

***CITY OF SENECA***  
***FINANCIAL REPORT***  
***JUNE 30, 2011***

**City of Seneca**  
**Financial Report**  
**Year Ended June 30, 2011**

**Table of Contents**

<b>Independent Auditor's Report</b>	<i>i - iii</i>
<b>Management's Discussion and Analysis</b>	<i>vii – xvii</i>
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements</i>	
<i>Statement of Net Assets</i>	3
<i>Statement of Activities</i>	4
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	5
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds</i>	6
<i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	7
<i>Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund</i>	8 – 11
<i>Statement of Net Assets – Proprietary Funds</i>	12 - 13
<i>Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds</i>	14
<i>Statement of Cash Flows - Proprietary Funds</i>	16 – 17
<i>Statement of Fiduciary Net Assets – Fiduciary Funds</i>	18
<i>Statement of Changes in Fiduciary Net Assets – Fiduciary Funds</i>	18
<i>Notes to Financial Statements</i>	21 – 38
<b>Combining and Individual Fund Statements and Schedules</b>	
<i>Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances</i>	41
<i>Nonmajor Special Revenue Funds - Combining Balance Sheet</i>	42
<i>Nonmajor Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances</i>	43

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<i>Schedules of Revenues, Expenditures, and Changes in Fund</i>	
<i>Balances – Budget to Actual</i>	
<i>Community Development Fund</i>	44
<i>“C” Funds</i>	45
<i>Hospitality and Accommodations Tax Fund</i>	46
<i>CAT Operating Grant...MT-1N711-19</i>	47
<i>Norton Thompson Park – American Recovery and Reinvestment</i>	
<i>Act 2009 Grant...MT-0N7RR-A5</i>	48
<i>Utica Sewer Capital Projects Fund...4-CI-09-017</i>	49
<i>Schedules of Revenues, Expenses and Changes in Net Assets -</i>	
<i>Budget to Actual</i>	
<i>Enterprise Fund</i>	50
<i>Capital Assets Used in the Operations of Governmental Funds</i>	
<i>Schedule by Type</i>	51
<i>Schedule by Function and Activity</i>	52
 <b>Other Required Information</b>	
<i>Victim Services – Supplementary Schedule of Fines and Assessments</i>	55
 <b>Federal Financial Assistance Section</b>	
<i>Schedule of Expenditures of Federal Awards</i>	58
<i>Report on Internal Control Over Financial Reporting and on Compliance</i>	
<i>and Other Matters Based on an Audit of Financial Statements Performed</i>	
<i>In Accordance with Government Auditing Standards</i>	59 - 60
<i>Independent Auditor’s Report on Compliance with Requirements That Could</i>	
<i>Have a Direct and Material Effect on Each Major Program and on Internal</i>	
<i>Control Over Compliance in Accordance With OMB Circular A-133</i>	61 – 62
<i>Schedule of Findings and Questioned Costs</i>	63



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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, 2011, 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 opinions on these financial statements based on our audit.*

*We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.*

*In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the City of Seneca, as of June 30, 2011, 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 30, 2012 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 should be considered in assessing the results of our audit.*

*Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 basic financial statements. 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 basic 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 basic financial statements and*

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

*Stancil Cooley Estep & Stamey, LLP*

*Seneca, South Carolina*

*January 30, 2012*

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***MANAGEMENT'S DISCUSSION AND ANALYSIS***



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City of Seneca  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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, 2011. 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 \$53,432,912 (net assets). Of the amount, \$8,801,241 (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 \$1,258,475 during the fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,351,210 or 23.9% 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 \$505,000, the outstanding balance is \$9,695,000.

### **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 three governmental type funds - a general fund, special revenue funds, and a capital projects fund. Information is presented separately in the governmental fund balance sheets and in the government fund statement of revenues, expenditures, and changes in fund balances. 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 21-38 of this report.

## Supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required information concerning the Victim Services. Other required information can be found on page 55 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 \$53,432,912 at the close of the most recent fiscal year.

