,925,504)
Total Accumulated Depreciation	<u>(9,852,830)</u>	<u>(905,497)</u>	<u>512,304</u>	<u>(10,246,023)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,710,435</u>	<u>916,534</u>	<u>(75,822)</u>	<u>10,551,147</u>
Capital Assets, Net	<u><u>\$17,104,478</u></u>	<u><u>\$1,104,155</u></u>	<u><u>(\$172,275)</u></u>	<u><u>\$18,036,358</u></u>

Depreciation expense was charged to functions/programs of the government as follows:

General Government	\$ 118,636
Court	1,758
Police	205,020
Fire	115,356
Building Inspection	13,183
Public Works	342,429
Sanitation	102,770
Economic Development	6,345
Total Depreciation Expense	<u>\$ 905,497</u>

The City entered into a contract with Town & Country Construction on October 15, 2007 in the amount of \$788,375 for the Maxwell Avenue Façade Project. This contract will be paid with South Carolina Department of Commerce Grant funds, local owner funds and hospitality tax funds. This project did not commence until 2008.

In 2007, the City issued a purchase order to Sutphen Corporation for the purchase of a platform ladder fire truck. This truck was not received during 2007 and the City is obligated to pay the estimated invoice of \$892,879. The truck is scheduled to be delivered in March 2008. \$780,000 has been set aside in an escrow account with BB&T as proceeds from a capital lease agreement executed during 2007 to pay for this truck.

NOTE 5 – Interfund receivables, payables, and transfers

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund	\$ 167,396	\$ 12,466
Hospitality Tax Fund	12,466	
RIF II - Maxwell Ave Phase IV		9,791
Special Revenue Funds:		
4CR05003		137,737
Local Accommodations Tax Fund		6,276
Police Forfeiture Fund		1,608
Victims' Assistance		3,212
SC DOT TEA-21 Grant - Phase IV		8,772
	<u>\$ 179,862</u>	<u>\$ 179,862</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts are expected to be paid within one year.

Transfers between funds for the year ended December 31, 2007, consisted of the following:

Fund	Transfers In	Transfers Out
Hospitality Tax Fund	\$ -	\$ 623,789
RIF II - Maxwell Ave Phase IV	298,034	-
Special Revenue Funds:		
4CR05003	325,755	-
	<u>\$ 623,789</u>	<u>\$ 623,789</u>

During the course of normal operations the City makes numerous transactions between funds. The transfer of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded

as transfers and are reported as other financing sources (uses) in the governmental funds.

Transfers from the Hospitality Tax Fund to the RIF II Maxwell Avenue Phase IV and the 4CR05003 Special Revenue Fund were made to match grants received from state agencies.

NOTE 6 - Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2007:

	Balance 31-Dec-06	Additions	Reductions	Balance 31-Dec-07	Due Within One Year
Capital Lease Payable:					
Fire Truck	\$ 194,191	\$ -	\$ (63,435)	\$ 130,756	\$ 65,476
Finance Software and Equipment	31,808	-	(10,209)	21,599	10,598
Finance Software and Equipment	6,075	-	(2,982)	3,093	3,093
Finance Software and Equipment	23,668	-	(7,609)	16,059	7,886
2007 Platform Fire Truck	-	780,000	-	780,000	98,696
Compensated Absences	481,740	73,530	-	555,270	310,396
CPW Agreement	350,000	207,230	-	557,230	5,355
Infrastructure Reimbursement Agreements	1,701,487	-	(138,914)	1,562,573	95,700
Totals	<u>\$ 2,788,969</u>	<u>\$ 1,060,760</u>	<u>\$ (223,149)</u>	<u>\$ 3,626,580</u>	<u>\$ 597,200</u>

Long-Term Debt at December 31, 2007 was comprised of the following:

