

CITY OF SENECA
FINANCIAL REPORT
JUNE 30, 2010

City of Seneca
Financial Report
Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the City of Seneca, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Seneca's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the City of Seneca, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*In accordance with **Government Auditing Standards**, we have also issued our report dated January 26, 2011 on our consideration of the City of Seneca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe*

*the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and important for assessing the results of our audit.*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – xiii 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 a 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 of Seneca's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents and other required information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget's Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the financial statements of the City of Seneca. The combining and individual nonmajor fund financial statements and schedules, the victim services supplementary schedule of fines and assessments, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain*

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina

January 26, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Seneca
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

As management of the City of Seneca we offer readers of the City of Seneca's financial statements this narrative overview and analysis of the financial activities of the City of Seneca for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements, additional information furnished in the notes to the financial statements and the supplementary statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Seneca exceeded its liabilities at the close of the most recent fiscal year by \$52,174,437 (net assets). Of the amount, \$7,605,629 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,883,149 during the fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,592,920 or 27.7% of the total general fund expenditures.
- On July 1, 2005 the City issued \$12,500,000 of revenue bonds to fund capital acquisition and expansion of their utility systems infrastructures. During the current year the city repaid \$485,000, the outstanding balance is \$10,200,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Seneca that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Seneca include general government, public safety, street, sanitation, economic development and recreation. The business-type activities of the City of Seneca include Seneca Light and Water plant which handles electric distribution, sewer collection, water collections, processing and distribution.

The government-wide financial statements include the City of Seneca’s governmental activities and business-type activities.

The government-wide financial statements can be found on pages 3-4 of this financial statement.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Seneca uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City of Seneca can be divided into three categories: governmental funds, proprietary 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 balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

While 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 statement. By doing so, readers may better understand the long-term impact of the government’s near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Seneca maintains two individual governmental funds - a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund, and special revenue fund; the general fund is considered to be a major fund.

The City of Seneca adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. There were no budget amendments during the current period.

The basic governmental funds financial statements can be found on pages 5-7 of this report.

Proprietary funds

The City of Seneca maintains one proprietary fund. A proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Seneca uses an enterprise fund to account for the Seneca Light and Water Plant.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Seneca Light and Water Plant which is considered to be a major fund of the City of Seneca.

The basic proprietary fund financial statements can be found on pages 12-17 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Seneca's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

Supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Victim Services. Required supplementary information can be found on page 57 of this report.

Governmental-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Seneca, assets exceeded liabilities by \$52,174,437 at the close of the most recent fiscal year.

By far the largest portion of the City of Seneca's net assets (83.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Seneca uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>
Current and Other Assets	\$3,276,611	\$3,887,605	\$13,101,752	\$12,341,071	\$16,378,363	\$16,228,676
Net Capital Assets	<u>13,162,918</u>	<u>11,659,546</u>	<u>39,529,011</u>	<u>38,274,324</u>	<u>52,691,929</u>	<u>49,933,870</u>
Total Assets	\$16,439,529	\$15,547,151	\$52,630,763	\$50,615,395	\$69,070,292	\$66,162,546
Long-term Debt Outstanding	\$509,166	\$597,239	\$11,508,533	\$12,156,965	\$12,017,699	\$12,754,204
Other Liabilities	<u>938,227</u>	<u>1,431,988</u>	<u>3,939,929</u>	<u>4,685,066</u>	<u>4,878,156</u>	<u>6,117,054</u>
Total Liabilities	\$1,447,393	\$2,029,227	\$15,448,462	\$16,842,031	\$16,895,855	\$18,871,258
Net Assets						
Investment in Capital Assets, net of related debt	\$12,527,325	\$10,935,880	\$27,441,549	\$25,632,360	\$39,968,874	\$36,568,240
Restricted	-	-	4,599,934	4,452,827	4,599,934	4,452,827
Unrestricted	<u>2,464,811</u>	<u>2,582,044</u>	<u>5,140,818</u>	<u>3,688,177</u>	<u>7,605,629</u>	<u>6,270,221</u>
Total Net Assets	<u>\$14,992,136</u>	<u>\$13,517,924</u>	<u>\$37,182,301</u>	<u>\$33,773,364</u>	<u>\$52,174,437</u>	<u>\$47,291,288</u>

At the end of the current fiscal year, the City of Seneca is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

Governmental activities

During the current fiscal year, the City of Seneca's governmental fund's net assets increased by \$1,474,212. Key factor in this growth is as follows:

- Capital grants and contributions increased by \$1,364,687 from last year.

The table below summarizes the changes in net assets for fiscal year 2010

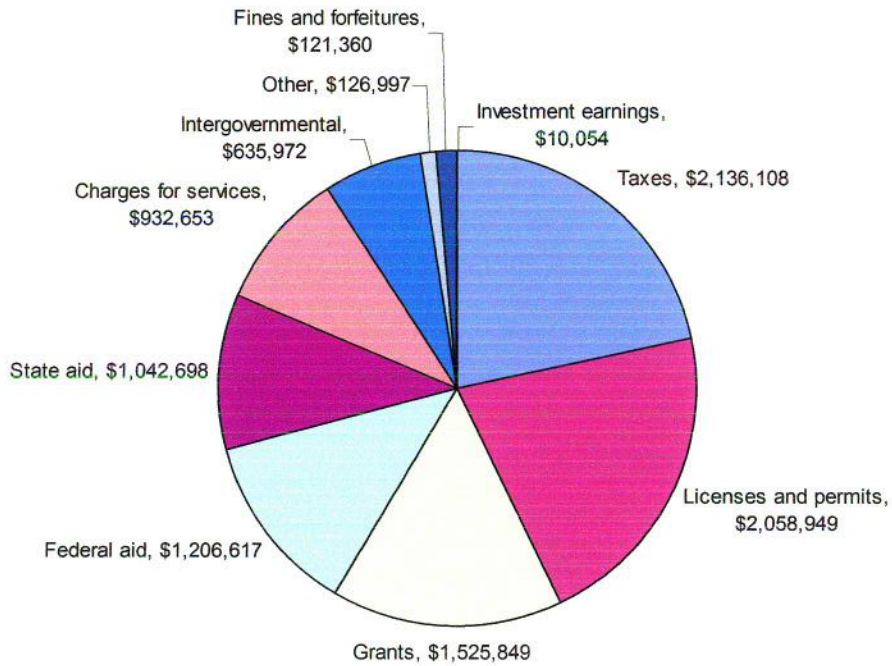
Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>
REVENUES:						
Program Revenues:						
Charges for sales and services	\$932,653	\$969,693	\$24,971,972	\$24,444,230	\$25,904,625	\$25,413,923
General revenues:						
Property taxes	1,730,356	2,164,443			1,730,356	2,164,443
Hospitality/Accommodation Tax	405,752				405,752	
Other revenues	2,058,949	2,257,199			2,058,949	2,257,199
Restricted grants	2,016,489	1,340,936	1,665,491	1,858,318	3,681,980	3,199,254
Grants and contributions not restricted to specific programs	2,394,647	1,082,269			2,394,647	1,082,269
Other/Interest/Fines	<u>258,411</u>	<u>225,020</u>	<u>128,639</u>	<u>194,156</u>	<u>387,050</u>	<u>419,176</u>
Total revenues	\$9,797,257	\$8,039,560	\$26,766,102	\$26,496,704	\$36,563,359	\$34,536,264
EXPENSES:						
General government	1,984,782	2,085,166			1,984,782	2,085,166
Public safety	4,774,156	4,827,883			4,774,156	4,827,883
Public Works	1,885,466	1,953,256			1,885,466	1,953,256
Culture and recreation	953,188	899,313			953,188	899,313
Other	1,215,992	1,236,863	1,490,882	1,329,399	2,706,874	2,566,262
Administration			2,487,410	2,503,086	2,487,410	2,503,086
Electric			12,119,170	13,058,156	12,119,170	13,058,156
Water			2,083,208	2,590,178	2,083,208	2,590,178
Sewer			2,169,000	2,309,284	2,169,000	2,309,284
Interest on Long Term debt			516,956		516,956	
Total expenses	<u>10,813,584</u>	<u>11,002,481</u>	<u>20,866,626</u>	<u>21,790,103</u>	<u>31,680,210</u>	<u>32,792,584</u>
Increase in net assets before transfers	<u>(1,016,327)</u>	<u>(2,962,921)</u>	<u>5,899,476</u>	<u>4,706,601</u>	<u>4,883,149</u>	<u>1,743,680</u>
Transfer	<u>2,490,539</u>	<u>3,285,478</u>	<u>(2,490,539)</u>	<u>(3,285,478)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>1,474,212</u>	<u>322,557</u>	<u>3,408,937</u>	<u>1,421,123</u>	<u>4,883,149</u>	<u>1,743,680</u>
Total net assets	<u>\$14,992,136</u>	<u>\$13,517,924</u>	<u>\$37,182,301</u>	<u>\$33,773,364</u>	<u>\$52,174,437</u>	<u>\$47,291,288</u>

GOVERNMENTAL ACTIVITIES

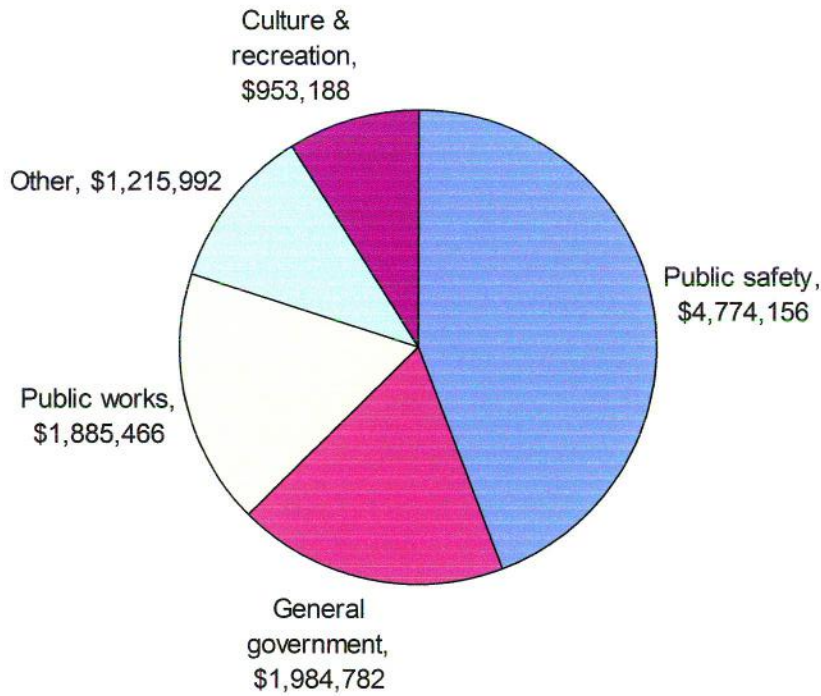
A chart is provided below which depicts the amount of revenue derived from property taxes, grants and contributions, business license and permit fees.