By far the largest portion of the City of Seneca's net assets (75.6 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>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>
Current and Other Assets	\$3,433,682	\$3,276,611	\$13,251,446	\$13,101,752	\$16,685,128	\$16,378,363
Net Capital Assets	<u>12,428,056</u>	<u>13,162,918</u>	<u>40,197,269</u>	<u>39,529,011</u>	<u>52,625,325</u>	<u>52,691,929</u>
Total Assets	\$15,861,738	\$16,439,529	\$53,448,715	\$52,630,763	\$69,310,453	\$69,070,292
Long-term Debt Outstanding	\$ 546,111	\$509,166	\$10,906,983	\$11,508,533	\$11,453,094	\$12,017,699
Other Liabilities	<u>1,242,453</u>	<u>938,227</u>	<u>3,181,994</u>	<u>3,939,929</u>	<u>4,424,447</u>	<u>4,878,156</u>
Total Liabilities	\$1,788,564	\$1,447,393	\$14,088,977	\$15,448,462	\$15,877,541	\$16,895,855
Net Assets						
Investment in Capital Assets, net of related debt	\$11,686,703	\$12,527,325	\$28,688,736	\$27,441,549	\$40,375,439	\$39,968,874
Restricted	-	-	4,256,232	4,599,934	4,256,232	4,599,934
Unrestricted	<u>2,386,471</u>	<u>2,464,811</u>	<u>6,414,770</u>	<u>5,140,818</u>	<u>8,801,241</u>	<u>7,605,629</u>
Total Net Assets	<u>\$14,073,174</u>	<u>\$14,992,136</u>	<u>\$39,359,738</u>	<u>\$37,182,301</u>	<u>\$53,432,912</u>	<u>\$52,174,437</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 decreased by \$918,962. Key factor in this decrease is as follows:

- Capital grants and contributions decreased by \$1,209,454 from last year.

The table below summarizes the changes in net assets for fiscal year 2011

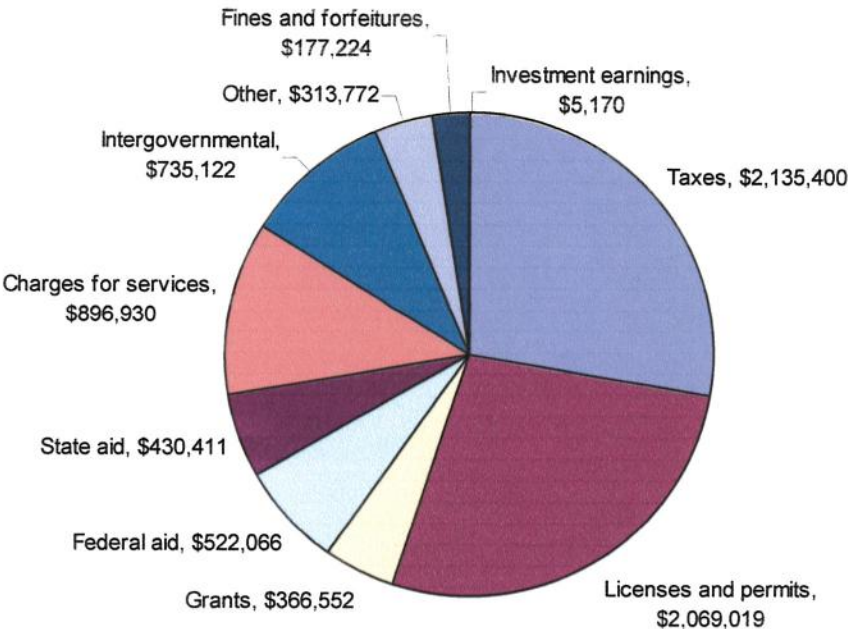
Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>
<b>REVENUES:</b>						
Program Revenues:						
Charges for sales and services	\$896,930	\$932,653	\$25,885,867	\$24,971,972	\$26,782,797	\$25,904,625
General revenues:						
Property taxes	1,716,224	1,730,356			1,716,224	1,730,356
Hospitality/Accommodation Tax	419,176	405,752			419,176	405,752
Other revenues	2,069,019	2,058,949			2,069,019	2,058,949
Restricted grants	813,105	2,016,489	1,042,236	1,665,491	1,855,341	3,681,980
Grants and contributions not restricted to specific programs	1,241,046	2,394,647			1,241,046	2,394,647
Other/Interest/Fines	<u>496,166</u>	<u>258,411</u>	<u>36,254</u>	<u>128,639</u>	<u>532,420</u>	<u>387,050</u>
Total revenues	<u>\$7,651,666</u>	<u>\$9,797,257</u>	<u>\$26,964,357</u>	<u>\$26,766,102</u>	<u>\$34,616,023</u>	<u>\$36,563,359</u>
<b>EXPENSES:</b>						
General government	1,985,921	1,984,782			1,985,921	1,984,782
Public safety	5,079,393	4,774,156			5,079,393	4,774,156
Public Works	1,878,863	1,885,466			1,878,863	1,885,466
Culture and recreation	851,459	953,188			851,459	953,188
Other	1,492,092	1,215,992	1,551,471	1,490,882	3,043,563	2,706,874
Administration			2,698,173	2,487,410	2,698,173	2,487,410
Electric			12,724,371	12,119,170	12,724,371	12,119,170
Water			2,311,954	2,083,208	2,311,954	2,083,208
Sewer			2,286,734	2,169,000	2,286,734	2,169,000
Interest on Long Term debt	-	-	497,117	516,956	497,117	516,956
Total expenses	<u>11,287,728</u>	<u>10,813,584</u>	<u>22,069,820</u>	<u>20,866,626</u>	<u>33,357,548</u>	<u>31,680,210</u>
Increase in net assets before transfers	<u>(3,636,062)</u>	<u>(1,016,327)</u>	<u>4,894,537</u>	<u>5,899,476</u>	<u>1,258,475</u>	<u>4,883,149</u>
Transfer	<u>2,717,100</u>	<u>2,490,539</u>	<u>(2,717,100)</u>	<u>(2,490,539)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>(918,962)</u>	<u>1,474,212</u>	<u>2,177,437</u>	<u>3,408,937</u>	<u>1,258,475</u>	<u>4,883,149</u>
Total net assets	<u>\$14,073,174</u>	<u>\$14,992,136</u>	<u>\$39,359,738</u>	<u>\$37,182,301</u>	<u>\$53,432,912</u>	<u>\$52,174,437</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.

