

**CITY OF GREENWOOD,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

CITY OF GREENWOOD, SOUTH CAROLINA
 FINANCIAL STATEMENTS
 TABLE OF CONTENTS
 DECEMBER 31, 2011

	<u>Page</u>
PART I – FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Assets and Liabilities - Fiduciary Funds	16
Notes to the Basic Financial Statements	17 – 31
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hospitality Tax Fund	33
Other Postemployment Benefits Healthcare Plan Schedules of Employer Contributions and Funding Progress	34
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds	35– 37
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds – Special Revenue Funds	38– 40
Schedule of Municipal Court Fines, Assessments, and Surcharges	41
PART II – COMPLIANCE SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43

CITY OF GREENWOOD, SOUTH CAROLINA
FINANCIAL STATEMENTS
TABLE OF CONTENTS
DECEMBER 31, 2011

	<u>Page</u>
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 <i>GOVERNMENT AUDITING STANDARDS</i>	44
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	45
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	47

PART I
FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, 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 April 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. 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 U.S. 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. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
April 12, 2012

Management's Discussion and Analysis

As management of the City of Greenwood ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$26,554,791. Of this amount, \$4,508,666 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$2,054,174. This increase is primarily due to an increase in capital assets of \$3,266,845, which was primarily influenced by contributions of buildings and land from the Greenwood Commissioners of Public Works ("CPW").
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,230,584, a decrease of \$476,752 in comparison with the prior year. Of this total amount, \$3,420,976 is *unassigned fund balance* for the governmental funds.
- At the end of the current year, unassigned fund balance for the General Fund was \$3,420,976, or 26% of total General Fund expenditures.
- During the current year, the City's total long-term obligations increased by \$696,726 (24%). The debt was reduced by payments of \$274,397, a net change in compensated absences payable of \$26,018 and increased by the issuance of a lease purchase for \$372,823 and a commitment to remediate pollution at the old Kitson Mill.
- The City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("Statement") in 2011. This Statement enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. At December 31, 2011, the City had \$2,521,787 of its total fund balance of \$7,230,584 restricted for (a) tourism related expenditures (\$2,146,498), (b) community development (\$348,045), and (c) other purposes (\$27,244). The City also had \$1,287,821 assigned for (a) capital improvements (\$1,175,683) and (b) employee recognition (\$112,138). The remaining fund balance of \$3,420,976 is unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, economic development, court, police, fire, building inspection, public works, sanitation, non-departmental and community development. The City 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, 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 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 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 maintains eighteen 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 and the Hospitality Tax Fund, the City's two 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 adopts annual appropriated budgets for its General Fund and Hospitality Tax Fund. Budgetary comparison schedules have been provided for the General Fund and Hospitality Tax Fund to demonstrate compliance with these budgets.

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'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's (a) variances in budget to actual revenues and expenditures for the General Fund and the Hospitality Tax Fund and (b) other postemployment benefits healthcare plan schedules. Required supplementary information can be found as listed in the table of contents.

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, assets exceed liabilities by \$26,554,791 at the close of the most recent year. The following table provides a summary of the City's net assets at December 31, 2011 compared to December 31, 2010.

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$ 9,198,480	\$ 9,453,859
Capital Assets, Net	22,238,815	18,971,970
Total Assets	<u>31,437,295</u>	<u>28,425,829</u>
Liabilities:		
Long-Term Liabilities	3,584,122	2,887,396
Other Liabilities	1,298,382	1,037,816
Total Liabilities	<u>4,882,504</u>	<u>3,925,212</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	19,874,730	16,744,310
Restricted	2,171,395	2,255,777
Unrestricted	4,508,666	5,500,530
Total Net Assets	<u>\$ 26,554,791</u>	<u>\$ 24,500,617</u>

By far the largest portion of the City's net assets (75%) 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 uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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.

An additional portion of the City's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

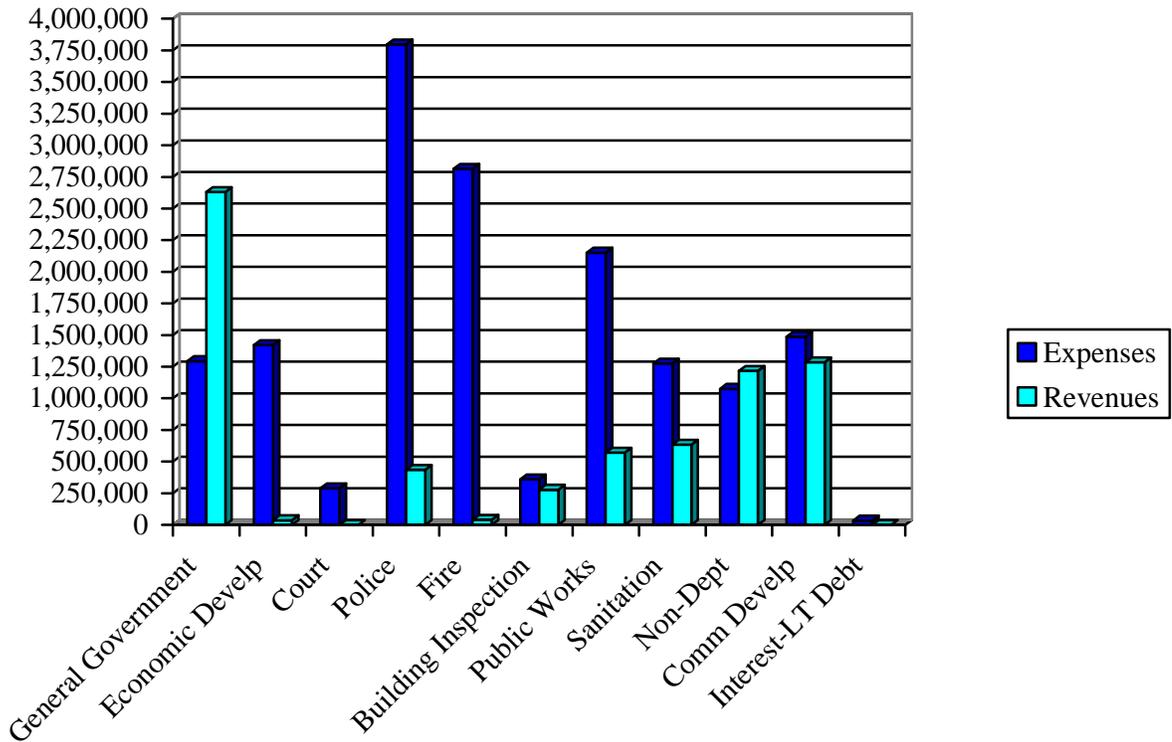
During the current year, the City's net assets increased by \$2,054,174. This increase is primarily due to an increase in capital assets of \$3,266,845. The increase in capital assets is influenced by contributions of buildings and land from the CPW. The City's total liabilities increased by \$957,292, which is primarily due to a pollution remediation obligation at the old Kitson Mill (\$586,319) and a lease purchase obligation (\$372,823).

Governmental activities. Governmental activities increased the City's net assets by \$2,054,174. The following table shows the change in net assets for 2011 compared to 2010.