Revenue by Source



The figure below represents the expenditures of all governmental activities. The majority of expense comes from the public safety (Police and Fire Departments), the next highest expense is General government (Municipal judge, Mayor & Council, Elections, Finance/Administration, Planning & Development). The City of Seneca ended the year with an increase in net assets of \$1,474,212. The steadily-growing tax base along with sound management decisions of the Mayor, Council and the City Administrator are responsible for this result.

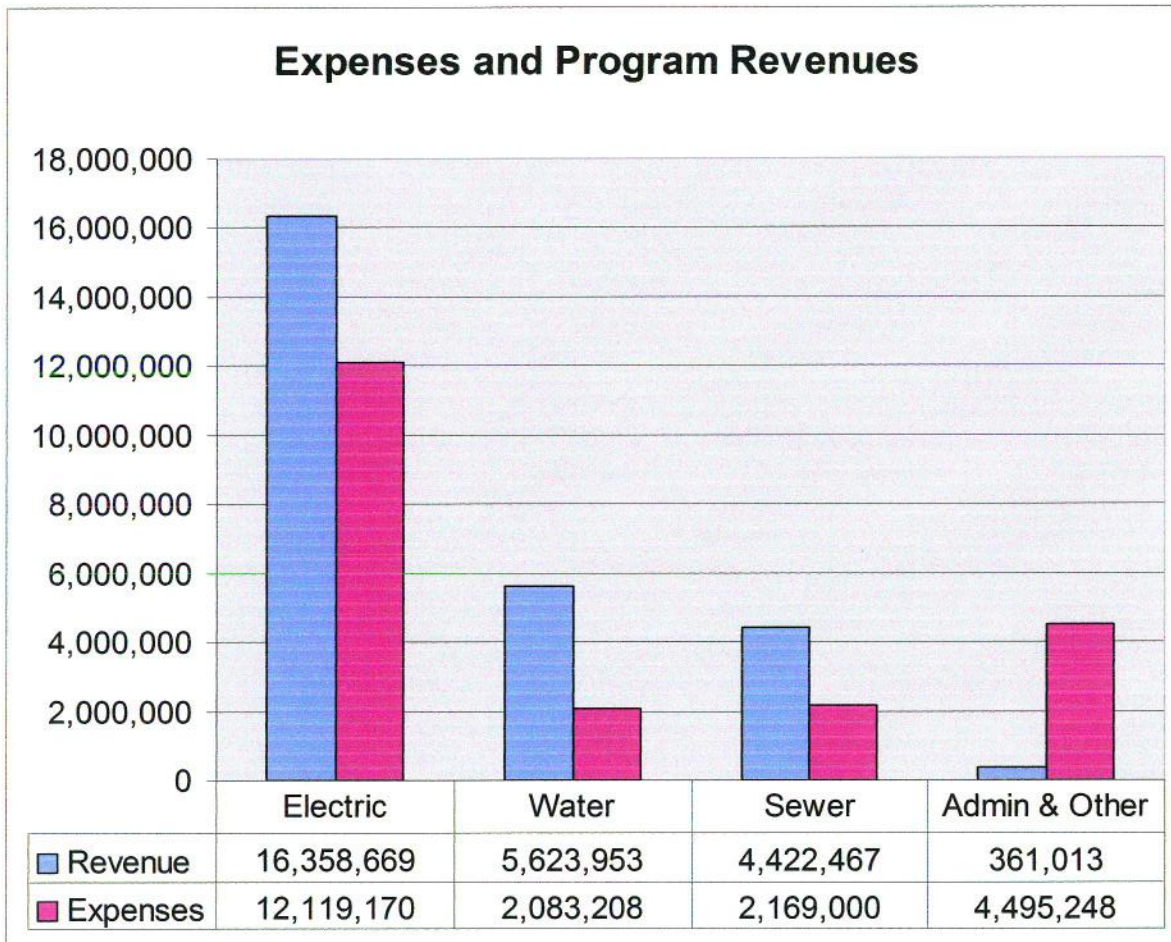
Expenditures by Function



Business-type activities

Business-type activities increased the City of Seneca’s net assets by \$3,408,937, resulting in 70% of the total change in the government’s net assets. Key element of the increase is as follows:

- Total budgeted revenues include amounts for capital outlay. Capital outlay of \$1,833,123 was capitalized as Fixed Assets and not expensed.
- Increase in Contributions and Donations of \$670,852.
- Transfer of Capital Assets from Capital Projects Fund of \$893,579.



Financial Analysis of the Government's Funds

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

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

Government wide approximately 14.58 percent of the \$52,174,437 of net assets (\$7,605,629) constitutes unreserved net assets, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is comprised of investments in capital assets, restrictions for debt service and capital construction.

The general fund is the chief operating fund of the City of Seneca. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,592,920, while total assets were \$2,991,427. In addition, the city has \$13,162,918 in general fixed assets net of depreciation. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Proprietary funds

The City of Seneca's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Assets of the Light and Water Fund at year end was \$5,140,818.

General Fund Budgetary Highlights

The actual expenditures exceed the budgeted expenditures by \$191,102. The following is a brief summary of the variances.

- The Finance Department was under budget by \$24,724.
- The Police Department expenditures exceeded budget by \$88,998.
- The Fire Department expenditures exceeded budget by \$82,679.
- The Sanitation Department expenditures exceeded budget by \$44,184.
- The Street Department expenditures exceeded budget by \$32,753.
- The Recreation Department expenditures exceeded budget by \$24,915.

The total amount of these increased expenditures were approved by council and funded by Fund Balance Reserves and reflected as budget variances in the current financial statement.

Capital Assets

The City of Seneca's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$52,691,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture and fixtures, equipment and vehicles, electrical system, water system, sewer system and construction in progress.

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

- Land \$284,800
- Building \$374,770
- Improvements Other than Building \$6,495,047 (includes transfers from Construction In Progress of \$5,477,256)
- Equipment \$83,146
- Vehicles \$195,857
- Electrical Expansion \$144,068
- Water Expansion \$137,059
- Sewer Expansion \$31,963
- Street Light Expansion \$58,508
- Construction in Progress \$1,717,277

The total increase in the City of Seneca's net capital assets for the current fiscal year was \$2,758,059. Increase of \$1,503,372 for Governmental Activities and \$1,254,687 for Business-type Activities.

City of Seneca's Capital Assets (Net of depreciation)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>
Land	\$ 1,027,039	\$ 749,239	\$ 843,897	\$ 836,897	\$1,870,936	\$1,586,136
Building and system	4,921,140	4,726,575	165,763	173,130	5,086,903	4,899,705
Improvement other than Building	5,106,025	4,167,564	32,104,917	26,548,331	37,210,942	30,715,895
Machinery and equipment	310,454	359,195	1,635,568	1,788,491	1,946,022	2,147,686
Vehicles	1,408,790	1,656,973	199,781	198,941	1,608,571	1,855,914
Construction in Progress	<u>389,470</u>		<u>4,579,085</u>	<u>8,728,534</u>	<u>4,968,555</u>	<u>8,728,534</u>
Total	\$13,162,918	\$11,659,546	\$39,529,011	\$38,274,324	\$52,691,929	\$49,933,870

Additional information on the City of Seneca's capital assets can be found in note 6 on pages 27-28 of this report.

On July 1, 2005 the city issued \$12,500,000 of revenue bonds to fund the Peak Shaving Generation Plant and expand the Water Treatment Plant. The outstanding balance of those funds at June 30, 2010 is \$10,200,000.

Economic Factors and Next Year's Budgets and Rates

The City of Seneca is located in Oconee County and is becoming a hub for businesses in the South Carolina Upstate, and the neighboring portions of Georgia and North Carolina.

In fiscal year 2010, the City of Seneca added 237.91 acres of residential land into the city. Growth inside the city is also shown by the number of housing starts and building permits issued. The city had 11 single family housing starts. The value of residential permits issued last calendar year was \$1,626,400.

Seneca Light and Water is saving on the cost of electricity by implementing a peak shaving program. Five generators have been installed which allows the city to generate electricity during the peak usage time of Southern Company, our power suppliers.

Within the City of Seneca, the market value was reduced by 1.9% percent from \$635,036,100 in 2009 to \$623,078,637 in 2010.

Request for Information

This financial report is designed to provide a general overview of the City of Seneca's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Seneca, Finance Officer, PO Box 4773, Seneca, SC, 29679.

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BASIC FINANCIAL STATEMENTS

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City of Seneca
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,751,857	\$ 566,485	\$ 2,318,342
Investments	1,123,647	5,801,981	6,925,628
Receivables			
Property taxes	121,030	-	121,030
Accounts	96,460	3,180,650	3,277,110
Interest	17	-	17
Notes	48,419	-	48,419
Other	5,432	22,696	28,128
Prepaid expenses	16,993	8,511	25,504
Internal balances	(421,574)	421,574	-
Due from other governmental units	508,354	-	508,354
Inventory	25,976	524,019	549,995
Restricted cash	-	2,311,688	2,311,688
Deferred charges	-	264,148	264,148
Capital assets			
Land	1,027,039	843,897	1,870,936
Other capital assets, net of depreciation	11,746,409	34,106,029	45,852,438
Construction in progress	389,470	4,579,085	4,968,555
Total assets	\$ 16,439,529	\$ 52,630,763	\$ 69,070,292
Liabilities			
Accounts payable	\$ 129,089	\$ 1,609,551	\$ 1,738,640
Contracts /retainage payable	119,440	-	119,440
Accrued expenses	180,021	335,756	515,777
Compensated absences payable	324,301	140,225	464,526
Customer deposits	-	674,010	674,010
Deferred support	58,949	601,459	660,408
Noncurrent liabilities:			
Due within one year	126,427	578,928	705,355
Due in more than one year	509,166	11,508,533	12,017,699
Total liabilities	\$ 1,447,393	\$ 15,448,462	\$ 16,895,855
Net assets			
Invested in capital assets, net of debt	\$ 12,527,325	\$ 27,441,549	\$ 39,968,874
Restricted for debt service	-	825,299	825,299
Restricted for capital construction	-	601,459	601,459
Restricted for generation savings	-	3,173,176	3,173,176
Unrestricted	2,464,811	5,140,818	7,605,629
Total net assets	\$ 14,992,136	\$ 37,182,301	\$ 52,174,437