Capital lease payable to First Citizens Bank for a fire truck, payable in five annual installments of \$69,642 on April 1, 2005 through 2009, including interest at 3.095%, collateralized by fire truck.	\$ 130,756
Capital lease payable to Banc of America for finance software and equipment, payable in four annual installments of \$11,421 on June 17, 2006 through 2009, including interest at 5.94%, collateralized by software and equipment.	21,599
Capital lease payable to Banc of America for finance software and equipment, payable in three annual installments of \$3,209 on June 17, 2006 through 2008, including interest at 5.83%, collateralized by software and equipment.	3,093
Capital lease payable to Banc of America for finance software and equipment, payable in four annual installments of \$8,469 on June 3, 2006 through 2009, including interest at 5.67%, collateralized by software and equipment.	16,059
Capital lease payable to BB&T for a platform fire truck, payable in seven annual installments of \$130,052 on March 27, 2008 through 2014, including interest at 4.020%, collateralized by fire truck.	780,000
Total	<u>\$ 951,507</u>

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The cost and accumulated amortization of the assets acquired through these capital leases totaled \$1,360,697 and \$107,082, respectively. Amortization of assets recorded under capital lease obligations has been included with depreciation expense. These leases are subject to annual appropriations by the City Council.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007 are as follows:

	<u>General Fund</u>
2008	\$ 222,834
2009	217,067
2010	130,052
2011	130,052
2012	130,052
2013	130,052
2014	<u>130,052</u>
Total minimum lease payments	1,090,161
Less amount representing interest	<u>(138,654)</u>
Present value of minimum lease payments	<u>\$ 951,507</u>

The City has entered into agreements with several developers to reimburse one hundred percent of the costs related to the construction of streets, storm sewers, and related costs. The development must be constructed in accordance with City standards for utilities. The costs of improvements will be rebated annually not to exceed seventy five percent of the City tax revenues for any improvements to the property per year and a time frame of ten years for residential property and eleven years for commercial property. The amount to be reimbursed shall not exceed an amount that the City determines and shall continue for ten years for residential property, eleven years for commercial property, or until the reimbursement is complete, whichever occurs first. During the year, \$58,018 was eliminated after the expiration of an agreement for Pebble Creek. This non-cash transaction is included in Capital Grants and Contributions in the Public Works function on the Government-Wide Statement of Activities.

The City has annexed property and provided certain tax incentives to developers. As part of these incentives, the City purchased a newly constructed road in 2007 for \$207,230 and a road in 2006 for \$350,000. The City entered into agreements with CPW under which CPW loaned the funds to the City for these purchases and the City will reimburse CPW. The reimbursement to CPW will be handled through the annual check exchange. The annual reimbursement will be equal to one hundred percent of the City tax revenues received on the parcel of property where the road is located. The reimbursements will continue until the full amount is repaid. The total outstanding on these non-interest bearing agreements was \$557,230 at December 31, 2007.

NOTE 7 - Employee Benefits

The City contributes to the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). These plans are cost-sharing, multiple-employer pension plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and the PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

The SCRS plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.06% of annual covered payroll. The contribution requirements of plan members and the City are established by Title 9 of the SC Code of Laws. The City's contributions to the SCRS for the years ending December 31, 2007, 2006 and 2005 were \$359,375, \$304,152, and \$265,454, respectively, equal to the required contributions for each year.

The PORS plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 10.30% of annual covered payroll. The contribution requirements of plan members and the City are established by Title 9 of the SC Code of Laws. The City's contributions to the PORS for the years ending December 31, 2007, 2006, and 2005 were \$193,855, \$168,563, and \$172,063, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code

Section 457. The plan is administered by the State of South Carolina Deferred Compensation Commission as agent for the City. The plan is available to all employees and allows them to defer a portion of their salary to future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies.

In addition to providing retirement benefits, the City provides retired employees certain health care benefits, which are established by the governing body of the City through an ordinance. City employees who retired after December 31, 1999, or who were enrolled in the City's Retiree Health Insurance Program on December 31, 1999, and had worked for the City for a specified number of years are eligible for these benefits. Currently, ten employees meet those eligibility requirements. The City pays up to one hundred percent of the health insurance premiums incurred by pre-Medicare retirees. The percentage of the premium that is paid by the City is based on the number of years of service.

The cost of retiree health care benefits is recognized as an expenditure as the premiums are paid. For the year ended December 31, 2007, these costs totaled \$36,992.