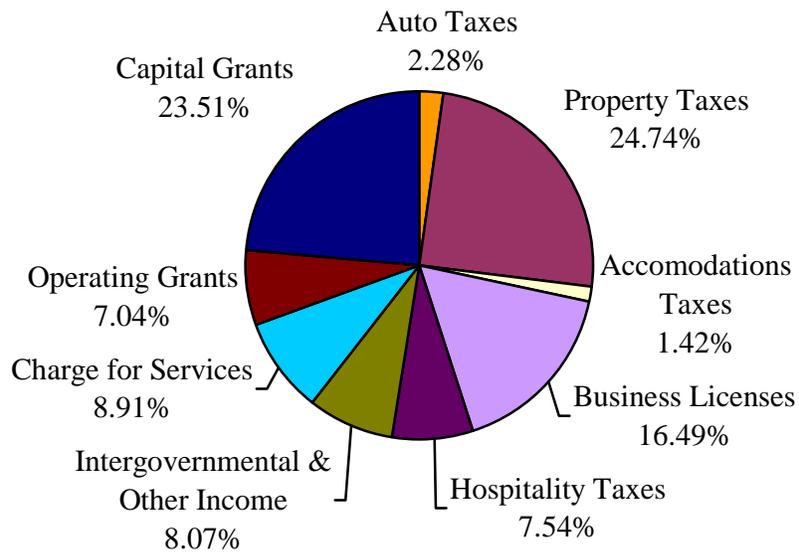
	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,608,707	\$ 1,692,364
Operating Grants and Contributions	1,269,980	1,327,516
Capital Grants and Contributions	4,242,832	1,331,868
General Revenues:		
Taxes	6,492,138	6,753,701
Business Licenses	2,976,051	3,154,509
Intergovernmental	1,441,164	1,287,420
Other	15,236	17,256
Total Revenues	18,046,108	15,564,634
Expenses:		
General Government	1,293,346	1,273,275
Economic Development	1,420,663	1,224,080
Court	288,880	281,263
Police	3,797,604	3,829,434
Fire	2,813,185	2,839,539
Building Inspection	358,698	378,093
Public Works	2,150,758	1,874,719
Sanitation	1,274,190	1,251,948
Non-Departmental	1,074,604	1,087,954
Community Development	1,487,020	595,102
Interest and Other Charges	32,986	28,799
Total Expenses	15,991,934	14,664,206
Net Change in Net Assets	2,054,174	900,428
Net Assets - Beginning of Year	24,500,617	23,600,189
Net Assets - End of Year	\$ 26,554,791	\$ 24,500,617

- Capital Grants and Contributions increased by \$2,910,964 which is due to contributions of buildings and land from the CPW.
- Tax Revenues decreased by \$261,563 primarily due to a \$127,960 payment of delinquent taxes during 2010 from a commercial business that had previously filed bankruptcy. Additionally, the City's current property tax revenues decreased \$59,424 over last year, part of which was from decreases in personal property assessment values and a slightly worse collection rate. Also, the Accommodations Taxes collected were down \$24,698 due to a weak business travel economy.
- Business License Revenues decreased \$178,458 and was generated mostly by decreased collections from Insurance companies of \$151,798. This decrease is partly due to delinquent licenses of \$84,377 collected during 2010 and the remainder from decreased premium amounts reported.

2011 Expenses & Program Revenues - Governmental Activities



2011 Revenues By Source - Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$7,230,584, a decrease of \$476,752 in comparison with the prior year fund balance. Of this total amount, \$3,420,976 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$3,420,976. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represent approximately 26% and 35% of total General Fund expenditures, respectively.

During the current year, the fund balance of the City's General Fund decreased by \$740,415. Key factors in the decrease are as follows:

- The City received \$166,889 less in property taxes which is partly a result of a tax payment during 2010 from a commercial business that had previously filed bankruptcy. The remaining decrease is due to decreases in the assessed values of personal property.
- The City's business license revenues decreased \$178,458 over last year, part of which was from a decrease in delinquent insurance business license payments and the remaining part from a change in business license rates.
- Fines and forfeits decreased by \$42,769 primarily due to vacancies within the police department due to high turnover which resulted in more training hours and less time available for routine patrols.
- The City made a major HVAC renovation within the Municipal Building which contributed to an increase in capital outlay of \$588,268.

General Fund Budgetary Highlights

During the year there was one change in total revenues and appropriations between the original and final amended budget. This change was made to authorize the HVAC renovations to the Municipal Building. The revenue to fund this appropriation was an increase (\$147,011) for Federal grant revenue from an Energy Grant through American Recovery Act funds and an anticipated use (\$396,989) of funds designated for Capital Improvements. Several significant variances between the final budget and actual results exist. Property taxes declined more than anticipated as we received much less than budgeted (\$98,466). Business License revenue was less than projected and came in under budget (\$78,949). Expenditures within the Police Department were less than expected (\$117,898) primarily due to high turn-over and shortages in budgeted positions. Because of various waterline replacement projects, repaving of several roads that were to be funded with state C Funds that had been delayed from prior years was performed in 2011, which resulted in an increase in expenditures in Public Works (\$118,426). Non-departmental expenditures were less than expected (\$84,900) as a result of lower utility costs, the elimination of employee Christmas bonuses and less in Accommodations Tax disbursements. None of these variances are expected to have a significant impact on future budgets.

Capital Assets and Long Term Obligations

Capital assets. The City's investment in capital assets for its governmental activities as of December 31, 2011, amounts to \$22,238,815 (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 year included the following:

- The CPW donated their half of the Municipal Building to the City which had an estimated value of \$2,500,000. Additionally, an abandoned Water Treatment facility, valued at \$252,144, was donated by CPW to be used for the eventual creation of a green space and park.

- An addition to our infrastructure of \$96,114 was made by repaving various roads using state C Fund grants.

Additional information on the City's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements as listed in the table of contents.

Long-term obligations. At the end of the current year, the City has three lease purchase obligations outstanding of \$1,045,767, an infrastructure reimbursement agreement obligation of \$807,620, and a compensated absences obligation of \$633,718. Additionally, the City owed the CPW a total of \$510,698 for roads as part of a tax incentive agreement. Finally, the City has a commitment of approximately \$586,319 to remediate pollution at an old mill site.

During the current year, the City's total long-term obligations increased by \$696,726 (24%). The debt was reduced by payments of \$274,397, a net change in compensated absences payable of \$26,018 and increased by the issuance of a lease purchase for \$372,823 and a commitment to remediate pollution at the old Kitson Mill.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% 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 is \$3,298,768, which is available in whole to the City.

Additional information on the City's long-term obligations can be found in Note 6 in the Notes to the Basic Financial Statements as listed in the table of contents.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Greenwood County is currently 10.4%, which is a decrease of 1.1% from a year ago. This does not compare favorably to the state's average unemployment rate of 9.5% and the national average rate of 8.5%.
- The nationwide economic conditions have slowly begun to improve throughout 2011. However, it appears that the impact for our local economy has occurred later than the nation as a whole and our revenues are being impacted negatively.
- There have been some positive local economic announcements as a large retail development has begun in the city limits and a bronze and iron foundry has announced its plans to open a facility in Greenwood County.

All of these factors were considered in preparing the City's budget for the 2012 year.

During the current year, unassigned fund balance in the General Fund decreased by \$246,351 to \$3,420,976. The City has not increased the property tax millage. The maximum allowable under state law, for the 2012 tax year was 4.49%. The City did pass a \$50 annual Public Works Fee to be billed on all residential parcels and included on the 2012 property tax bill.