See Notes to Financial Statements

City of Seneca
Statement of Activities
For the Year Ended June 30, 2010

Functions / programs	Program revenues				Net (expense) revenue & changes in net assets			
	Expenses	Charges for services	Operating grants & contributions	Capital grants & contributions	Governmental activities	Primary government Business-type activities		Total
						Governmental activities	Business-type activities	
Primary government:								
Governmental activities								
General government	\$ 1,984,782	\$ -	\$ 104,679	\$ -	\$ (1,880,103)	\$ -	\$ -	\$ (1,880,103)
Public safety	4,774,156	-	-	-	(4,774,156)	-	-	(4,774,156)
Public works	1,885,466	815,378	-	-	(1,070,088)	-	-	(1,070,088)
Cultural & recreation	953,188	117,275	-	-	(835,913)	-	-	(835,913)
Other	1,215,992	-	-	1,421,170	205,178	-	-	205,178
Total governmental activities	\$ 10,813,584	\$ 932,653	\$ 104,679	\$ 1,421,170	\$ (8,355,082)	\$ -	\$ -	\$ (8,355,082)
Business-type activities								
Electric	\$ 12,119,170	\$ 16,358,669	\$ -	\$ -	\$ -	\$ 4,239,499	\$ -	\$ 4,239,499
Water	2,083,208	5,623,953	-	-	-	3,540,745	-	3,540,745
Sewer	2,169,000	2,786,876	-	1,635,591	-	2,253,467	-	2,253,467
Admin	2,487,410	-	-	-	-	(2,487,410)	-	(2,487,410)
Interest on long-term debt	516,956	-	-	-	-	(516,956)	-	(516,956)
Other	1,490,882	202,474	-	-	-	(1,288,408)	-	(1,288,408)
Total business-type activities	\$ 20,866,626	\$ 24,971,972	\$ -	\$ 1,635,591	\$ -	\$ 5,740,937	\$ -	\$ 5,740,937
Total primary government	\$ 31,680,210	\$ 25,904,625	\$ 104,679	\$ 3,056,761	\$ (8,355,082)	\$ 5,740,937	\$ -	\$ (2,614,145)
General revenues:								
Property taxes					\$ 1,730,356	\$ -	\$ -	\$ 1,730,356
Hospitality & accomodation taxes					405,752	-	-	405,752
Licenses & permits					2,058,949	-	-	2,058,949
Intergovernmental					635,972	-	-	635,972
Federal aid					1,206,617	-	-	1,206,617
State aid					1,042,698	29,900	-	1,072,598
Fines / forfeitures					121,360	-	-	121,360
Investment earnings					10,054	100,061	-	110,115
Other					126,997	28,578	-	155,575
Transfers					2,490,539	(2,490,539)	-	-
Total general revenues and transfers					\$ 9,829,294	\$ (2,332,000)	\$ -	\$ 7,497,294
Change in net assets					\$ 1,474,212	\$ 3,408,937	\$ -	\$ 4,883,149
Net assets - beginning					13,517,924	33,773,364	47,291,288	47,291,288
Net assets - ending					\$ 14,992,136	\$ 37,182,301	\$ 52,174,437	\$ 52,174,437

**City of Seneca
Balance Sheet - Governmental Funds
June 30, 2010**

	Governmental Fund Types		
	General	Other Governmental Funds	Total
Assets			
Cash	\$ 1,501,929	\$ 249,928	\$ 1,751,857
Investments	1,123,647	-	1,123,647
Receivables (net of allowances)			
Property taxes	23,641	-	23,641
Accounts	96,460	-	96,460
Interest	-	17	17
Notes	-	48,419	48,419
Other	1,612	3,820	5,432
Prepaid expenses	16,993	-	16,993
Due from other governmental units	84,543	423,811	508,354
Due from other funds	116,626	-	116,626
Inventory	25,976	-	25,976
Total assets	\$ 2,991,427	\$ 725,995	\$ 3,717,422
Liabilities			
Accounts payable	\$ 116,568	\$ 12,521	\$ 129,089
Accrued expenses	180,021	-	180,021
Contracts / retainage payable	-	119,440	119,440
Due to other funds	-	538,200	538,200
Deferred support	58,949	-	58,949
Total liabilities	\$ 355,538	\$ 670,161	\$ 1,025,699
Fund balances			
Reserved for:			
Inventory	\$ 25,976	\$ -	\$ 25,976
Prepaid expenses	16,993	-	16,993
Unreserved, undesignated reported in:			
General fund	2,592,920	-	2,592,920
Special revenue funds	-	55,834	55,834
Total fund balances	\$ 2,635,889	\$ 55,834	\$ 2,691,723
Total liabilities & fund balances	\$ 2,991,427	\$ 725,995	
 Amounts reported for governmental activities in the statement of net assets are different because:			
Property taxes receivable to full assessment value			97,389
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.			13,162,918
Long-term liabilities are not due and payable in the current period			
Compensated absences			(324,301)
Capital lease			(635,593)
Net assets of governmental funds			\$ 14,992,136

See Notes to Financial Statements

City of Seneca
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

	Governmental Fund Types		
	General	Other Governmental Funds	Total
Revenues			
Taxes	\$ 1,693,284	\$ 405,752	\$ 2,099,036
Licenses and permits	2,058,949	-	2,058,949
Federal aid	40,278	1,166,339	1,206,617
State aid	252,548	790,150	1,042,698
County aid	575,972	60,000	635,972
Charges for services	815,378	-	815,378
Fines and forfeitures	121,360	-	121,360
Investment earnings	9,115	939	10,054
Other revenues	223,551	-	223,551
Total revenues	\$ 5,790,435	\$ 2,423,180	\$ 8,213,615
Expenditures			
Current operating			
General government	\$ 1,442,118	\$ 542,664	\$ 1,984,782
Public safety	4,774,156	-	4,774,156
Public works	1,885,466	-	1,885,466
Culture & recreation	953,188	-	953,188
Debt service - principal	126,427	-	126,427
- interest	-	3,646	3,646
Capital outlay			
General government	12,188	-	12,188
Public safety	113,762	-	113,762
Public works	36,504	-	36,504
Culture & recreation	13,936	-	13,936
Special revenue fund	-	1,701,415	1,701,415
Intergovernmental grants	-	176,071	176,071
Other expenditures	-	14,062	14,062
Total expenditures	\$ 9,357,745	\$ 2,437,858	\$ 11,795,603
Excess (deficiency) of revenues over (under) expenditures	\$ (3,567,310)	\$ (14,678)	\$ (3,581,988)
Other financing sources			
Sale of capital asset	\$ 400	\$ -	\$ 400
Contributions & donations	-	25,000	25,000
Interfund transfers	3,208,873	175,245	3,384,118
Total other financing sources	\$ 3,209,273	\$ 200,245	\$ 3,409,518
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (358,037)	\$ 185,567	\$ (172,470)
Fund balances, beginning	2,993,926	(129,733)	2,864,193
Fund balances, ending	\$ 2,635,889	\$ 55,834	\$ 2,691,723

See Notes to Financial Statements

City of Seneca
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2010

<i>Amounts reported for governmental activities in the statement of activities are different because:</i>							
Net change in fund balances - total governmental funds	\$ (172,470)						
Property taxes are recorded at assessed values for the government-wide financial statements - the change in the amount to adjust to full assessment	37,072						
Governmental funds report capital outlays as expenditures... However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the change in capital assets exceeded the change in accumulated depreciation	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="padding-right: 10px;">\$</td> <td style="text-align: right;">3,398,971</td> </tr> <tr> <td></td> <td style="text-align: right;">(1,002,020)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">2,396,951</td> </tr> </table>	\$	3,398,971		(1,002,020)		2,396,951
\$	3,398,971						
	(1,002,020)						
	2,396,951						
Transfers of capital assets to proprietary fund not recorded in governmental funds	(893,579)						
Repayment of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.	88,073						
Changes in compensated absences are accrued in salary expense of the various departments, the change is reflected in the liability section of the government-wide statement of net assets.	18,165						
Change in net assets of governmental activities	\$ 1,474,212						

See Notes to Financial Statements

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2010

Revenues	Original & Final Budget	Actual	Budget Variance
Property taxes			
Real property	\$ 1,368,000	\$ 1,431,455	\$ 63,455
Vehicles	154,700	138,466	(16,234)
Other	100,000	123,363	23,363
Total property taxes	\$ 1,622,700	\$ 1,693,284	\$ 70,584
Licenses and permits			
Business licenses	\$ 1,670,318	\$ 1,773,852	\$ 103,534
Franchise fees	70,000	72,209	2,209
Building permits	58,600	20,455	(38,145)
Miscellaneous permits	15,500	8,970	(6,530)
Natural gas authority	200,000	183,463	(16,537)
Total licenses and permits	\$ 2,014,418	\$ 2,058,949	\$ 44,531
Intergovernmental			
County revenue sharing	\$ 503,000	\$ 503,000	\$ -
State government shared revenue	206,500	236,979	30,479
SC Housing Authority	13,500	12,752	(748)
Federal grants	-	40,278	40,278
State grants	-	2,817	2,817
Intergovernmental revenues	72,000	72,972	972
Total intergovernmental	\$ 795,000	\$ 868,798	\$ 73,798

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2010

continued

Revenues	Original & Final Budget	Actual	Budget Variance
Charges for services			
Garbage fees	\$ 827,000	\$ 815,378	\$ (11,622)
Fines and forfeitures			
Municipal court fines	\$ 135,500	\$ 101,519	\$ (33,981)
Victims assistance fines	10,000	19,841	9,841
Total fines and forfeitures	\$ 145,500	\$ 121,360	\$ (24,140)
Investment earnings	\$ 29,000	\$ 9,115	\$ (19,885)
Other			
Recreation fees / sports	\$ 115,000	\$ 117,275	\$ 2,275
Private contributions	-	79,679	79,679
Miscellaneous	366,800	26,597	(340,203)
Total other	\$ 481,800	\$ 223,551	\$ (258,249)
Total revenues	\$ 5,915,418	\$ 5,790,435	\$ (124,983)