In 2004 GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City is required to adopt Statement No. 45 in fiscal year 2009 and is in the process of determining the impact of adopting this Statement will have on the City. Management is not able at the present to quantify the City's OPEB liability under Statement No. 45.

#### NOTE 8 – Contingencies

The City is routinely the subject of litigation by a variety of plaintiffs. Although the outcome of these matters is not presently determinable, the City management and their attorneys believe that the resolution of these matters will not have a material adverse effect on the financial condition of the city.

The U.S. Environmental Protection Agency has issued regulations that relate to municipalities that operate storm sewer systems. Under these regulations, it appears likely that the City will be required to acquire a permit from the South Carolina Department of Health and Environmental Control to discharge storm water. In addition, the City will be required to develop and implement a Storm Water Management Program. The City has contracted with an engineering firm for assistance in preparing for the permit application phase. At the present time, the City is unable to determine the financial impact of these regulations.

#### NOTE 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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 common risk management and insurance programs. The City pays a bi-annual premium to SCMIRF for its general insurance. The SCMIRF is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

The City also has 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 a quarterly premium to SCMIT. For 2007, the city entered into an agreement with SCMIT to have a \$1,000 deductible per occurrence in order to reduce insurance costs.

There were no significant reductions in insurance coverage from amounts provided in the prior year. Settlements have not exceeded insurance coverage for each of the past three years with the exception of workers compensation, in which settlements have exceeded premiums in one of the past three years.

The City pays monthly premiums to South Carolina State and Budget Control Board for its health and dental insurance benefits.

**City of Greenwood, South Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,633,159	\$ 4,633,159	\$ 4,695,989	\$ 62,830
Licenses	2,780,000	2,780,000	3,187,278	407,278
Intergovernmental	1,426,956	1,426,956	1,597,663	170,707
Fines and Forfeits	800,000	800,000	843,197	43,197
Charges For Services	1,260,839	1,260,839	1,250,980	(9,859)
Commission of Pub Wks Contribution	1,200,000	1,200,000	1,200,000	-
Interest	130,000	130,000	182,848	52,848
Total revenues	<u>12,230,954</u>	<u>12,230,954</u>	<u>12,957,955</u>	<u>727,001</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,116,657	1,116,657	1,093,101	23,556
Court	290,445	290,445	284,700	5,745
Police	3,971,692	3,971,692	3,771,575	200,117
Fire	3,556,529	3,556,529	2,560,235	996,294
Building Inspection	460,609	460,609	416,267	44,342
Public Works	1,731,597	1,628,702	1,549,407	79,295
Sanitation	1,174,797	1,277,692	1,226,685	51,007
Non-Departmental	1,152,609	1,152,609	1,214,955	(62,346)
Total current	<u>13,454,935</u>	<u>13,454,935</u>	<u>12,116,925</u>	<u>1,338,010</u>
Debt service:				
Principal Retirement	174,180	174,180	173,131	1,049
Interest	8,306	8,306	8,382	(76)
Total debt service	<u>182,486</u>	<u>182,486</u>	<u>181,513</u>	<u>973</u>
Total expenditures	<u>13,637,421</u>	<u>13,637,421</u>	<u>12,298,438</u>	<u>1,338,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,406,467)</u>	<u>(1,406,467)</u>	<u>659,517</u>	<u>2,065,984</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	24,000	24,000	30,164	6,164
Proceeds From Long Term Debt	813,000	813,000	987,230	174,230
Total other financing sources and uses	<u>837,000</u>	<u>837,000</u>	<u>1,017,394</u>	<u>180,394</u>
Net change in fund balances	<u>(569,467)</u>	<u>(569,467)</u>	<u>1,676,911</u>	<u>2,246,378</u>
Fund balances -- beginning	4,356,731	4,356,731	4,356,731	-
Fund balances -- ending	<u>\$ 3,787,264</u>	<u>\$ 3,787,264</u>	<u>\$ 6,033,642</u>	<u>\$ 2,246,378</u>