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 or 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, 2011

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Investments	\$ 1,055,165	\$ 1,055,165
Restricted Cash and Investments	2,614,912	2,614,912
Taxes Receivable (Net of Allowance)	2,678,932	2,678,932
Accounts Receivable	107,833	107,833
Mortgages Receivable	85,401	85,401
Due from Other Governments	2,582,924	2,582,924
Other Assets	73,313	73,313
Capital Assets:		
Non-Depreciable	8,109,703	8,109,703
Depreciable, Net	14,129,112	14,129,112
Total assets	31,437,295	31,437,295
LIABILITIES		
Accounts Payable	882,602	882,602
Retainage Payable	76,862	76,862
Employee Funds Withheld	29,786	29,786
Accrued Expenses	182,341	182,341
Unearned Revenue	43,618	43,618
Due to Other Governments and Recipients	83,173	83,173
Noncurrent Liabilities:		
Due Within One Year	1,285,021	1,285,021
Due in More Than One Year	2,299,101	2,299,101
Total liabilities	4,882,504	4,882,504
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	19,874,730	19,874,730
Restricted For:		
Tourism Related Expenses	2,146,498	2,146,498
Other Purposes	24,897	24,897
Unrestricted	4,508,666	4,508,666
Total net assets	\$ 26,554,791	\$ 26,554,791

The notes to the basic 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, 2011

<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>
Primary government:					
Governmental activities:					
General Government	\$ 1,293,346	\$ 129,786	\$ -	\$ 2,500,000	1,336,440
Economic Development	1,420,663	3,373	31,919	-	(1,385,371)
Court	288,880	-	-	-	(288,880)
Police	3,797,604	432,016	2,194	-	(3,363,394)
Fire	2,813,185	40,223	1	-	(2,772,961)
Building Inspection	358,698	277,029	-	-	(81,669)
Public Works	2,150,758	92,900	-	477,145	(1,580,713)
Sanitation	1,274,190	633,380	-	-	(640,810)
Non-Departmental	1,074,604	-	1,216,635	-	142,031
Community Development	1,487,020	-	19,231	1,265,687	(202,102)
Interest on Long Term Debt	32,986	-	-	-	(32,986)
Total governmental activities	<u>15,991,934</u>	<u>1,608,707</u>	<u>1,269,980</u>	<u>4,242,832</u>	<u>(8,870,415)</u>
 Total primary government	 <u>\$ 15,991,934</u>	 <u>\$ 1,608,707</u>	 <u>\$ 1,269,980</u>	 <u>\$ 4,242,832</u>	 <u>(8,870,415)</u>
 General revenues:					
					4,464,224
					410,715
					256,535
					1,360,664
					2,976,051
					1,441,164
					12,089
					3,147
					<u>10,924,589</u>
					2,054,174
					24,500,617
					<u>\$ 26,554,791</u>

The notes to the basic 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, 2011

	General Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,055,165	\$ -	\$ -	\$ 1,055,165
Restricted Cash and Investments	2,347	1,766,995	845,570	2,614,912
Taxes Receivable (Net)	2,678,932	-	-	2,678,932
Accounts Receivable	103,714	-	4,119	107,833
Mortgages Receivable	-	-	85,401	85,401
Due From Other Funds	173,308	10,883	38,703	222,894
Due From Other Governments	2,222,653	-	360,271	2,582,924
Other Assets	73,313	-	-	73,313
Total assets	<u>\$ 6,309,432</u>	<u>\$ 1,777,878</u>	<u>\$ 1,334,064</u>	<u>\$ 9,421,374</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	648,531	-	234,071	882,602
Retainage Payable	51,539	-	25,323	76,862
Employee Funds Withheld	29,786	-	-	29,786
Accrued Expenses	156,339	-	-	156,339
Deferred Revenue	699,760	-	39,374	739,134
Due to Other Funds	-	107,737	115,157	222,894
Due to Other Governments	-	-	70,840	70,840
Due to Designated Recipients	12,333	-	-	12,333
Total liabilities	<u>1,598,288</u>	<u>107,737</u>	<u>484,765</u>	<u>2,190,790</u>
Fund balances:				
Restricted for:				
Tourism Related Expenditures	-	1,670,141	476,357	2,146,498
Beautification	2,347	-	-	2,347
Community Development	-	-	348,045	348,045
Other Purposes	-	-	24,897	24,897
Assigned for:				
Employee Recognition	112,138	-	-	112,138
Capital Improvements	1,175,683	-	-	1,175,683
Unassigned	3,420,976	-	-	3,420,976
Total fund balances	<u>4,711,144</u>	<u>1,670,141</u>	<u>849,299</u>	<u>7,230,584</u>
Total liabilities and fund balances	<u>\$ 6,309,432</u>	<u>\$ 1,777,878</u>	<u>\$ 1,334,064</u>	<u>\$ 9,421,374</u>

The notes to the basic 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
December 31, 2011

Fund Balances	\$	7,230,584
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.		22,238,815
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		695,516
Long-term liabilities, including accrued interest of \$26,002, are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,610,124)</u>
Net assets of governmental activities	\$	<u><u>26,554,791</u></u>

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

City of Greenwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,906,652	\$ 1,360,663	\$ 216,703	\$ 6,484,018
Licenses	2,976,051	-	-	2,976,051
Intergovernmental	1,668,098	-	1,270,092	2,938,190
Fines and Forfeits	286,246	-	65,126	351,372
Contributions and Donations	-	13,500	85,073	98,573
Charges For Services	1,140,930	2,795	578	1,144,303
Commission of Public Works Contribution	1,216,635	-	-	1,216,635
Interest	11,459	1,385	4,586	17,430
Mortgage Collections	-	-	2,247	2,247
Total revenues	<u>12,206,071</u>	<u>1,378,343</u>	<u>1,644,405</u>	<u>15,228,819</u>
EXPENDITURES				
Current:				
General Government	1,126,975	-	-	1,126,975
Economic Development	-	822,068	581,806	1,403,874
Court	289,328	-	-	289,328
Police	3,523,998	-	130,127	3,654,125
Fire	2,662,492	-	33,623	2,696,115
Building Inspection	350,231	-	-	350,231
Public Works	1,765,654	-	57,507	1,823,161
Sanitation	1,131,255	-	-	1,131,255
Non-Departmental	1,074,604	-	-	1,074,604
Community Development	-	-	341,634	341,634
Capital outlay	1,191,504	-	754,424	1,945,928
Debt service:				
Principal Retirement	236,398	-	-	236,398
Interest	30,049	-	-	30,049
Total expenditures	<u>13,382,488</u>	<u>822,068</u>	<u>1,899,121</u>	<u>16,103,677</u>
Excess (deficiency) of revenues over expenditures	<u>(1,176,417)</u>	<u>556,275</u>	<u>(254,716)</u>	<u>(874,858)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(133,736)	(402)	(134,138)
Transfers In	37,896	-	96,242	134,138
Proceeds from the Sale of Capital Assets	25,283	-	-	25,283
Lease Purchase Obligation Issued	372,823	-	-	372,823
Total other financing sources and uses	<u>436,002</u>	<u>(133,736)</u>	<u>95,840</u>	<u>398,106</u>
Net Change in fund balances	(740,415)	422,539	(158,876)	(476,752)
Fund balances -- beginning	<u>5,451,559</u>	<u>1,247,602</u>	<u>1,008,175</u>	<u>7,707,336</u>
Fund balances -- ending	<u>\$ 4,711,144</u>	<u>\$ 1,670,141</u>	<u>\$ 849,299</u>	<u>\$ 7,230,584</u>

The notes to the basic 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, 2011