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2010

continued

Expenditures	Original & Final Budget	Actual	Budget Variance
Current operating			
General government	\$ 210,657	\$ 210,943	\$ (286)
Municipal judge	78,339	70,920	7,419
Mayor and council	4,000	3,836	164
Elections	786,826	762,102	24,724
Finance / administration	402,997	394,317	8,680
Planning and development			
Total general government	<u>\$ 1,482,819</u>	<u>\$ 1,442,118</u>	<u>\$ 40,701</u>
Public safety			
Police department	\$ 2,792,161	\$ 2,881,159	\$ (88,998)
Fire department	1,810,318	1,892,997	(82,679)
Total public safety	<u>\$ 4,602,479</u>	<u>\$ 4,774,156</u>	<u>\$ (171,677)</u>
Public works			
Street department	\$ 970,580	\$ 1,003,333	\$ (32,753)
Sanitation department	580,423	624,607	(44,184)
Motor pool	269,284	257,526	11,758
Total public works	<u>\$ 1,820,287</u>	<u>\$ 1,885,466</u>	<u>\$ (65,179)</u>

continued

City of Seneca
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual
 For the Year Ended June 30, 2010

continued

Expenditures	Original & Final Budget	Actual	Budget Variance
Culture and recreation	\$ 928,273	\$ 953,188	\$ (24,915)
Debt service - principal	\$ -	\$ 126,427	\$ (126,427)
Capital outlay			
General government	-	12,188	\$ (12,188)
Public safety	107,785	113,762	(5,977)
Public works	225,000	36,504	188,496
Culture and recreation	-	13,936	(13,936)
Total capital outlay	\$ 332,785	\$ 176,390	\$ 156,395
Total expenditures	\$ 9,166,643	\$ 9,357,745	\$ (191,102)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,251,225)	\$ (3,567,310)	\$ (316,085)
Other financing sources			
Sale of capital asset	-	400	\$ 400
Interfund transfers	3,251,225	3,208,873	(42,352)
Total other financing sources	\$ 3,251,225	\$ 3,209,273	\$ (41,952)
Excess (deficiency) of revenues over (under) expenditures and other financing sources	\$ -	\$ (358,037)	\$ (358,037)
Fund balance, beginning	2,993,926	2,993,926	-
Fund balance, ending	\$ 2,993,926	\$ 2,635,889	\$ (358,037)

See Notes to Financial Statements

**City of Seneca
Statement of Net Assets
Proprietary Fund
June 30, 2010**

	Business-type Activities
	Light & Water Fund
Assets	
Current assets	
Cash	\$ 566,485
Restricted cash, debt service	825,299
Investments	5,801,981
Receivables:	
Accounts receivable	3,180,650
Other receivables	22,696
Prepaid expenses	8,511
Due from other funds	421,574
Inventory	524,019
Total current assets	\$ 11,351,215
Noncurrent assets	
Restricted cash	\$ 1,486,389
Deferred charges, net	264,148
Land	843,897
Buildings	294,687
Improvements	53,940,438
Equipment	5,778,321
Vehicles	1,690,704
Construction in progress	4,579,085
Less, accumulated depreciation	(27,598,121)
Total noncurrent assets	\$ 41,279,548
Total assets	\$ 52,630,763

continued

**City of Seneca
Statement of Net Assets
Proprietary Fund
June 30, 2010**

continued

		Business-type Activities
		Light & Water Fund
<hr/>		
Liabilities		
Current liabilities		
Accounts payable	\$	1,609,551
Accrued expenses		335,756
Compensated absences		140,225
Deferred support		601,459
State revolving fund loan, current		73,928
Bonds payable, current		505,000
Customer deposits		674,010
Total current liabilities	\$	3,939,929
		<hr/>
Long-term liabilities		
State revolving fund loan, non-current	\$	1,813,533
Bonds payable, non-current		9,695,000
Total long-term liabilities	\$	11,508,533
		<hr/>
Total liabilities	\$	15,448,462
		<hr/>
Net assets		
Invested in capital assets, net of related debt	\$	27,441,549
Restricted for debt service		825,299
Restricted for capital construction		601,459
Restricted for generation savings		3,173,176
Unrestricted		5,140,818
Total net assets	\$	37,182,301
		<hr/> <hr/>

See Notes to Financial Statements

City of Seneca
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Business - type Activities
	Light & Water Fund
Operating revenues	
Charges for services	
Electric	\$ 16,358,669
Water	5,623,953
Sewer	2,786,876
Other	202,474
	\$ 24,971,972
Operating expenses	
Light & Water administration	\$ 1,462,976
I & I department	94,059
Billing department	671,257
Engineering department	326,188
Electrical department	1,845,984
Water department	1,351,726
Sewer department	3,494,745
Water plant	952,714
Electrical generation / purchase	10,492,262
Depreciation	1,472,015
	\$ 22,163,926
Operating income (loss)	\$ 2,808,046
Non-operating revenues (expenses)	
Intergovernmental	\$ 29,900
Investment earnings	100,061
Amortization of bond issuance costs	(18,867)
Interest expense	(516,956)
Proceeds from sale of capital assets	28,578
Other financing sources (uses)	
Contributions & donations	2,529,170
Interfund transfers	(3,384,118)
	\$ 1,575,814
Net income (loss) - budgetary basis	\$ 1,575,814
Adjustment to convert to GAAP basis	
Capital outlay	1,833,123
	\$ 3,408,937
Change in net assets	\$ 3,408,937
Net assets, beginning	33,773,364
Net assets, ending	\$ 37,182,301

See Notes to Financial Statements

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City of Seneca
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

	Business-type Activities
	Light & Water Fund
Cash flows from operating activities:	
<i>Receipts from customers and users</i>	\$ 25,097,792
<i>Payments to suppliers / goods and services</i>	(15,680,063)
<i>Payments to / for employees</i>	(3,692,428)
Net cash provided (used) by operating activities	\$ 5,725,301
Cash flows from non-capital financing activities:	
<i>Interfund transfers</i>	\$ (3,384,118)
<i>Advances to other funds</i>	(455,827)
<i>Intergovernmental grants</i>	29,900
Total cash flows from non-capital financing activities	\$ (3,810,045)
Cash flows from capital and related financing activities:	
<i>Addition of capital assets</i>	\$ (1,833,123)
<i>Principal paid on capital debt</i>	(554,504)
<i>Interest paid on capital debt</i>	(516,956)
<i>Capital contributions</i>	1,635,591
<i>Proceeds from sale of capital assets</i>	28,578
<i>Deferred support</i>	(350,591)
Total cash flows from capital activities	\$ (1,591,005)
Cash flows from investing activities:	
<i>Proceeds from long-term investments</i>	\$ 5,780,989
<i>Purchases of investments</i>	(5,478,885)
<i>Investment income received</i>	100,061
Total cash flows from investing activities	\$ 402,165
Net increase (decrease) in cash	\$ 726,416
Cash, beginning	2,151,757
Cash, ending	\$ 2,878,173

continued

**City of Seneca
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010**

continued

	Business-type Activities
	Light & Water Fund
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 2,808,046
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,472,015
Capital outlay / GAAP adjustment	1,833,123
Changes in assets (increase), decrease:	
Accounts receivable	117,243
Other receivables	(2,026)
Prepaid expenses	(8,511)
Inventory	(40,368)
Changes in liabilities increase,(decrease):	
Accounts / contracts payable	(478,821)
Accrued expenses	6,590
Compensated absences	7,407
Customer deposits	10,603
Total adjustments	\$ 2,917,255
Net cash provided by operating activities	\$ 5,725,301
 Noncash investing, capital, and financing activities:	
Contributions of capital assets from government	\$ 893,579

See Notes to Financial Statements

**City of Seneca
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2010**

	Firemens Fund
Assets	
Cash / investments	\$ 8,890
Liabilities	-
Net assets	
Held in trust for firemen	\$ 8,890

See Notes to Financial Statements



**City of Seneca
Statement of Changes in Fiduciary Net Assets
Agency Fund
For the Year Ended June 30, 2010**

	Firemens Fund
Additions	
Contributions	\$ 32,028
Investment earnings	183
Total additions	\$ 32,211
Reductions	
Benefits	38,668
Change in net assets	\$ (6,457)
Net assets, beginning	15,347
Net assets, ending	\$ 8,890

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

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City of Seneca
Notes to Financial Statements
June 30, 2010

1. Summary of significant accounting policies

A. Reporting entity

The **City of Seneca** was incorporated in 1874 by a public act passed by the South Carolina General Assembly and later certified in 1902 under Article II Chapter XLIX of the Code of 1902. Currently the City operates under a mayor/council form of government with an appointed City administrator and an elected mayor and eight council members.

The City of Seneca is comprised of the various departments of the general fund, the special revenue funds (which administer the various grant projects), the enterprise fund (light and water), the capital project funds, and the agency fund. There are no blended or discretely presented component units included in this financial statement. No entities are excluded that would make the financial statement misleading.

B. Government-wide and fund financial statements

The government-wide financial statements (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 are normally 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, grants or 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 as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 proprietary fund and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 collected within 60 days of the fiscal year end. Expenditures are recorded when a liability is incurred.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenue items are considered to be measurable and available when received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or, contradict, guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for quasi-external type transactions between the government's light and water fund and the general government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City recognizes these transactions as interfund transfers and reports them as an other financing source / use.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

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

Proprietary funds (light and water fund) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's primary ongoing operations. The principal operating revenues of the City's light and water fund are charges to customers for electric utilities and water and sewer services. Impact and tap fees are reported as operating revenues. Operating expenses for the proprietary fund include the costs of utility purchases and services, administrative expenses and asset depreciation. All revenues and expenses not meeting this definition are reported as nonoperating.

The City reports deferred revenue arising from funds received prior to its legal claim to them. The revenues are recognized in subsequent periods when the City has legal claim to those resources.

The City records all applicable encumbrances for purchase commitments and contracts outstanding as a reservation of fund balance and does not reflect them as expenditures in the financial statements.

Due to legal requirements and the diverse nature of the operations of a city, there must be a separation of transactions by class or nature of activity. The accounts of a city are organized on the basis of funds or account groups, each of which is a separate, independent accounting entity.

The operations of each fund are recorded in a separate, self-balancing set of accounts showing its assets, liabilities, fund balance, and revenues and expenditures. The types of funds maintained by the City of Seneca are as follows:

Governmental Funds

General Fund -- the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in other funds.

Special Revenue Funds -- used to account for the proceeds of specific revenues that are restricted for specific expenditures other than special assessments, expendable trusts, or major capital projects.

Capital Projects Fund -- used to account for major capital project funded by issuance of a grant for the Utica Sewer improvements.

Proprietary Funds

Enterprise Fund -- accounts for charges to users for electricity, water and sewer services and the cost of operations of the systems. Depreciation is recorded in this fund.

Fiduciary Funds

Agency Fund -- accounts for assets held in a trustee capacity for the firemens fund. Assets of this fund are reported at fair value.

2. Budgetary information

Annual budgets and supplementary budget appropriations are adopted by ordinance by the City Council providing for operations and capital expenditures of the City. The budget is prepared by function and activity within an individual fund. All budgets are required to have two readings before being enacted into law. Budgeted amounts as presented have been amended by City Council on various dates. Individual amendments were not considered material in relation to original appropriations. Supplementary appropriations were made during the current year.

The special revenue funds and the capital project fund receiving grant entitlements are mandated by project budgets that may extend over several accounting periods. Therefore, budget control is exercised by project. Such grants having budget periods that encompass more than one accounting period of the City are treated as legal non-appropriated budgets. Budgets for the general, special revenue, and enterprise funds are adopted on a basis consistent with generally accepted accounting principles. Annual budgetary appropriations lapse at year-end. Outstanding purchase commitments are recorded as a reserve for encumbrances.