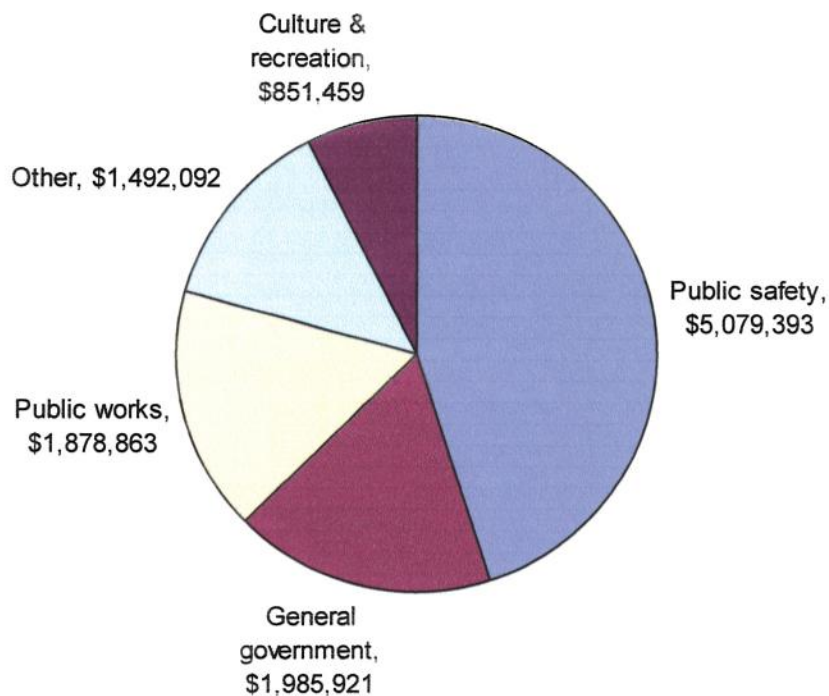
**Revenue by Source**





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 a decrease in net assets of \$918,962. The decrease in Capital grants & contributions (\$1,209,454) is responsible for this result.