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

Net change in fund balances--total governmental funds	\$ (476,752)
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 asset additions exceeded depreciation expense in the current period.	3,302,337
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(35,492)
The issuance of long-term obligations provides current financial resources to government funds, but but issuing debt or entering into lease purchase obligations also increases long-term liabilities in the Statement of Net Assets.	(372,823)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(36,255)
Repayment of principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	274,397
Some expenses (i.e. pollution remediation, compensated absences, etc.) 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>(601,238)</u>
Change in net assets of governmental activities	<u>\$ 2,054,174</u>

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

City of Greenwood, South Carolina
Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2011

	<u>Uptown Greenwood Local Development Corporation Agency Fund</u>	<u>Police Drug Seizure Agency Fund</u>	<u>Totals</u>
ASSETS			
Cash - Unrestricted	\$ 30,062	\$ 15,229	\$ 45,291
Cash - Loan Fund - Restricted	133,837	-	133,837
Accounts Receivable	1,926	-	1,926
Loans Receivable - Restricted	<u>76,444</u>	<u>-</u>	<u>76,444</u>
Total assets	<u><u>242,269</u></u>	<u><u>15,229</u></u>	<u><u>257,498</u></u>
LIABILITIES			
Accounts Payable	9,251	-	9,251
Due to Designated Recipients-Unrestricted	22,737	15,229	37,966
Due to Designated Recipients-Restricted	<u>210,281</u>	<u>-</u>	<u>210,281</u>
Total liabilities	<u><u>\$ 242,269</u></u>	<u><u>\$ 15,229</u></u>	<u><u>\$ 257,498</u></u>

The notes to the basic 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, 2011

NOTE 1 - Summary of Significant Accounting Policies

The City of Greenwood ("City") is a municipal corporation, chartered in 1857, governed by a council-manager form of government. The financial statements of the 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 these financial statements. 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 activities) 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, 2011.

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, grants, 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. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The *Hospitality Tax 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 that is restricted for tourism related expenditures.

The *Court Avenue Streetscape CDBG Fund* is a major fund this year; however, this fund reports a grant that will not be a major fund in future years. Therefore, management has chosen to not report it separately.

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. The Police Drug Seizure fund is used to hold funds seized from persons charged with drug-related crimes until the cases are adjudicated.

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, the principal and interest of which is fully guaranteed by the United States; (2) obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; (3) general obligations of the State of South Carolina or any of its political units; or revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; (4) savings and loan associations to the extent that the same are secured by the Federal Deposit Insurance Corporation; (5) 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; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government; (6) Repurchase agreements when collateralized by securities as set forth in this section; (7) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and 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 Local Government Investment Pool (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.
- Repurchase agreements are a type of transaction in which a participant acquires immediately available funds by selling securities and simultaneously agreeing to repurchase the same or similar securities after a specified time at a given price, which typically includes interest at an agreed-upon rate. Beginning January 1, 2010, the City began investing a portion of its cash in overnight repurchase agreements with a local bank. Under these agreements, the bank sells United States Treasury and Federal Agency securities to the City each night and repurchases these investments the next business day.
- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.

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 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 was one amendment each to the General and Hospitality Tax Fund budgets.
5. Formal budgetary integration is employed as a management control device during the year for the General, Hospitality Tax, Local Accommodations Tax, and Victims Assistance Funds.
6. The budgets for these Funds are adopted on a basis consistent with GAAP.

The remaining 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.

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 do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. The City had no outstanding encumbrances as of December 31, 2011.

G. 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

H. 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 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.

I. 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.

J. Fund Equity

The City implemented GASB #54 "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB #54") in the current year. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City classifies governmental fund balances as follows:

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

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

The City Council has formally adopted a fund balance policy. This policy indicates goals for unassigned fund balance and assigned fund balance. Assignments of fund balance represent tentative management plans that are subject to change. The City's fund balance policy requires a minimum of 10% of budgeted expenditures be available for assignments. Unassigned fund balance indicates that portion of fund balance which is available for appropriation in future periods. The City's fund balance policy requires a minimum of 20% of budgeted expenditures be unassigned.

The City has assigned \$1,175,683 for future capital improvements. The City has also assigned \$112,138 of a refund for insurance premiums for employee recognition and other benefits.

K. 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.

L. 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 represents 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, 2011, taxes receivable was \$2,678,932, net of an allowance for uncollectible taxes of \$289,159. An allowance for uncollectible trade accounts receivable is based on management's estimate of accounts that are uncollectible.

M. 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.

N. 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, 2011, none of the City's bank balances of \$474,346, which had a reported value of \$378,481, was exposed to custodial credit risk as it was uninsured but collateralized with securities held by the depository financial institution's agent but not in the City's name.

Investments

As of December 31, 2011, the City had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5yrs	> 5 yrs
LGIP	NR	\$ 975,523	975,523	-	-	\$ -
Repurchase Agreements	NR	2,554,160	2,554,160	-	-	-
Total		<u>\$ 3,529,683</u>	<u>3,529,683</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

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

NR – Not rated.

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

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

Concentration of Credit Risk - Investments: The City places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. The City invests in overnight repurchase agreements with a local bank. Under these agreements, the bank sells United States Treasury and Federal Agency securities to the City each night and repurchases these investments the next business day.

Custodial Credit Risk – Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of December 31, 2011, \$2,554,160 of the City's security investments were exposed to custodial credit risk as they were uninsured, unregistered and were being held by the counterparty's agent but not in the name of the City.

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 \$707,950 for 2011.

In addition, CPW contributed \$492,050 to the City in 2011 under an agreement reached in 2006. The CPW has agreed to contribute a total of \$1.2 million less the amount of utilities used. For 2011, the CPW also agreed to contribute part of the amount of utilities used by the Federal Building, which houses the Arts Council of Greenwood and the Greenwood Regional Tourism and Visitors Board. This amount was \$16,635. The annual receipt of these funds is contingent on CPW having surplus funds. This determination is made annually.

NOTE 4 - Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-Depreciable:				
Land	\$ 7,437,746	353,544	-	\$ 7,791,290
Intangibles	226,554	-	-	226,554
Construction In Progress	-	91,859	-	91,859
Total Capital Assets, Non-Depreciable	7,664,300	445,403	-	8,109,703
Capital Assets, Depreciable:				
Buildings and Improvements	4,904,377	3,088,846	-	7,993,223
Sanitation System	853,462	27,105	6,118	874,449
Machinery and Equipment	8,321,583	582,800	310,013	8,594,370
Infrastructure	9,509,236	144,260	35,562	9,617,934
Total Capital Assets, Depreciable	23,588,658	3,843,011	351,693	27,079,976
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,995,372	167,768	-	2,163,140
Sanitation System	509,212	44,889	5,533	548,568
Machinery and Equipment	5,062,103	457,159	275,106	5,244,156
Infrastructure	4,714,301	316,261	35,562	4,995,000
Total Accumulated Depreciation	12,280,988	986,077	316,201	12,950,864
Total Capital Assets, Depreciable, Net	11,307,670	2,856,934	35,492	14,129,112
Capital Assets, Net	\$ 18,971,970	3,302,337	35,492	\$ 22,238,815

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

Functions/Programs	Depreciation Expense
General Government	\$ 154,641
Court	1,002
Police	159,418
Fire	123,234
Building Inspection	6,693
Public Works	388,369
Sanitation	144,161
Economic Development	8,559
Total	\$ 986,077

The City also entered into a contract with AOS Specialty Contractors in the amount of \$481,002 for services to construct decorative pedestrian crosswalks, bury utilities underground, and other improvements along Court Avenue. This contract will be paid with Community Development Block Grant funds and Hospitality Taxes. The remaining commitment on this contract (including retainage) was \$253,094 at December 31, 2011.