3. Compensated absences

Amounts of vested accumulated vacation leave are recorded as a compensated absence liability in the government-wide financial statement. Vested vacation leave of proprietary funds is recorded as an expense and a liability as the benefits accrue. Amounts of governmental funds vested accumulated vacation leave are not recorded in the general fund until they mature and are due.

4. Inventories

The inventory of the light and water fund (proprietary fund type) consists of expendable supplies and construction materials, which are accounted for in a perpetual inventory system. The inventory is valued at the lower of average cost or market value and is recorded as an expense as consumed.

5. Cash and investments

Cash includes demand deposits and sweep accounts. Cash deposits in excess of amounts insured by Federal Deposit Insurance are collateralized by U.S. Government securities held by the counterparty in the counterparty's name. The carrying amount of all fund's deposits at June 30, 2010 is \$ 4,626,696. The bank balance of the funds at June 30, 2010 is \$ 4,610,291, of which \$ 1,264,911 is category 1 (insured by Federal Deposit Insurance), and \$ 3,345,380 is category 3 (Uncollateralized...collateralized with securities held by the pledging institution not in the City's name).

The following are the categories of credit risk relating to bank balance:

<u>Risk Category</u>	<u>Description of Category</u>
1	Insured or collateralized with securities held by the City or by the City's agent in the City's name.
2	Collateralized with securities held by the pledging institution in the City's name.
3	Uncollateralized – includes any bank balance that is collateralized with securities held by the pledging institution not in the City's name.

Investments are recorded at cost or fair value and interest receivable is accrued at year-end. The City presently holds both short-term and long-term investments. All investments are expected to be held to maturity. Any significant discount or premium on the purchase of long-term investments is amortized over the term of the investment by the straight-line method. The types of investments authorized by legal or contractual provisions of the City are in accordance with State statutes. Those statutes provide for investments in:

1. Obligations of the United States and Agencies thereof.
2. General obligations of the State of South Carolina or any of its political units.
3. Savings and Loan Associations to the extent that the same are insured by the FDIC.
4. Certificates of deposit collateralized by securities of Types 1 or 2 held by a third party as escrow agent or custodian.
5. South Carolina Pooled Investment Fund.

The City may also hold funds in deposit accounts with banking institutions and the above such investments shall have maturities consistent with the time/times when the invested monies will be needed as cash. The City invests in funds secured by notes and bonds of the U.S. Government, or its related agencies, certificates of deposit at FDIC insured banking institutions and banking instruments collateralized by U.S. Government Securities. Investments of the State Investment Pool are exempt from risk categorization because third party custodians take delivery of the investment securities. The City owns no identifiable securities but is a shareholder

of a percentage of the State Investment Pool. Pooled funds are collateralized by U.S. Government Securities.

The following is a summary by classification of credit risk of significant investments held by the City at June 30, 2010.

<u>Risk Category</u>	<u>Description of Category</u>
1	Insured or registered, or held directly by the City.
2	Uninsured and unregistered and held by the counterparty's trust department or agent in the City's name.
3	Uninsured and unregistered and held by the counterparty not in the City's name (includes amounts collateralized with securities held by the counterparty).

Interest rate risk - The City manages its exposure to declines in fair values by structuring its investments such that the maturities of the investments are consistent with the liquidity requirement of the City.

Credit risk – The City does not invest in commercial paper or bonds of corporations. Its investments are limited to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, certificates of deposit, and repurchase agreements.

Concentration of credit risk – The City's investment policy does not preclude it from investing idle funds in any one type of investment, provided that the investment is authorized by the State of South Carolina. Sound financial management dictates that the City limit its exposure to credit risk and, therefore, the City holds various investment instruments provided by multiple issuers.

Custodial credit risk, deposits – In the case of deposits, there is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2010, \$3,345,380 of the City's bank balance of \$ 4,610,291 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Custodial credit risk, investments – For investments, there is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. Of the investments of \$ 6,925,628, the City has a custodial credit risk exposure of \$ 6,425,628 because the related securities are uninsured, unregistered and held by the City's brokerage firm which is also the counterparty for these particular securities.

The City minimizes its exposure to custodial credit risk for deposits by review of financial statements issued by the financial institutions holding municipal deposits.

Investments are recorded at cost or fair value depending on the nature and term of the investment. The following is an analysis of investments held at June 30, 2010:

<u>Investment</u>	<u>Carrying amount</u>	<u>Market value</u>
Certificate of deposit	\$ 2,288,245	\$ 2,288,245
State Investment Pool	<u>4,637,383</u>	<u>4,637,383</u>
Totals	<u>\$ 6,925,628</u>	<u>\$ 6,925,628</u>

6. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements prospectively. Capital assets for general governmental purposes are acquired through expenditures from the general fund and the special revenue funds. The City's policy is to capitalize purchases of \$ 5,000 and above.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost, net of interest income, incurred during the construction phase is included as construction-period interest as an integral part of the cost of construction. The City qualifies as a phase 3 government for reporting major general infrastructure fixed assets and elects to record such assets prospectively.

Capital assets are recorded at cost (fair market value if donated) and depreciated using the straight-line method with estimated useful lives between five and forty years as follows:

<u>Type of asset</u>	<u>Estimated life</u>
Buildings	40
Building improvements	20-40
Furniture and fixtures	7-10
Equipment / vehicles	5-10
Utility systems	40
Paving/streets	10-20

Capital asset activity for the current year ended June 30, 2010 was as follows:

Governmental Activities

Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	\$ 749,239	\$ 277,800	\$ -	\$ 1,027,039
Construction in progress	-	465,275	75,805	389,470
Total not depreciated	\$ 749,239	\$ 743,075	\$ 75,805	\$ 1,416,509
Capital assets, depreciated				
Buildings	\$ 7,191,038	\$ 374,770	\$ -	\$ 7,565,808
Improvements	5,450,300	1,313,298	-	6,763,598
Equipment	796,596	29,076	-	825,672
Vehicles	4,469,213	120,978	-	4,590,191
Total depreciated	\$ 17,907,147	\$ 1,838,122	\$ -	\$ 19,745,269
Less accumulated depreciation for:				
	Beginning	Increases	Decreases	Ending
Buildings	\$ 2,464,463	\$ 180,205	\$ -	\$ 2,644,668
Improvements	1,282,736	374,837	-	1,657,573
Equipment	437,401	77,817	-	515,218
Vehicles	2,812,240	369,161	-	3,181,401
Total depreciation	\$ 6,996,840	\$ 1,002,020	\$ -	\$ 7,998,860
Total depreciable assets, net	\$ 10,910,307	\$ 836,102	-	\$ 11,746,409
Total governmental activities capital assets, net	\$ 11,659,546	\$ 1,579,177	\$ 75,805	\$ 13,162,918

Business-Type Activities

Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	\$ 836,897	\$ 7,000	\$ -	\$ 843,897
Const in progress	8,728,534	1,252,002	5,401,451	4,579,085
Total not depreciated	\$ 9,565,431	\$ 1,259,002	\$ 5,401,451	\$ 5,422,982
Capital assets, depreciated				
Buildings	\$ 294,687	\$ -	\$ -	\$ 294,687
Improvements	47,200,236	6,740,202	-	53,940,438
Equipment	5,724,251	54,070	-	5,778,321
Vehicles	1,615,825	74,879	-	1,690,704
Total depreciated	\$ 54,834,999	\$ 6,869,151	\$ -	\$ 61,704,150
Less accumulated depreciation for:				
	Beginning	Increases	Decreases	Ending
Buildings	\$ 121,557	\$ 7,367	\$ -	\$ 128,924
Improvements	20,651,905	1,183,616	-	21,835,521
Equipment	3,935,760	206,993	-	4,142,753
Vehicles	1,416,884	74,039	-	1,490,923

Total depreciation	\$ 26,126,106	\$ 1,472,015	\$ -	\$ 27,598,121
Total depreciable assets, net	\$ 28,708,893	\$ 5,397,136	\$ -	\$ 34,106,029
Total business-type activities assets, net	\$ 38,274,324	\$ 6,656,138	\$ 5,401,451	\$ 39,529,011

7. Segment information

The City of Seneca maintains one enterprise fund (light and water fund) providing electricity, water and sewer services to users. Segment information for the year ended June 30, 2010 is as follows:

Operating revenues	\$ 24,971,972
Depreciation	1,472,015
Operating income	2,808,046
Net income / GAAP	3,408,937
Fixed asset additions	2,726,702
Net assets	37,182,301

8. Property taxes

Property taxes, the primary source of revenue for the general fund, are collected for the City by the Oconee County tax collector. The County retains any penalties collected as compensation for this service. The property tax calendar is as follows:

Levy	On September 30th on all real and personal property (except vehicles) based on the assessment of the preceding December 31 st
Tax due	On or before January 15 th
Penalty	3% after January 15th 7% additional after February 1 st
Delinquent	Liens are filed upon execution after March 16th with an additional 5% penalty, plus \$ 2.
Property sales	On delinquent property held in year after year of levy
Motor vehicles	Monthly, assessed and collected in advance of the vehicle registration with the motor vehicle department

Taxes receivable in the general fund at June 30, 2010 represent uncollected tax levies less allowance for doubtful accounts as follows:

	<u>Receivable</u>	<u>Allowance</u>
General fund	\$ 121,030	\$ 97,389

9. Receivables

Receivables as of year end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as below: Enterprise fund receivables consist of utility charges to customers. Unbilled services provided by the City's enterprise fund since the last billing period have been recorded as receivables at year end.

<u>Receivable</u>	<u>General</u>	<u>Light & water</u>	<u>Nonmajor</u>	<u>Total</u>
Taxes	\$ 121,030	\$ -	\$ -	\$ 121,030
Accounts / notes	96,460	3,180,650	52,239	3,329,349
Intergovernmental	84,543	-	423,811	508,354
Other	1,612	22,696	17	24,325
Gross receivables	<u>\$ 303,645</u>	<u>\$ 3,203,346</u>	<u>\$ 476,067</u>	<u>\$ 3,983,058</u>
Less, allowance	<u>97,389</u>	<u>-</u>	<u>-</u>	<u>97,389</u>
Net receivables	<u>\$ 206,256</u>	<u>\$ 3,203,346</u>	<u>\$ 476,067</u>	<u>\$ 3,885,669</u>

10. Interfund transactions

During the course of normal operations, the City has numerous transactions between funds. The primary purpose of such transactions is to transfer funds for the purpose of capital items and to record the capital items purchased. Transfers among governmental fund types are presented as transfers under the caption "Other Financing Sources (Uses)" or, as residual equity transfers in the fund financial statements.

Transfers to or from the enterprise funds are recorded as operating transfers or as increases or decreases, respectively, in net assets to better reflect the substance of such transfers.