**City of Greenwood, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**December 31, 2007**

	Community Development Block Grants					
	85L02	3L87005	3L89013	4L02014	4CI05021	4CR05003
<b>ASSETS</b>						
Cash and Investments	\$ 7,119	\$ 103,746	\$ 38,289	\$ 30,180	\$ 5,000	\$ 3,405
Accounts Receivable	-	4,010	-	-	-	-
Mortgages Receivable	252,509	1,126	10,113	12,408	-	-
Due From Other Governments	-	-	-	-	32,792	137,737
Total assets	<u>259,628</u>	<u>108,882</u>	<u>48,402</u>	<u>42,588</u>	<u>37,792</u>	<u>141,142</u>
<b>LIABILITIES</b>						
Accounts Payable	-	187	-	-	-	-
Employee Funds Withheld	-	-	-	-	-	-
Accrued Expenses	-	-	-	-	-	-
Deferred Revenue	5,243	1,126	10,113	12,408	-	-
Due to Other Funds	-	-	-	-	-	137,737
Due to Other Governments	-	-	-	-	32,792	-
Total liabilities	<u>5,243</u>	<u>1,313</u>	<u>10,113</u>	<u>12,408</u>	<u>32,792</u>	<u>137,737</u>
<b>FUND BALANCE</b>						
Unreserved, Undesignated	<u>254,385</u>	<u>107,569</u>	<u>38,289</u>	<u>30,180</u>	<u>5,000</u>	<u>3,405</u>
Total fund balance	<u>254,385</u>	<u>107,569</u>	<u>38,289</u>	<u>30,180</u>	<u>5,000</u>	<u>3,405</u>
Total liabilities and fund balances	<u>\$ 259,628</u>	<u>\$ 108,882</u>	<u>\$ 48,402</u>	<u>\$ 42,588</u>	<u>\$ 37,792</u>	<u>\$ 141,142</u>

(Continued)



**City of Greenwood, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**December 31, 2007**

	Local Accommodations Tax Fund	Fireman's Fund	Police Forfeiture Fund	Victims Assistance	SCDOT TEA-21 Grant - Ph IV
<b>ASSETS</b>					
Cash and Investments	\$ 339,522	\$ 5,322	\$ 14,111	\$ 102,867	\$ -
Accounts Receivable	1,686	-	80	-	-
Mortgages Receivable	-	-	-	-	-
Due From Other Governments	-	-	-	-	12,387
Total assets	<u>341,208</u>	<u>5,322</u>	<u>14,191</u>	<u>102,867</u>	<u>12,387</u>
<b>LIABILITIES</b>					
Accounts Payable	-	-	52	-	3,615
Employee Funds Withheld	400	-	-	-	-
Accrued Expenses	2,789	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to Other Funds	6,276	-	1,608	3,212	8,772
Due to Other Governments	-	-	-	-	-
Total liabilities	<u>9,465</u>	<u>-</u>	<u>1,660</u>	<u>3,212</u>	<u>12,387</u>
<b>FUND BALANCE</b>					
Unreserved, Undesignated	<u>331,743</u>	<u>5,322</u>	<u>12,531</u>	<u>99,655</u>	<u>-</u>
Total fund balance	<u>331,743</u>	<u>5,322</u>	<u>12,531</u>	<u>99,655</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 341,208</u>	<u>\$ 5,322</u>	<u>\$ 14,191</u>	<u>\$ 102,867</u>	<u>\$ 12,387</u>

(Continued)

**City of Greenwood, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**December 31, 2007**

	<u>2005 JAG Grant</u>	<u>2006 JAG Grant</u>	<u>2007 JAG Grant</u>	<u>Rural Infrastructure Grants - Magic Johnson Center</u>	<u>HUD - EDI Grant: Museum B-06-SP- SC-0925</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>						
Cash and Investments	\$ -	\$ -	\$ 34,140	\$ -	\$ -	\$ 683,701
Accounts Receivable	-	-	-	-	-	5,776
Mortgages Receivable	-	-	-	-	-	276,156
Due From Other Governments	-	-	-	-	181,170	364,086
Total assets	<u>-</u>	<u>-</u>	<u>34,140</u>	<u>-</u>	<u>181,170</u>	<u>1,329,719</u>
<b>LIABILITIES</b>						
Accounts Payable	-	-	6,317	-	181,170	191,341
Employee Funds Withheld	-	-	-	-	-	400
Accrued Expenses	-	-	-	-	-	2,789
Deferred Revenue	-	-	27,823	-	-	56,713
Due to Other Funds	-	-	-	-	-	157,605
Due to Other Governments	-	-	-	-	-	32,792
Total liabilities	<u>-</u>	<u>-</u>	<u>34,140</u>	<u>-</u>	<u>181,170</u>	<u>441,640</u>
<b>FUND BALANCE</b>						
Unreserved, Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,079</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,079</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,140</u>	<u>\$ -</u>	<u>\$ 181,170</u>	<u>\$ 1,329,719</u>