NOTE 5 – Interfund receivables, payables, and transfers

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund	\$ 173,308	\$ -
Hospitality Tax Fund	10,883	107,737
Special Revenue Funds:		
CDBG-85L02	-	12,603
CDBG-4L02014	-	19
CDBG-4W10004	26,140	-
Local Accomodations Tax	-	11,347
Police Forfeiture	-	23
Victims' Assistance	-	5,240
SCDPS LEN Grant	-	4,264
RIF II - Long Alley	12,563	76,780
SC DOT TEA-21 Grant with County	-	4,881
Totals	\$ 222,894	\$ 222,894

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, 2011, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 37,896	\$ -
Hospitality Tax Fund	-	133,736
Special Revenue Funds:		
CDBG - 410W004	64,738	-
CDBG - 4A10005	-	402
SC DOT TEA-21 Grant with County	31,504	-
Totals	\$ 134,138	\$ 134,138

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.

The transfers from the Hospitality Tax Fund to the CDBG 410W004 and the SC DOT TEA-21 Grant were made to match and support grants received from state agencies. The transfer to the General Fund from the Hospitality Tax Fund was made to reimburse for tourist events supported with fire, police and public works personnel. The transfer between CDBG 4A10005 and 410W004 was to transfer cash on hand to the active grant.

NOTE 6 - Long-Term Obligations

The City issues Lease Purchase (“LP”) obligations for the acquisition of equipment and vehicles. LP obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are not pledged for the payment of LP obligations nor the interest thereon.

Details on the City’s outstanding lease purchase obligations as of December 31, 2011 are as follows:

	Balance at December 31, 2011
<i>Lease Purchase Obligations</i>	
\$780,000 lease purchase agreement was entered into in March 2007 (“LP – 03/07”), with 7 annual payments (including interest) of \$130,052 beginning March 27, 2008 through March 27, 2014 which includes interest at 4.020%. The proceeds from this lease purchase obligation were used to purchase a platform fire truck.	\$ 360,768
\$385,000 lease purchase agreement was entered into in March 2010 (“LP – 03/10”), with 5 annual payments (including interest) of \$83,903 beginning March 1, 2011 through March 1, 2015 which includes interest at 2.960%. The proceeds from this lease purchase obligation were used to purchase a sanitation truck, leaf loader, two Tahoes, Polaris ATV, tractor, dump truck, and Dell Server.	312,176
\$372,823 lease purchase agreement was entered into in February 2011 (“LP – 02/11”), with 5 annual payments (including interest) of \$80,181 beginning March 15, 2012 through March 15, 2016 which includes interest at 2.410%. The proceeds from this lease purchase obligation were used to purchase a sanitation truck, a first responder truck, and six police cars.	\$ 372,823

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. The total outstanding on these non-interest bearing agreements was \$807,620 at December 31, 2011, which includes \$31,428 that management estimates will be paid in 2012.

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 \$510,698 at December 31, 2011, which includes \$26,300 that management estimates will be paid in 2012.

The City has received property through the Greenwood County delinquent tax sale for unpaid property taxes. After no buyer was willing to pay the minimum bid, the City requested that the County of Greenwood forfeit the property to the City. The City is aware that a textile mill was formally operated on this property lending itself to a variety of possible environmental concerns. The City entered into a Voluntary Cleanup Contract with the South Carolina Department of Health and Environmental Control (“DHEC”) in September 2011 to remove the potential contaminants. At this time, the City believes that it has a potential liability of \$586,319 for debris removal and associated administrative and engineering costs. These estimates are based on information provided by an organization that is familiar with this type of project. The City has applied for a Community Development Block Grant which was awarded in early 2012 to pay for \$500,000 of these costs. The City has also submitted a Brownfields Application to the Federal Environmental Protection Agency to assist with any additional costs associated with this property. Any other liabilities will be paid with Community Development funds that are currently on-hand.

The following is a summary of changes in the City's long-term obligations for the year ended December 31, 2011:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease Purchases:					
LP – 03/07	\$ 471,851	-	111,083	360,768	\$ 115,549
LP – 03/10	385,000	-	72,824	312,176	74,663
LP – 02/11	-	372,823	-	372,823	70,531
Total Lease Purchases	<u>856,851</u>	<u>372,823</u>	<u>183,907</u>	<u>1,045,767</u>	<u>260,743</u>
Compensated Absences	659,736	371,152	397,170	633,718	380,231
CPW Agreement	531,567	-	20,869	510,698	26,300
Infrastructure Reimbursement Agreements	839,242	-	31,622	807,620	31,428
Pollution Remediation Obligation - Kitson Mill	-	624,318	37,999	586,319	586,319
Total	<u>\$ 2,887,396</u>	<u>1,368,293</u>	<u>671,567</u>	<u>3,584,122</u>	<u>\$ 1,285,021</u>

The General Fund has been used to liquidate long-term liabilities in prior years and will be used to liquidate all liabilities other than those for Pollution Remediation at Kitson Mill, as noted earlier.

Presented below is a summary of debt service requirements to maturity by year for the City's lease purchase obligations as of December 31, 2011.

Year Ending December 31,	Lease Purchase		Total
	Principal	Interest	
<u>Governmental Activities:</u>			
2012	\$ 260,743	33,393	\$ 294,136
2013	269,962	24,174	294,136
2014	278,826	15,310	294,136
2015	157,942	6,141	164,083
2016	78,294	1,887	80,181
Totals	<u>\$ 1,045,767</u>	<u>80,905</u>	<u>\$ 1,126,672</u>

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of December 31, 2011, the City had no bonded debt subject to the 8% limit of \$3,298,768 resulting in an unused legal debt margin of \$3,298,768.

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 9.535% 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, 2011, 2010 and 2009 were \$414,141, \$408,948, and \$427,290, 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 11.763% 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, 2011, 2010, and 2009 were \$239,754, \$228,182, and \$231,779, 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.

NOTE 8 – Commitments and Contingencies

Subject to annual appropriation, the City has agreed to contribute \$300,000 annually for five years beginning in 2009 through 2013 to Lander University for funding its Recreational and Wellness Center, using Hospitality Tax Funds. The funds are subject to annual appropriation from the Hospitality Tax Fund.

During 2009, the City was made aware of a possible liability related to an old dump site owned by the City. To the City's knowledge, this site was mainly used to dump old asphalt, concrete, leaves, limbs, etc. DHEC obtained samples to determine any environmental risks or exposure. The City entered into a Voluntary Cleanup Contract with DHEC to remove the potential contaminants. During 2010 and 2011, the City expended \$114,582 to remediate any potential problems at this site. Based on conclusions by DHEC, the City does not plan to spend any further resources at this site and believes any risk of liability has been mitigated.

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.

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. Beginning in 2008, the city entered into an agreement with SCMIT to have a \$10,000 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.

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

NOTE 10 – Related Party Transaction

The City routinely awards State Accommodations Tax allocations to the Greenwood Arts Council ("GAC") for specific tourist related projects. Council Member Nicoletta Hutto is serving as a consultant to the GAC. During 2011, the City awarded \$2,500 in State Accommodations Tax funds to the GAC. Additionally, the City awarded \$20,220 in Hospitality Tax Funds to the GAC.