Quasi-external non-exchange type transactions reflecting the revenues and the expenditures (expenses) of interfund transactions such as payments in-lieu of taxes for enterprise fund assets, utilities provided from enterprise funds to City buildings, franchise fees on enterprise fund gross revenues, overhead allocation of general

fund personnel, and the like, are included in these financial statements as interfund transfers.

Interfund transfers for the year, in the aggregate, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>	<u>Transfers - net</u>
General fund	\$ 3,281,225	\$ 72,352	\$ 3,208,873
Special revenue funds	207,055	31,810	175,245
Proprietary fund	-	3,384,118	(3,384,118)
Total transfers	<u>\$ 3,488,280</u>	<u>\$ 3,488,280</u>	<u>\$ -</u>

As of June 30, 2010, interfund receivables and payables that resulted from interfund transactions were as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 116,626	\$ -
Light & water fund	421,574	-
Special revenue funds	-	538,200
Totals	<u>\$ 538,200</u>	<u>\$ 538,200</u>

11. Long-term obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Series 2004 Revenue Bonds

Included in the enterprise fund financial statements as fixed assets are the costs to date for the acquisition and construction of planned assets under the bond covenants representing the "Construction Fund of 2004". Assets completed during the current period were transferred to the appropriate functional department and depreciation was taken based on useful lives.

The \$ 12,500,000 City of Seneca, South Carolina Combined Utility System Revenue Bonds, Series 2004 were assigned a Aaa rating based upon an insurance policy provided by MBIA Insurance Corporation. The bonds were issued in denominations of \$ 5,000 and multiples thereof. Bond principal payments are due on August 1st each year, with bond interest due February 1st and August 1st each year.

The following table provides the Series 2004 bond debt service for future periods.

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt svc</u>	<u>Calendar yr debt svc</u>
08/01/10	\$ 505,000.00	3.75	\$ 224,905.00	\$ 729,905.00	\$ 954,810.00
02/01/11			215,436.25	215,436.25	
08/01/11	525,000.00	3.75	215,436.25	740,436.25	955,872.50
02/01/12			205,592.50	205,592.50	
08/01/12	545,000.00	3.75	205,592.50	750,592.50	956,185.00
02/01/13			195,373.75	195,373.75	
08/01/13	565,000.00	4.00	195,373.75	760,373.75	955,747.50
02/01/14			184,073.75	184,073.75	
08/01/14	585,000.00	4.00	184,073.75	769,073.75	953,147.50
02/01/15			172,373.75	172,373.75	
08/01/15	610,000.00	4.25	172,373.75	782,373.75	954,747.50
02/01/16			159,411.25	159,411.25	
08/01/16	635,000.00	4.25	159,411.25	794,411.25	953,822.50
02/01/17			145,917.50	145,917.50	
08/01/17	665,000.00	4.30	145,917.50	810,917.50	956,835.00
02/01/18			131,620.00	131,620.00	
08/01/18	690,000.00	4.40	131,620.00	821,620.00	953,240.00
02/01/19			116,440.00	116,440.00	
08/01/19	720,000.00	4.50	116,440.00	836,440.00	952,880.00
02/01/20			100,240.00	100,240.00	
08/01/20	755,000.00	4.60	100,240.00	855,240.00	955,480.00
02/01/21			82,875.00	82,875.00	
08/01/21	790,000.00	5.00	82,875.00	872,875.00	955,750.00
02/01/22			63,125.00	63,125.00	
08/01/22	830,000.00	4.75	63,125.00	893,125.00	956,250.00
02/01/23			43,412.50	43,412.50	
08/01/23	870,000.00	4.75	43,412.50	913,412.50	956,825.00
02/01/24			22,750.00	22,750.00	
08/01/24	910,000.00	5.00	22,750.00	932,750.00	955,500.00
Totals	<u>\$ 10,200,000.00</u>		<u>\$ 3,902,187.50</u>	<u>\$ 14,102,187.50</u>	

State Revolving Fund Loan

The City authorized the issuance of a utility system revenue bond from the South Carolina Drinking Water Revolving Loan Fund (SRF) for the construction of a 1,000,000 gallon storage tank and associated line work and appurtenances. The promissory note is for \$1,993,633 and bears interest at 3.5% annum. Payments began February 1, 2009 and will continue for 20 years. Quarterly principal and interest payments in the amount of \$34,756.47 are due February 1st, May 1st, August 1st and November 1st of each year.

The following table provides the SRF loan debt service for future periods.

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt svc</u>	<u>Calendar yr debt svc</u>
2011	\$ 73,928.01	\$ 65,097.87	\$ 139,025.88	\$ 139,025.88
2012	76,549.65	62,476.23	139,025.88	139,025.88
2013	79,264.27	59,761.61	139,025.88	139,025.88
2014	82,075.13	56,950.75	139,025.88	139,025.88
2015	84,985.69	54,040.19	139,025.88	139,025.88
2016	87,999.44	51,026.44	139,025.88	139,025.88
2017	91,120.09	47,905.79	139,025.88	139,025.88
2018	94,351.40	44,674.48	139,025.88	139,025.88
2019	97,697.29	41,328.59	139,025.88	139,025.88
2020	101,161.84	37,864.04	139,025.88	139,025.88
2021	104,749.24	34,276.64	139,025.88	139,025.88
2022	108,463.87	30,562.01	139,025.88	139,025.88
2023	112,310.22	26,715.66	139,025.88	139,025.88
2024	116,292.98	22,732.90	139,025.88	139,025.88
2025	120,416.97	18,608.91	139,025.88	139,025.88
2026	124,687.19	14,338.69	139,025.88	139,025.88
2027	129,108.86	9,917.02	139,025.88	139,025.88
2028	133,687.33	5,338.55	139,025.88	139,026.31
2029	68,611.54	901.83	69,513.37	
Totals	\$ 1,887,461.01	\$ 684,518.20	\$ 2,571,979.21	

Additional information regarding long-term debt may be obtained by contacting Ms. Belinda Harper at the City of Seneca, PO Box 4773, Seneca, SC 29679-4773.

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Capital lease	\$ 723,666	\$ -	\$ (88,073)	\$ 635,593	\$ 126,427
Governmental activity					
long-term liabilities	<u>\$ 723,666</u>	<u>\$ -</u>	<u>\$ (88,073)</u>	<u>635,593</u>	<u>\$ 126,427</u>
Business-type activities:					
Revenue bonds	\$ 10,685,000	\$ -	\$ (485,000)	\$ 10,200,000	\$ 505,000
SRF Loan	1,956,965	-	(69,504)	1,887,461	73,928
Business-type activity					
long-term liabilities	<u>\$ 12,641,965</u>	<u>\$ -</u>	<u>\$ (554,504)</u>	<u>\$ 12,087,461</u>	<u>\$ 578,928</u>

12. Excess of expenditures over appropriations

The amounts of any excess of governmental expenditures over appropriations at the legal level of control are as follows:

<u>General fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Municipal judge	\$ 210,943	\$ 210,657	\$ 286
Police department	2,881,159	2,792,161	88,998
Fire department	1,892,997	1,810,318	82,679
Streets	1,003,333	970,580	32,753
Sanitation	624,607	580,423	44,184
Culture and recreation	953,188	928,273	24,915
Debt service – principal	126,427	-	126,427

13. Employee's retirement system

All permanent employees of the City participate in the SC Retirement System or the SC Police Officers' Retirement System. These systems are administered by the State Budget and Control Board of South Carolina, which appoints a director to exercise general supervision over the Retirement Systems. Both the South Carolina Retirement System and Police Officers Retirement System are cost-sharing multiple-employer PERS .

Both the South Carolina Retirement System and the Police Officers Retirement System offer retirement and disability benefits, group life insurance benefits and survivor benefits. A guaranteed 1 % cost of living adjustment is funded under SCRS, and all other cost of living adjustments are granted on an ad-hoc basis. Both employees and employers are required to contribute to the Plan. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws.

Employee required contributions to the plan are as follows:

South Carolina Retirement System	6.5 % of salary
Police Officers Retirement System	
Class I	\$ 21 per month
Class II	6.5 % of salary

Employers are required to contribute to the plan as follows:

South Carolina Retirement System	9.24 % of salary
Police Officers Retirement System	
Class I	7.8 % of salary
Class II	10.65 % of salary

In addition to the above rates, participating employers of the South Carolina Retirement System contribute 0.15 % of payroll to provide a group life insurance benefit to their participants. Participating employers of the Police Officers Retirement System also contribute 0.2 % of payroll for group life insurance and 0.2% for accidental death benefits. All employers contribute at the actuarially required contribution rates. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and the Police Officer’s Retirement System is publicly available on the website at www.retirement.sc.gov , or a copy is available by writing the South Carolina Retirement System at PO Box 11960, Columbia, SC 29211-1960.

14. Restricted assets

The City recognizes unspent proceeds of enterprise fund revenue bonds, resources set aside for debt amortization, and resources set aside from peak generation savings as restricted assets.

The bond construction account is used to report unspent proceeds of revenue bonds set aside for capital construction. The bond principal and interest account is an escrow account for current maturities of bond principal and interest. The peak generation savings account represents funds set aside for future capital expansion and for defeasance of bond debt. Account balances at June 30, 2010 are as follows:

<i>Principal and interest fund</i>	\$	650,362
<i>Duke sewer line</i>		601,459
<i>Debt service / SRF</i>		174,937
<i>Peak generation savings fund</i>		<u>3,173,176</u>
<i>Total restricted assets</i>	<u>\$</u>	<u>4,599,934</u>

15. Deficit fund balance

Included in the deficit fund balance of the other governmental funds on the Balance Sheet – Governmental Funds, and on the Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds (pages 5-6) is a fund balance deficit of the Hospitality Accommodations Tax Fund as follows:

Hospitality Accommodations Tax Fund (\$ 1,043) – capital outlay for the renovation of Gignilliat Gym. The deficit will be funded by future hospitality taxes.

16. Public transit

The City began operations of a City-wide public transit service affiliated with the City of Clemson and the Clemson Area Transit (CAT) in 2007. The City acquired 3 buses to service predetermined routes within the city and to the City of Clemson and Clemson University. The Clemson Area Transit provides bus service to citizens without charge. Funding for the operations of the transit system was through a grant agreement with the South Carolina Department of Transportation (SCDOT). In accordance with the grant agreement, funding consisted of the following for fiscal year ending June 30, 2010:

<u>Funding</u>	<u>Operations</u>
Federal (FTA)	\$ 289,148
State (SCDOT)	100,629
Local match (as needed)	152,887
Total funding	<u>\$ 542,664</u>

17. Capital lease

On August 15, 2006, the City entered into a capital lease agreement with Oshkosh Capital for the purchase of fire equipment. The equipment and related debt are as follows:

<u>Equipment</u>	
2006 Pierce custom aerial platform fire truck	\$ 747,207
2006 Pierce custom contender pumper fire truck	265,955
Total	<u>\$ 1,013,162</u>

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2010.