**City of Greenwood, South Carolina**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**For the Year Ended December 31, 2007**

	Community Development Block Grants					
	85L02	3L87005	3L89013	4L02014	4CI05021	4CR05003
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	500,000	465,590
Fines and Forfeits	-	-	-	-	-	-
Contributions and Donations	-	-	-	-	329,906	-
Interest	13,144	1,870	368	38	-	-
Mortgage Collections	1,258	8,823	2,202	14,695	-	-
Total revenues	<u>14,402</u>	<u>10,693</u>	<u>2,570</u>	<u>14,733</u>	<u>829,906</u>	<u>465,590</u>
<b>EXPENDITURES</b>						
Economic Development	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	32,948	734	19	24	824,906	793,342
Total expenditures	<u>32,948</u>	<u>734</u>	<u>19</u>	<u>24</u>	<u>824,906</u>	<u>793,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,546)</u>	<u>9,959</u>	<u>2,551</u>	<u>14,709</u>	<u>5,000</u>	<u>(327,752)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers Out	-	-	-	-	-	325,755
Sale of Capital Assets	-	2,300	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,755</u>
Net change in fund balances	(18,546)	12,259	2,551	14,709	5,000	(1,997)
Fund balances -- beginning	272,931	95,310	35,738	15,471	-	5,402
Fund balances -- ending	<u>\$ 254,385</u>	<u>\$ 107,569</u>	<u>\$ 38,289</u>	<u>\$ 30,180</u>	<u>\$ 5,000</u>	<u>\$ 3,405</u>

(Continued)

**City of Greenwood, South Carolina**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**For the Year Ended December 31, 2007**

	Local Accommodations Tax Fund	Fireman's Fund	Police Forfeiture Fund	Victims Assistance	SCDOT TEA-21 Grant - Ph IV
<b>REVENUES</b>					
Taxes	\$ 223,305	\$ -	\$ -	\$ -	\$ -
Intergovernmental	37,996	25,656	-	-	12,387
Fines and Forfeits	-	-	25,441	68,605	-
Contributions and Donations	-	40	-	-	-
Interest	7,274	8	17	1,868	-
Mortgage Collections	-	-	-	-	-
Total revenues	<u>268,575</u>	<u>25,704</u>	<u>25,458</u>	<u>70,473</u>	<u>12,387</u>
<b>EXPENDITURES</b>					
Economic Development	252,753	-	-	-	-
Police	-	-	16,502	85,543	-
Fire	-	28,164	-	-	-
Public Works	-	-	-	-	12,387
Community Development	-	-	-	-	-
Total expenditures	<u>252,753</u>	<u>28,164</u>	<u>16,502</u>	<u>85,543</u>	<u>12,387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,822</u>	<u>(2,460)</u>	<u>8,956</u>	<u>(15,070)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers Out	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,822	(2,460)	8,956	(15,070)	-
Fund balances -- beginning	315,921	7,782	3,575	114,725	-
Fund balances -- ending	<u>\$ 331,743</u>	<u>\$ 5,322</u>	<u>\$ 12,531</u>	<u>\$ 99,655</u>	<u>\$ -</u>

(Continued)

**City of Greenwood, South Carolina**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**  
**For the Year Ended December 31, 2007**