NOTE 11 – Other Postemployment Benefits Healthcare Plan

A. Plan Description

The City sponsors a single-employer defined benefit postemployment healthcare plan (the “OPEB Plan”) that provides medical benefits to eligible retired City employees. These benefits are established by the governing body of the City through an ordinance that may be amended at any time by council. City employees who retired after December 31, 1999 and before December 31, 2008 and 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. 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 and is listed below. The City covers 0% of the monthly premium and 100% of the implicit subsidy for spouses of participants.

For retirees that retired after December 31, 2008, the OPEB Plan includes medical benefits for retirees and spouses. The City pays the premium for participants based on the schedule below.

- Group I includes retirees with at least 25 years of City service under PORS or 28 years of City service under SCRS. The City pays 100% of the monthly premium and implicit subsidy prior to age 65. The City pays no more than \$570 for retirees who retired after December 31, 2008.
- Group II includes retirees with at least 20 (but no more than 25) years of City service under PORS or 23 (but no more than 28) years of City service under SCRS. The City pays 75% of the monthly premium and implicit subsidy prior to age 65. The City pays no more than \$427.50 for retirees who retired after December 31, 2008.
- Group III includes retirees with at least 15 (but no more than 20) years of City service under PORS or 18 (but no more than 23) years of City service under SCRS. The City pays 50% of the monthly premium and implicit subsidy prior to age 65. The City pays no more than \$285 for retirees who retired after December 31, 2008.

No benefits are provided after age 65. Spouses of participants who retire after December 31, 2008 must pay 100% of the premium and implicit subsidy.

As of July 1, 2011, the measurement date, there were 195 covered participants; 14 members are retirees and spouses receiving benefits and 181 are active participants.

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

B. Funding Policy

The plan includes medical benefits for retirees and their spouses. The calendar year 2011 premium rate is \$375.82 for retiree coverage and an additional \$403.76 for spouses. The calendar year 2011 premium rate for the Medicare Supplemental option is \$375.82 for retirees and \$403.76 for their spouses. Retirees and spouses must pay the full premium rate and implicit subsidy rate. Coverage can continue for the life of the retiree and for the life of the surviving spouse after the death of the retiree. Dental coverage is also available. The retiree must pay the full premium for this coverage.

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

C. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve the estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

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

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

Actuarial Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Pay, Open
Amortization Period:	30 Years, Open
Actuarial Assumptions:	
Investment Rate of Return:	6.5% annual return net of both administrative and investment related expenses
Health Cost Trend:	10.5% to 5.0%
Payroll Growth	3% per year
Coverage Elections:	90% of eligible retirees will elect coverage
Active Participant Marriage Assumption	Not applicable, as spouses of participants who retire after 12/31/08 must pay 100% of the cost, including the implicit subsidy
Mortality Table:	UP-94
Implicit Subsidy:	Total cost of coverage for pre-65 retirees is 50% higher than the average premium rate to account for implicitly subsidized costs

The asset valuation method used initially is market value. The SC ORBET trust's actuarial consultants intend to use a smoothing method over a 5 year period with the assumed investment rate of return. The OPEB Plan's UAAL is being amortized as a level percentage of projected payrolls on an open basis.

D. Annual OPEB Costs and Roll forward of Net OPEB Obligations

For 2011, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2011) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ 0
2.	One Year's Interest on the Net OPEB Obligation	0
3.	ARC (Normal Cost Plus Any Amortization Payments)	114,000
4.	Adjustment to Annual Required Contribution	0
5.	Annual OPEB Cost: (2)+(3)+(4)	114,000
6.	Contributions Made for the Plan Year	114,000
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	0
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ 0</u>

Schedule of Employer Contributions

Contributions for 2011 include \$34,051 paid by the City to the Plan to prefund benefits and \$79,949 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) were as follows:

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
December 31, 2009	\$ 107,000	107,000	100.00%	\$ -
December 31, 2010	\$ 110,000	110,000	100.00%	\$ -
December 31, 2011	\$ 114,000	114,000	100.00%	\$ -

Schedule of Funding Progress

This schedule will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	1,359,000	1,359,000	0.00%	\$ 5,953,000	22.83%
July 1, 2011	\$ 105,433	1,421,748	1,316,315	7.42%	\$ 6,227,187	21.14%

Note 12 – Deficit Fund Balance

The Community Development Block Grant Fund (4W10004) had a deficit balance of \$24,921 at December 31, 2011. Management intends to make up the deficit in this fund balance through future grant revenues.

Note 13 – Subsequent Events

On January 23, 2012, the City Council approved a resolution to obtain a new lease purchase for \$324,183. The proceeds will be used to fund the purchase of 6 Police Crown Victorias, a Knuckle Boom Loader and Mower for the Public Works department, 8 Self Contained Breathing Apparatus and a Radio Repeater for the Fire department. The proceeds and related expenditures were included in the 2012 budget.

On January 23, 2012, the City Council approved a resolution to accept a \$500,000 Community Enrichment Grant from the CDBG program. This grant will be used to clear debris from the Greenwood Mill site located on Kitson Street. This grant requires a 10% match that will be provided out of the Community Development Fund.

In January 2012, the City accepted public property from Greenwood School District 50, which includes two buildings, to be used for City storage space. Improvements to the building will be paid by Hospitality Tax funds.

On February 13, 2012, the City Council approved a resolution to authorize the Mayor to sign an agreement with Self Regional Healthcare, Wesley Commons, and Carolina Health Centers. Under the terms of this agreement, the City will receive contributions by these non-profit entities that total \$1,000,000 over the next five years beginning in 2012 (\$250,000; \$225,000; \$200,000; \$175,000; \$150,000, respectively).

On March 19, 2012, the City Council approved an ordinance that amends the current OPEB plan in order to reduce the ARC. The new plan eliminates the 50% and 75% tiers for anyone that retires after December 31, 2011. Based on these revisions, the City’s Unfunded Actuarial Accrued Liability would be reduced by \$260,351 the total ARC would be reduced by \$30,889.

City of Greenwood, South Carolina
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,005,118	\$ 5,005,118	\$ 4,906,652	\$ (98,466)
Licenses	3,055,000	3,055,000	2,976,051	(78,949)
Intergovernmental	1,486,762	1,633,773	1,668,098	34,325
Fines and Forfeits	305,000	305,000	286,246	(18,754)
Charges For Services	1,126,202	1,126,202	1,140,930	14,728
Commission of Public Works Contribution	1,216,000	1,216,000	1,216,635	635
Interest	12,000	12,000	11,459	(541)
Total revenues	<u>12,206,082</u>	<u>12,353,093</u>	<u>12,206,071</u>	<u>(147,022)</u>
EXPENDITURES				
Current:				
General Government	1,202,065	1,199,398	1,126,975	72,423
Court	292,621	293,888	289,328	4,560
Police	3,635,430	3,641,896	3,523,998	117,898
Fire	2,677,009	2,690,009	2,662,492	27,517
Building Inspection	357,441	357,441	350,231	7,210
Public Works	1,647,228	1,647,228	1,765,654	(118,426)
Sanitation	1,081,243	1,081,243	1,131,255	(50,012)
Non-Departmental	1,159,504	1,159,504	1,074,604	84,900
Capital Outlay:	713,883	1,239,817	1,191,504	48,313
Debt service:				
Principal Retirement	238,014	238,014	236,398	1,616
Interest	30,238	30,238	30,049	189
Total debt service	<u>268,252</u>	<u>268,252</u>	<u>266,447</u>	<u>1,805</u>
Total expenditures	<u>13,034,676</u>	<u>13,578,676</u>	<u>13,382,488</u>	<u>196,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(828,594)</u>	<u>(1,225,583)</u>	<u>(1,176,417)</u>	<u>49,166</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	24,000	24,000	25,283	1,283
Lease Purchase Obligation Issued	418,966	418,966	372,823	(46,143)
Transfers In	25,000	25,000	37,896	12,896
Total other financing sources and uses	<u>467,966</u>	<u>467,966</u>	<u>436,002</u>	<u>(31,964)</u>
Net change in fund balance	<u>(360,628)</u>	<u>(757,617)</u>	<u>(740,415)</u>	<u>17,202</u>
Fund balance -- beginning	5,451,559	5,451,559	5,451,559	-
Fund balance -- ending	<u>\$ 5,090,931</u>	<u>\$ 4,693,942</u>	<u>\$ 4,711,144</u>	<u>\$ 17,202</u>