<u>Fiscal year ending</u>	<u>Lease payments</u>
06/30/2011	\$ 126,427
06/30/2012	126,427
06/30/2013	126,427
06/30/2014	126,427
06/30/2015	126,427
06/30/2016	126,427
Total minimum lease payments	\$ 758,562
Less interest portion	(122,969)
Present value of future minimum lease payments	<u>\$ 635,593</u>

18. Subsequent event

Development Property Purchase Contract / Intergovernmental Agreement

On November 24, 2010 the City signed a contract of purchase and sale with Propex Operating Company, LLC to purchase 151 acres and building at 320 Shiloh Road for \$2,515,000. The City also entered into an intergovernmental agreement with Oconee County for the joint purchase and development of this property into an industrial and/or commercial park. The intergovernmental agreement stipulates the City is to enter into a contract to purchase the entire development property and then assign to the County the right to purchase a portion of that property directly from Propex Operating Company, LLC. The County will be funding \$400,000 of the \$2,515,000 purchase price.

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***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

City of Seneca
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue	Capital Projects	Total
Assets			
Cash	\$ 249,928	\$ -	\$ 249,928
Receivables			
Notes	48,419	-	48,419
Interest	17	-	17
Other	3,820	-	3,820
Due from other governmental units	291,894	131,917	423,811
Total assets	\$ 594,078	\$ 131,917	\$ 725,995
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 44	\$ 12,477	\$ 12,521
Contracts payable	-	103,905	103,905
Retainage payable	-	15,535	15,535
Due to other funds	538,200	-	538,200
Total liabilities	\$ 538,244	\$ 131,917	\$ 670,161
Fund balances			
Unreserved	55,834	-	55,834
Total liabilities and fund balances	\$ 594,078	\$ 131,917	\$ 725,995

See Notes to Financial Statements

City of Seneca
Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues			
Taxes	\$ 405,752	\$ -	\$ 405,752
Federal aid	776,077	390,262	1,166,339
State aid	790,150	-	790,150
County aid	60,000	-	60,000
Investment earnings	939	-	939
Total revenues	<u>\$ 2,032,918</u>	<u>\$ 390,262</u>	<u>\$ 2,423,180</u>
Expenditures			
Current operating			
General government			
Project administration	\$ 542,664	\$ -	\$ 542,664
Public works - paving	689,521	-	689,521
Capital outlay	546,616	465,278	1,011,894
Debt service - interest	3,646	-	3,646
Intergovernmental grants	176,071	-	176,071
Other	14,062	-	14,062
Total expenditures	<u>\$ 1,972,580</u>	<u>\$ 465,278</u>	<u>\$ 2,437,858</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 60,338	\$ (75,016)	\$ (14,678)
Other financing sources			
Contributions and donations	\$ 25,000	\$ -	\$ 25,000
Transfers in	100,229	75,016	175,245
Total other financing sources	<u>\$ 125,229</u>	<u>\$ 75,016</u>	<u>\$ 200,245</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 185,567	\$ -	\$ 185,567
Fund balances, beginning	<u>(129,733)</u>	<u>-</u>	<u>(129,733)</u>
Fund balances, ending	<u>\$ 55,834</u>	<u>\$ -</u>	<u>\$ 55,834</u>

See Notes to Financial Statements

City of Seneca
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010

	<u>Community Development</u>	<u>Hospitality Acc Tax</u>	<u>CAT Grant MT-8N711-58</u>	<u>ARRA Grant MT-0N7RR-A5</u>	<u>Total</u>
Assets					
Cash	\$ 8,485	\$ 115,583	\$ -	\$ 125,860	\$ 249,928
Receivables					
Notes	48,419	-	-	-	48,419
Interest	17	-	-	-	17
Other	-	-	-	3,820	3,820
Due from other governmental units	-	-	55,637	236,257	291,894
Total assets	<u>\$ 56,921</u>	<u>\$ 115,583</u>	<u>\$ 55,637</u>	<u>\$ 365,937</u>	<u>\$ 594,078</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 44	\$ -	\$ -	\$ -	\$ 44
Due to other funds	-	116,626	55,637	365,937	538,200
Total liabilities	<u>\$ 44</u>	<u>\$ 116,626</u>	<u>\$ 55,637</u>	<u>\$ 365,937</u>	<u>\$ 538,244</u>
Fund balances					
Unreserved	\$ 56,877	\$ (1,043)	\$ -	\$ -	\$ 55,834
Total liabilities and fund balances	<u>\$ 56,921</u>	<u>\$ 115,583</u>	<u>\$ 55,637</u>	<u>\$ 365,937</u>	<u>\$ 594,078</u>

See Notes to Financial Statements

City of Seneca
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 Fiscal Year Ended June 30, 2010

	Community Development	"C" Funds	Hospitality Acc Tax	CAT Grant MT-0N711-19	ARRA Grant MT-0N7RR-A5	Total
Revenues						
Taxes	\$ -	\$ -	\$ 405,752	\$ -	\$ -	\$ 405,752
Federal aid	-	-	-	289,148	486,929	776,077
State aid	-	689,521	-	100,629	-	790,150
County aid	-	-	-	60,000	-	60,000
Investment earnings	316	-	623	-	-	939
Total revenues	\$ 316	\$ 689,521	\$ 406,375	\$ 449,777	\$ 486,929	\$ 2,032,918
Expenditures						
Current operating						
General government						
Project administration	\$ -	\$ -	\$ -	\$ 542,664	\$ -	\$ 542,664
Public works - paving	-	689,521	-	-	-	689,521
Capital outlay	-	-	-	-	546,616	546,616
Debt service - interest	-	-	3,646	-	-	3,646
Intergovernmental grants	-	-	176,071	-	-	176,071
Other	8,259	-	5,803	-	-	14,062
Total expenditures	\$ 8,259	\$ 689,521	\$ 185,520	\$ 542,664	\$ 546,616	\$ 1,972,580
Excess (deficiency) of revenues over (under) expenditures	\$ (7,943)	\$ -	\$ 220,855	\$ (92,887)	\$ (59,687)	\$ 60,338
Other financing sources (uses)						
Contributions and donations	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Transfers in (out)	-	-	(27,345)	67,887	59,687	100,229
Total other financing sources (uses)	\$ -	\$ -	\$ (27,345)	\$ 92,887	\$ 59,687	\$ 125,229
Net change in fund balances	\$ (7,943)	\$ -	\$ 193,510	\$ -	\$ -	\$ 185,567
Fund balances, beginning	64,820	-	(194,553)	-	-	(129,733)
Fund balances, ending	\$ 56,877	\$ -	\$ (1,043)	\$ -	\$ -	\$ 55,834

See Notes to Financial Statements

City of Seneca
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Investment earnings	\$ -	\$ 316	\$ 316
Expenditures			
Other	\$ -	\$ 8,259	\$ (8,259)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (7,943)	\$ (7,943)
Fund balance, beginning	<u>64,820</u>	<u>64,820</u>	<u>-</u>
Fund balance, ending	<u>\$ 64,820</u>	<u>\$ 56,877</u>	<u>\$ (7,943)</u>

See Notes to Financial Statements

City of Seneca
C" Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
State aid	\$ 360,000	\$ 689,521	\$ 329,521
Expenditures			
Public works / paving	\$ 360,000	\$ 689,521	\$ (329,521)
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -

See Notes to Financial Statements

City of Seneca
 Hospitality and Accommodations Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual
 Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance
Revenues			
Taxes	\$ 330,000	\$ 405,752	\$ 75,752
Investment earnings	800	623	(177)
Total revenues	<u>\$ 330,800</u>	<u>\$ 406,375</u>	<u>\$ 75,575</u>
Expenditures			
Debt service - principal	197,406	217,328	(19,922)
Debt service - interest	3,480	3,646	(166)
Intergovernmental grants	69,914	176,071	(106,157)
Other	60,100	5,803	54,297
Total expenditures	<u>\$ 330,900</u>	<u>\$ 402,848</u>	<u>\$ (71,948)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (100)	\$ 3,527	\$ 3,627
Other financing sources (uses)			
Transfers to other funds	-	(27,345)	\$ (27,345)
Excess (deficiency) of revenues over (under) expenditures - budgetary basis	\$ (100)	\$ (23,818)	\$ (23,718)
Adjustment to convert to GAAP basis - principal	<u>197,406</u>	<u>217,328</u>	<u>(19,922)</u>
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	\$ 197,306	\$ 193,510	\$ (3,796)
Fund balance, beginning	<u>(194,553)</u>	<u>(194,553)</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,753</u>	<u>\$ (1,043)</u>	<u>\$ (3,796)</u>

Note: Deficit fund balance is to be funded from subsequent hospitality taxes.

See Notes to Financial Statements

City of Seneca
CAT Operating Grant...MT-0N711-19
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Federal aid	\$ 304,224	\$ 289,148	\$ (15,076)
State aid	119,221	100,629	(18,592)
County aid	50,000	60,000	10,000
Investment earnings	100	-	(100)
Total revenues	<u>\$ 473,545</u>	<u>\$ 449,777</u>	<u>\$ (23,768)</u>
Expenditures			
General government			
Project administration	\$ 542,666	\$ 542,664	\$ 2
Excess (deficiency) of revenues over (under) expenditures	\$ (69,121)	\$ (92,887)	\$ (23,766)
Other financing sources			
Contributions and donations	\$ 30,000	\$ 25,000	\$ (5,000)
Transfer from other funds	89,221	67,887	(21,334)
Total other financing sources	<u>\$ 119,221</u>	<u>\$ 92,887</u>	<u>\$ (26,334)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 50,100	\$ -	\$ (50,100)
Fund balance, beginning	-	-	-
Fund balance, ending	<u>\$ 50,100</u>	<u>\$ -</u>	<u>\$ (50,100)</u>

See Notes to Financial Statements

City of Seneca
Norton-Thompson Park
American Recovery and Reinvestment Act 2009 Grant...MT-0N7RR-A5
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Federal aid	\$ 515,000	\$ 486,929	\$ (28,071)
Expenditures			
Capital outlay	\$ 515,000	\$ 546,616	\$ (31,616)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (59,687)	\$ (59,687)
Other financing sources			
Transfer from other funds	-	59,687	59,687
Total other financing sources	-	59,687	59,687
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	-
Fund balance, ending	-	-	-

See Notes to Financial Statements

City of Seneca
Capital Projects Fund
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2010