	<u>2005 JAG Grant</u>	<u>2006 JAG Grant</u>	<u>2007 JAG Grant</u>	<u>Rural Infrastructure Grants - Magic Johnson Center</u>	<u>HUD - EDI Grant: Museum B-06-SP- SC-0925</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,305
Intergovernmental	14,803	23,174	6,317	130,579	275,535	1,492,037
Fines and Forfeits	-	-	-	-	-	94,046
Contributions and Donations	-	-	-	-	-	329,946
Interest	-	-	-	-	-	24,587
Mortgage Collections	-	-	-	-	-	26,978
Total revenues	<u>14,803</u>	<u>23,174</u>	<u>6,317</u>	<u>130,579</u>	<u>275,535</u>	<u>2,190,899</u>
<b>EXPENDITURES</b>						
Economic Development	-	-	-	-	275,535	528,288
Police	14,803	23,174	6,317	-	-	146,339
Fire	-	-	-	-	-	28,164
Public Works	-	-	-	-	-	12,387
Community Development	-	-	-	130,579	-	1,782,552
Total expenditures	<u>14,803</u>	<u>23,174</u>	<u>6,317</u>	<u>130,579</u>	<u>275,535</u>	<u>2,497,730</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(306,831)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers Out	-	-	-	-	-	325,755
Sale of Capital Assets	-	-	-	-	-	2,300
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,055</u>
Net change in fund balances	-	-	-	-	-	21,224
Fund balances -- beginning	-	-	-	-	-	866,855
Fund balances -- ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,079</u>

**City of Greenwood, South Carolina**  
**Schedule of Municipal Court Fines, Assessments, and Surcharges**  
**For the Year Ended December 31, 2007**

	<u>Collected by Municipal Court</u>	<u>Retained by City Treasurer</u>	<u>Remitted to State Treasurer</u>	<u>Allocated to Victims Assistance</u>
Fines	\$ 313,856	\$ 313,856	\$ -	\$ -
Assessments	335,359	35,880	299,479	35,880
Surcharges	160,625	32,725	127,900	32,725
				<u>\$ 68,605</u>
Expenditures:				
Personnel				\$ 72,630
Operating				12,913
				<u>\$ 85,543</u>
Total Expenditures				<u>\$ 85,543</u>
Beginning Balance Forward				\$ 114,725
Total Revenues				68,605
Interest Earned				1,868
Total Expenditures				<u>(85,543)</u>
Balance Carried Forward to 2008				<u>\$ 99,655</u>

PART II  
COMPLIANCE SECTION

CITY OF GREENWOOD, SOUTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through SC Department of Commerce:			
Community Development Block Grant	14.228		
Oregon/Main		4CR05003	\$ 465,590
E Cambridge Water		4CI05021	500,000
Subtotal - Community Development Block Grants			965,590
Direct:			
Economic Development Initiative Special Projects	14.246	B06SPSC0925	275,535
Subtotal - U.S. Department of Housing and Urban Development			1,241,125
<u>U.S. Department of Justice</u>			
Passed through Greenwood County:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
2005 Grant		2005-DJ-BX-0895	14,803
2006 Grant		2006-DJ-BX-0541	23,174
2007 Grant		2007-DJ-BX-0909	6,317
Subtotal - Edward Byrne Memorial Justice Assistance Grant Program			44,294
Direct:			
Bulletproof Vest Partnership	16.607		3,053
Subtotal - U.S. Department of Justice			47,347
Total			\$ 1,288,472



**CITY OF GREENWOOD, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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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 Greenwood, South Carolina (the “City”) for the year ended December 31, 2007. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

**B – Basis of Accounting**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City’s basic financial statements.

**C – Relationship to Basic Financial Statements**

Federal award expenditures are reported in the City’s basic financial statements as expenditures in the Other Governmental Funds.

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

Mayor and City Council  
City of Greenwood  
Greenwood, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Greenwood, South Carolina (the "City") as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's basic financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated February 28, 2008.

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
February 28, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council  
City of Greenwood  
Greenwood, South Carolina

Compliance

We have audited the compliance of the City of Greenwood, South Carolina (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control.

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

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
February 28, 2008

**CITY OF GREENWOOD, SOUTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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There were no audit findings in the prior year.

**CITY OF GREENWOOD, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	_____ 300,000 _____
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Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> No
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**Section II - Current Year Financial Statements Audit**

NONE

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

NONE