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

City of Greenwood, South Carolina
Required Supplementary Information
Hospitality Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,360,663	\$ 60,663
Contributions and Donations	11,500	11,500	13,500	2,000
Charges For Services	2,900	2,900	2,795	(105)
Interest	2,500	2,500	1,385	(1,115)
Total revenues	<u>1,316,900</u>	<u>1,316,900</u>	<u>1,378,343</u>	<u>61,443</u>
EXPENDITURES				
Current:				
Economic Development	857,550	962,550	822,068	140,482
Total expenditures	<u>857,550</u>	<u>962,550</u>	<u>822,068</u>	<u>140,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>459,350</u>	<u>354,350</u>	<u>556,275</u>	<u>201,925</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(175,000)	(175,000)	(133,736)	41,264
Total other financing sources and uses	<u>(175,000)</u>	<u>(175,000)</u>	<u>(133,736)</u>	<u>41,264</u>
Net change in fund balance	284,350	179,350	422,539	243,189
Fund balance -- beginning	1,247,602	1,247,602	1,247,602	-
Fund balance -- ending	<u>\$ 1,531,952</u>	<u>\$ 1,426,952</u>	<u>\$ 1,670,141</u>	<u>\$ 243,189</u>

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

City of Greenwood, South Carolina

**Required Supplementary Information
Other Postemployment Benefits Healthcare Plan
Schedules of Employer Contributions and Funding Progress
For the Year Ended December 31, 2011**

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending	Annual Required Contribution	Annual Contributed	Percentage Funded
December 31, 2009	\$ 107,000	\$ 107,000	100.00%
December 31, 2010	\$ 110,000	\$ 110,000	100.00%
December 31, 2011	\$ 114,000	\$ 114,000	100.00%

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) Aggregate* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage Of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 1,359,000	\$ 1,359,000	0.00%	\$ 5,953,000	22.83%
July 1, 2011	\$ 105,433	\$ 1,421,748	\$ 1,316,315	7.42%	\$ 6,227,187	21.14%

City of Greenwood, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
December 31, 2011

	Community Development Block Grants				
	85L02	3L87005	3L89013	4L02014	4CI11012
ASSETS					
Restricted Cash and Investments	\$ 201,482	\$ 82,772	\$ 7,189	\$ 11,479	\$ 5,000
Accounts Receivable	25	-	-	-	-
Mortgages Receivable	84,609	-	792	-	-
Due From Other Funds	-	-	-	-	-
Due From Other Governments	-	-	-	-	-
Total assets	<u>286,116</u>	<u>82,772</u>	<u>7,981</u>	<u>11,479</u>	<u>5,000</u>
LIABILITIES					
Accounts Payable	-	-	-	-	-
Retianage Payable	-	-	-	-	-
Deferred Revenue	1,968	-	792	-	5,000
Due to Other Funds	12,603	-	-	19	-
Due to Other Governments	-	-	-	-	-
Total liabilities	<u>14,571</u>	<u>-</u>	<u>792</u>	<u>19</u>	<u>5,000</u>
FUND BALANCE					
Restricted	<u>271,545</u>	<u>82,772</u>	<u>7,189</u>	<u>11,460</u>	<u>-</u>
Total fund balance	<u>271,545</u>	<u>82,772</u>	<u>7,189</u>	<u>11,460</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 286,116</u>	<u>\$ 82,772</u>	<u>\$ 7,981</u>	<u>\$ 11,479</u>	<u>\$ 5,000</u>

(Continued)

City of Greenwood, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
December 31, 2011

	Community Development Block Grant					
	4A10005	4W10004	Victims Assistance	SCDPS LEN Grant	Police Forfeiture Fund	JAG Grants
ASSETS						
Restricted Cash and Investments	\$ -	\$ 5,402	\$ 12,779	\$ -	\$ 14,052	\$ 10,457
Accounts Receivable	-	-	-	-	-	-
Mortgages Receivable	-	-	-	-	-	-
Due From Other Funds	-	26,140	-	-	-	-
Due From Other Governments	-	207,931	-	4,264	-	-
Total assets	<u>-</u>	<u>239,473</u>	<u>12,779</u>	<u>4,264</u>	<u>14,052</u>	<u>10,457</u>
LIABILITIES						
Accounts Payable	-	234,071	-	-	-	-
Retainage Payable	-	25,323	-	-	-	-
Deferred Revenue	-	5,000	-	-	-	10,457
Due to Other Funds	-	-	5,240	4,264	23	-
Due to Other Governments	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>264,394</u>	<u>5,240</u>	<u>4,264</u>	<u>23</u>	<u>10,457</u>
FUND BALANCE						
Restricted	<u>-</u>	<u>(24,921)</u>	<u>7,539</u>	<u>-</u>	<u>14,029</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>(24,921)</u>	<u>7,539</u>	<u>-</u>	<u>14,029</u>	<u>-</u>
Total liabilities and fund balances	<u>-</u>	<u>\$ 239,473</u>	<u>\$ 12,779</u>	<u>\$ 4,264</u>	<u>\$ 14,052</u>	<u>\$ 10,457</u>

(Continued)

City of Greenwood, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
December 31, 2011

	Local Accommodations Tax Fund	SCDOT TEA-21 Grant with County	Fireman's Fund	RIF II - Long Alley	Augusta Fields - SRF	Total Nonmajor Governmental Funds
ASSETS						
Restricted Cash and Investments	\$ 491,629	\$ -	\$ 3,329	\$ -	\$ -	\$ 845,570
Accounts Receivable	453	-	-	3,641	-	4,119
Mortgages Receivable	-	-	-	-	-	85,401
Due From Other Funds	-	-	-	12,563	-	38,703
Due From Other Governments	-	4,881	-	76,733	66,462	360,271
Total assets	<u>492,082</u>	<u>4,881</u>	<u>3,329</u>	<u>92,937</u>	<u>66,462</u>	<u>1,334,064</u>
LIABILITIES						
Accounts Payable	-	-	-	-	-	234,071
Retainage Payable	-	-	-	-	-	25,323
Deferred Revenue	-	-	-	16,157	-	39,374
Due to Other Funds	11,347	4,881	-	76,780	-	115,157
Due to Other Governments	4,378	-	-	-	66,462	70,840
Total liabilities	<u>15,725</u>	<u>4,881</u>	<u>-</u>	<u>92,937</u>	<u>66,462</u>	<u>484,765</u>
FUND BALANCE						
Restricted	<u>476,357</u>	<u>-</u>	<u>3,329</u>	<u>-</u>	<u>-</u>	<u>849,299</u>
Total fund balance	<u>476,357</u>	<u>-</u>	<u>3,329</u>	<u>-</u>	<u>-</u>	<u>849,299</u>
Total liabilities and fund balances	<u>\$ 492,082</u>	<u>\$ 4,881</u>	<u>\$ 3,329</u>	<u>\$ 92,937</u>	<u>\$ 66,462</u>	<u>\$ 1,334,064</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, 2011