	<u>Utica Sewer 4-CI-07-010</u>	<u>Utica Sewer 4-CI-09-017</u>	<u>Total</u>
Revenues			
Federal aid	\$ 69,717	\$ 320,545	\$ 390,262
Expenditures			
Capital outlay	\$ 75,808	\$ 389,470	\$ 465,278
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,091)</u>	<u>\$ (68,925)</u>	<u>\$ (75,016)</u>
Other financing sources			
Transfers in	\$ 6,091	\$ 68,925	\$ 75,016
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

City of Seneca
Capital Projects Fund
Utica Sewer...4-CI-09-017
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues			
Federal aid	\$ 320,545	\$ 320,545	\$ 500,000
Expenditures			
Capital outlay	\$ 389,470	\$ 389,470	\$ 617,355
Excess (deficiency) of revenues over (under) expenditures	\$ (68,925)	\$ (68,925)	\$ (117,355)
Other financing sources			
Transfers in	\$ 68,925	\$ 68,925	\$ 117,355
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	
Fund balance, ending	\$ -	\$ -	

Note:

1. The project is budgeted on a project duration basis and is treated as a legal nonappropriated budget.

See Notes to Financial Statements

City of Seneca
Capital Projects Fund
Utica Sewer...4-CI-07-010
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues				
Federal aid	\$ 719,752	\$ 69,717	\$ 789,469	\$ 870,000
Expenditures				
Capital outlay	\$ 817,779	\$ 75,808	\$ 893,587	\$ 957,000
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (98,027)</u>	<u>\$ (6,091)</u>	<u>\$ (104,118)</u>	<u>\$ (87,000)</u>
Other financing sources				
Transfers in	\$ 98,027	\$ 6,091	\$ 104,118	\$ 87,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	-	
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Note:

1. The project is budgeted on a project duration basis and is treated as a legal nonappropriated budget.

See Notes to Financial Statements

City of Seneca
Enterprise Fund
Schedule of Revenues, Expenses, and Changes in Net Assets
Budget to Actual
Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Charges for services			
Electric receipts	\$ 17,383,750	\$ 16,358,669	\$ (1,025,081)
Water receipts	6,211,339	5,623,953	(587,386)
Sewer receipts	3,038,546	2,786,876	(251,670)
Other revenues	160,284	202,474	42,190
Total operating revenues	<u>\$ 26,793,919</u>	<u>\$ 24,971,972</u>	<u>\$ (1,821,947)</u>
Operating expenses			
Light & water administration (505)	\$ 1,443,697	\$ 1,462,976	\$ (19,279)
I & I department (506)	121,823	94,059	27,764
Billing department (507)	762,951	671,257	91,694
Engineering department (508)	318,801	326,188	(7,387)
Electrical department (509)	2,238,497	1,845,984	392,513
Water department (510)	1,663,641	1,351,726	311,915
Sewer department (511)	2,703,004	3,494,745	(791,741)
Water plant (512)	1,461,531	952,714	508,817
Electrical generation / purchase (513)	11,057,311	10,492,262	565,049
Depreciation	1,306,423	1,472,015	(165,592)
Total operating expenses	<u>\$ 23,077,679</u>	<u>\$ 22,163,926</u>	<u>\$ 913,753</u>
Operating income (loss)	<u>\$ 3,716,240</u>	<u>\$ 2,808,046</u>	<u>\$ (908,194)</u>
Non-operating transactions			
Intergovernmental	\$ -	\$ 29,900	\$ 29,900
Investment earnings	123,463	100,061	(23,402)
Interest expense	(588,582)	(516,956)	71,626
Amortization of bond issuance costs	-	(18,867)	(18,867)
Proceeds from sale of capital assets	104	28,578	28,474
Other financing sources (uses)			
Contributions and donations	-	2,529,170	2,529,170
Interfund transfers in (out)	(3,251,225)	(3,384,118)	(132,893)
Net income (loss) - budgetary basis	<u>\$ -</u>	<u>\$ 1,575,814</u>	<u>\$ 1,575,814</u>
Adjustment to convert to GAAP basis			
Capital outlay	-	1,833,123	(1,833,123)
Net income (loss) - GAAP basis	<u>\$ -</u>	<u>\$ 3,408,937</u>	<u>\$ 3,408,937</u>
Net assets, beginning	<u>33,773,364</u>	<u>33,773,364</u>	<u>-</u>
Net assets, ending	<u>\$ 33,773,364</u>	<u>\$ 37,182,301</u>	<u>\$ 3,408,937</u>

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation
of Governmental Funds
Schedule by Type
June 30, 2010

Governmental funds capital assets

Land	\$	1,027,039
Buildings		7,565,808
Improvements		6,763,598
Equipment		825,672
Vehicles		4,590,191
Construction in progress		389,470
Total	\$	21,161,778
Less, accumulated depreciation		(7,998,860)
Investment in capital assets	\$	13,162,918

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function & Activity
 June 30, 2010

Function & activity	Land	Buildings	Improvements	Machinery & equipment	Vehicles	Construction in progress	Total
General government							
Finance / administration	\$ 165,787	\$ 1,797,412	\$ 480,639	\$ 229,664	\$ 19,847	\$ -	\$ 2,693,349
Planning & development	37,497	-	182,448	-	827,750	-	1,047,695
Total general government	<u>\$ 203,284</u>	<u>\$ 1,797,412</u>	<u>\$ 663,087</u>	<u>\$ 229,664</u>	<u>\$ 847,597</u>	<u>\$ -</u>	<u>\$ 3,741,044</u>
Public safety							
Police department	\$ 20,000	\$ 602,387	\$ 246,385	\$ 96,342	\$ 521,624	\$ -	\$ 1,486,738
Fire department	16,709	1,430,900	-	205,438	1,754,885	-	3,407,932
Total public safety	<u>\$ 36,709</u>	<u>\$ 2,033,287</u>	<u>\$ 246,385</u>	<u>\$ 301,780</u>	<u>\$ 2,276,509</u>	<u>\$ -</u>	<u>\$ 4,894,670</u>
Public works							
Street department	\$ 2,000	\$ 50,000	\$ 4,492,127	\$ 186,612	\$ 253,100	\$ -	\$ 4,983,839
Sanitation department	1,000	232,460	-	-	1,080,601	-	1,314,061
Motor pool	2,000	-	-	-	53,070	-	55,070
Total public works	<u>\$ 5,000</u>	<u>\$ 282,460</u>	<u>\$ 4,492,127</u>	<u>\$ 186,612</u>	<u>\$ 1,386,771</u>	<u>\$ -</u>	<u>\$ 6,352,970</u>
Recreation	\$ 633,885	\$ 3,452,649	\$ 685,614	\$ 107,616	\$ 75,814	\$ -	\$ 4,955,578
Other	\$ 148,161	-	\$ 676,385	-	\$ 3,500	\$ 389,470	\$ 1,217,516
Total governmental funds capital assets	<u>\$ 1,027,039</u>	<u>\$ 7,565,808</u>	<u>\$ 6,763,598</u>	<u>\$ 825,672</u>	<u>\$ 4,590,191</u>	<u>\$ 389,470</u>	<u>\$ 21,161,778</u>
Less accumulated depreciation							<u>(7,998,860)</u>
Net governmental funds capital assets							<u>\$ 13,162,918</u>

See Notes to Financial Statements

OTHER REQUIRED INFORMATION

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**City of Seneca
Victim Services
Supplementary Schedule of Fines and Assessments
Fiscal Year Ended June 30, 2010**

Collections: (municipal court)

Fines	\$ 102,145
Assessments	100,982
Surcharges	57,048
Total collections	\$ 260,175

Retainage: (municipal treasurer)

Fines	\$ 102,145
Assessments	11,190
Surcharges	8,650
Total retainage	\$ 121,985

Amounts remitted:

State treasurer - assessments	\$ 138,190
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**Amount of expenditures allocated to
Victim services by fund source:**

From assessments & surcharges	\$ 19,841
--	------------------

**Funds carried forward designated as
Victim right's funds**

\$ -

See Notes to Financial Statements

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***FEDERAL FINANCIAL ASSISTANCE
SECTION***

City of Seneca
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass Through Grantor's Number	Total Expenditures
US Department of Transportation			
Passed Through SC Dept. of Transportation			
Transit Operating Grant	20.509	MT-0N711-19	\$ 289,148
Formula Grants for Other Than Urbanized Areas-ARRA	20.509	SC-86-X001	486,929
Total US Department of Transportation			<u>\$ 776,077</u>
Department of Housing and Urban Development			
Passed Through SC Community Development Block Grant Program			
Utica Mill Village Sewer Project	14.219	4-CI-07-010	\$ 69,717
Utica Mill Village Sewer Project	14.219	4-CI-09-017	320,545
Total Department of Housing and Urban Development			<u>\$ 390,262</u>
Department of Justice			
Direct Program			
Recovery Act - Justice Assistance	16.804	2009-SB-B9-1361	\$ 40,278
Total Federal Assistance Expended			<u><u>\$ 1,206,617</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Seneca and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations".



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

*We have audited the basic financial statements of City of Seneca as of and for the year ended June 30, 2010, and have issued our report thereon dated January 26, 2011. 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 City of Seneca's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Seneca's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Seneca'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 the 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 City of Seneca's 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 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 organization, 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.

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina
January 26, 2011



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

Compliance

*We have audited the compliance of City of Seneca with the types of compliance requirements described in the **U.S. Office of Management and Budget Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Seneca's major federal programs are identified in the summary of auditor's 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 City of Seneca'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 U.S. **Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and 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 City of Seneca's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Seneca's compliance with those requirements.*

In our opinion, City of Seneca complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of City of Seneca is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Seneca's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Seneca's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of, management, City Council, others within the organization, 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.

Stancil Cooley Estep & Stamey, LLP

*Seneca, South Carolina
January 26, 2011*

CITY OF SENECA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

The auditors' report expresses an unqualified opinion on the financial statements of the City of Seneca.

No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards".

No instances of noncompliance material to the financial statements of the City of Seneca were disclosed during the audit.

No material weaknesses relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".

The auditors' report on compliance for the major federal award programs for the City of Seneca expresses an unqualified opinion.

Audit findings relative to the major federal award programs for the City of Seneca are reported in Part C of this schedule.

The following programs were tested as major programs:

- Recovery Act – Justice Assistance, Grant # 2009-SB-B9-1361, CFDA # 16.804*
- Transit Operating Grant, Grant # MT-0N711-19, CFDA # 20.509.*
- Formula Grants for Other Than Urbanized Areas –ARRA, Grant # SC-86-X001, CFDA # 20.509*

The threshold for distinguishing Types A and B programs was \$300,000.

The City of Seneca was determined to be a low-risk auditee.

B. FINDINGS.....FINANCIAL STATEMENT AUDIT.....NONE

C. FINDINGS AND QUESTIONED COSTS.....MAJOR FEDERAL AWARD PROGRAMS AUDIT.....NONE

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