Community Development Block Grants

	85L02	3L87005	3L89013	4L02014	4CI11012
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-
Contributions and Donations	-	282	-	14,994	-
Charges for Services	-	-	-	-	-
Interest	3,839	55	57	3	-
Mortgage Collections	-	-	2,247	-	-
Total revenues	<u>3,839</u>	<u>337</u>	<u>2,304</u>	<u>14,997</u>	<u>-</u>
EXPENDITURES					
Economic Development	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public Works	-	-	-	-	-
Community Development	7,368	-	5	36,144	-
Total expenditures	<u>7,368</u>	<u>-</u>	<u>5</u>	<u>36,144</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,529)</u>	<u>337</u>	<u>2,299</u>	<u>(21,147)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	-
Transfers In	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,529)	337	2,299	(21,147)	-
Fund balances -- beginning	275,074	82,435	4,890	32,607	-
Fund balances -- ending	<u>\$ 271,545</u>	<u>\$ 82,772</u>	<u>\$ 7,189</u>	<u>\$ 11,460</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, 2011

	Community Development Block Grants					
	4A10005	4W10004	Victims Assistance	SCDPS LEN Grant	Police Forfeiture Fund	JAG Grants
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	290,815	209,069	-	26,274	-	-
Fines and Forfeits	-	-	44,388	-	20,738	-
Charges for Services	-	-	-	-	-	-
Contributions and Donations	-	-	-	-	-	-
Interest	-	-	5	-	67	-
Mortgage Collections	-	-	-	-	-	-
Total revenues	<u>290,815</u>	<u>209,069</u>	<u>44,393</u>	<u>26,274</u>	<u>20,805</u>	<u>-</u>
EXPENDITURES						
Economic Development	-	-	-	-	-	-
Police	-	-	78,821	26,274	29,155	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	290,815	298,728	-	-	-	-
Total expenditures	<u>290,815</u>	<u>298,728</u>	<u>78,821</u>	<u>26,274</u>	<u>29,155</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(89,659)</u>	<u>(34,428)</u>	<u>-</u>	<u>(8,350)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers Out	(402)	-	-	-	-	-
Transfers In	-	64,738	-	-	-	-
Total other financing sources and uses	<u>(402)</u>	<u>64,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(402)	(24,921)	(34,428)	-	(8,350)	-
Fund balances -- beginning	402	-	41,967	-	22,379	-
Fund balances -- ending	<u>\$ -</u>	<u>\$ (24,921)</u>	<u>\$ 7,539</u>	<u>\$ -</u>	<u>\$ 14,029</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, 2011

	Local Accommodations Tax Fund	SCDOT TEA-21 Grant with County	Fireman's Fund	RIF II - Long Alley	Augusta Fields - SRF	Total Nonmajor Governmental Funds
REVENUES						
Taxes	\$ 216,703	\$ -	\$ -	\$ -	\$ -	\$ 216,703
Intergovernmental	39,832	118,065	33,948	192,590	359,499	1,270,092
Fines and Forfeits	-	-	-	-	-	65,126
Contributions and Donations	17,036	-	-	52,761	-	85,073
Charges for Services	578	-	-	-	-	578
Interest	559	-	1	-	-	4,586
Mortgage Collections	-	-	-	-	-	2,247
Total revenues	<u>274,708</u>	<u>118,065</u>	<u>33,949</u>	<u>245,351</u>	<u>359,499</u>	<u>1,644,405</u>
EXPENDITURES						
Economic Development	343,769	-	-	245,351	-	589,120
Police	-	-	-	-	-	134,250
Fire	-	-	33,623	-	-	33,623
Public Works	-	149,569	-	-	-	149,569
Community Development	-	-	-	-	359,499	992,559
Total expenditures	<u>343,769</u>	<u>149,569</u>	<u>33,623</u>	<u>245,351</u>	<u>359,499</u>	<u>1,899,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,061)</u>	<u>(31,504)</u>	<u>326</u>	<u>-</u>	<u>-</u>	<u>(254,716)</u>
OTHER FINANCING SOURCES (USES)						
Transfers Out	-	-	-	-	-	(402)
Transfers In	-	31,504	-	-	-	96,242
Total other financing sources and uses	<u>-</u>	<u>31,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,840</u>
Net change in fund balances	(69,061)	-	326	-	-	(158,876)
Fund balances -- beginning	545,418	-	3,003	-	-	1,008,175
Fund balances -- ending	<u>\$ 476,357</u>	<u>\$ -</u>	<u>\$ 3,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,299</u>

City of Greenwood, South Carolina
Schedule of Municipal Court Fines, Assessments, and Surcharges
For the Year Ended December 31, 2011

	<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	\$ 245,992	\$ 245,992	\$ -	\$ -
Assessments	255,401	27,218	228,183	27,218
Surcharges	139,254	17,170	122,084	17,170
				<u>\$ 44,388</u>
Expenditures:				
Personnel				\$ 70,411
Operating				8,411
				<u>78,822</u>
Total Expenditures				<u>\$ 78,822</u>
Beginning Balance Forward				\$ 41,967
Total Revenues				44,388
Interest Earned				6
Total Expenditures				<u>(78,822)</u>
Balance Carried Forward to 2012				<u>\$ 7,539</u>

PART II
COMPLIANCE SECTION

CITY OF GREENWOOD, SOUTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursement Expenditures</u>
<u>U. S. Department of Energy</u>			
Passed through SC Energy Office ARRA - Energy Efficiency and Conservation Block Grant	81.128	EUS-03	\$ 147,011
<u>U. S. Department of Housing and Urban Development</u>			
Passed through SC Department of Commerce: Community Development Block Grant Waterline Upgrade III	14.228	4A10005	290,815
Court Avenue Streetscape	14.228	4W10004	299,130
			<u>589,945</u>
<u>U.S. Department of Justice</u>			
Direct:			
Bulletproof Vest Partnership	16.607	N/A	1,324
ARRA - Community Oriented Policing Services (COPS)	16.710	2010-UM-WX-0280	17,209
			<u>18,533</u>
<u>U. S. Department of Transportation</u>			
Passed through SC Department of Public Safety, Office of Highway Safety			
Law Enforcement Network	20.600	2JC10008	26,274
<u>U. S. Environmental Protection Agency</u>			
Passed through SC Budget and Control Board, Office of Local Government, State Revolving Fund			
Augusta Fields Subdivision Water System Replacement	66.468	FS-98431210-0	359,499
			<u>\$ 1,141,262</u>

CITY OF GREENWOOD, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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.

D – Subrecipients

Of the federal expenditures presented in the accompanying schedule, the City provided \$589,945 to subrecipients from the Community Development Block Grant program and \$359,499 to subrecipients from the Augusta Fields Subdivision Water System Replacement EPA grant.

**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, 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
April 12, 2012

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

Mayor and City Council
City of Greenwood, South Carolina

Compliance

We have audited the City of Greenwood, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

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

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
April 12, 2012

CITY OF GREENWOOD, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011

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
--	-----------	-------------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Augusta Fields Subdivision Water System Replacement
81.128	ARRA - Energy Efficiency and Conservation Block Grant

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

Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ 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