### Expenditures by Function

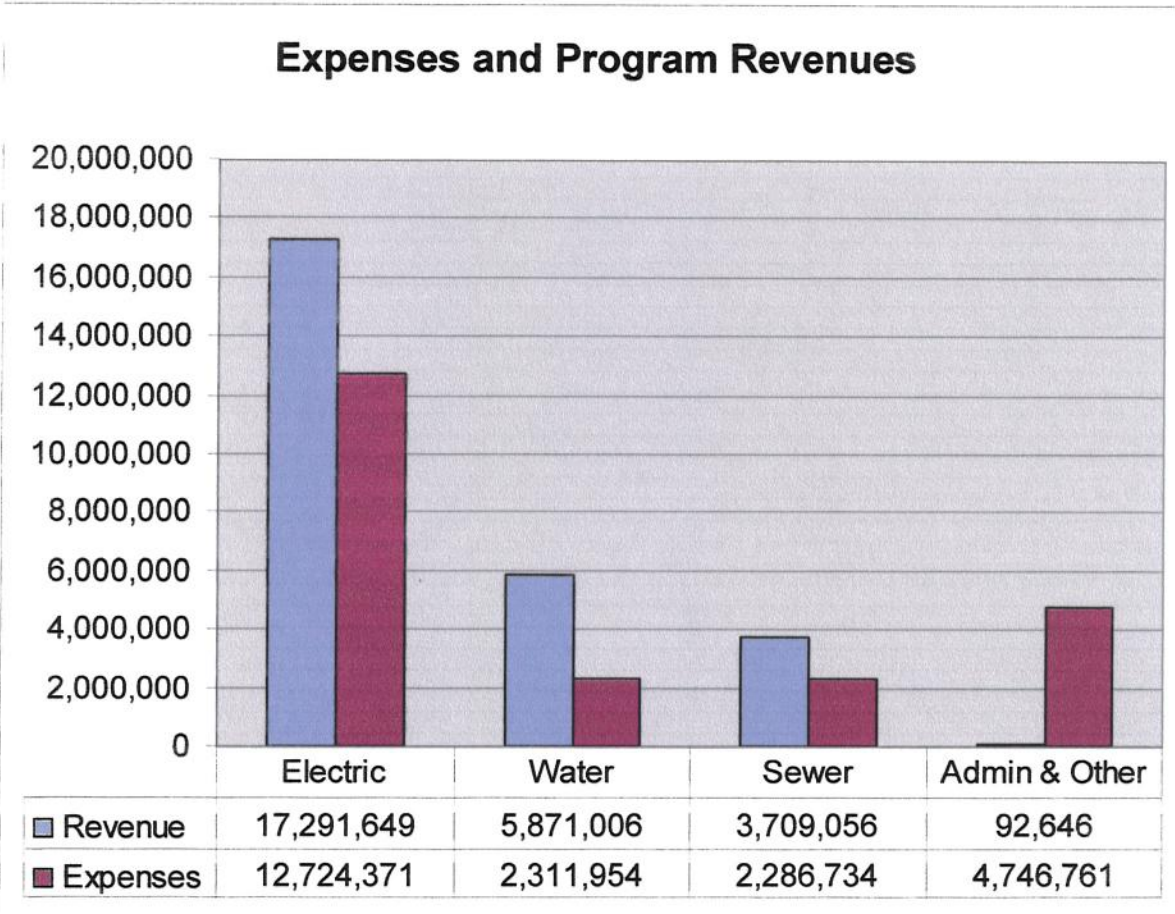




**Business-type activities**

Business-type activities increased the City of Seneca’s net assets by \$2,177,437. Key element of the increase is as follows:

- Total budgeted revenues include amounts for capital outlay. Capital outlay of \$1,602,095 was capitalized as Fixed Assets and not expensed.
- Operating Income of \$2,729,936.
- Decrease in contributions and donations of \$888,167.



## **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 16.5% of the \$53,432,912 of net assets (\$8,801,241) constitutes unrestricted 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, unassigned fund balance of the general fund was \$2,351,210, while total assets were \$3,099,095. In addition, the city has \$12,428,056 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 \$6,414,770.

### **General Fund Budgetary Highlights**

The actual expenditures exceed the budgeted expenditures by \$1,241,340. The following is a brief summary of the variances.

- The Finance Department was under budget by \$68,450.
- The Police Department expenditures exceeded budget by \$260,863.
- The Fire Department expenditures exceeded budget by \$216,440.
- The Sanitation Department expenditures exceeded budget by \$56,338.
- The Motor Pool Department expenditures exceeded budget by \$66,008.
- The Recreation Department expenditures exceeded budget by \$88,983.

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, 2011 amounts to \$52,625,325 (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 \$8,000
- Building \$47,578
- Improvements Other than Building \$1,838,448 (includes transfers from Construction In Progress of \$1,033,010)
- Equipment \$109,687
- Vehicles \$497,581 (includes additions contributed by Army Surplus)
- Water Expansion \$283,120
- Sewer Expansion \$53,760
- Street Light Expansion \$25,021

The total decrease in the City of Seneca's net capital assets for the current fiscal year was \$66,604. Decrease of \$734,862 for Governmental Activities and increase of \$668,258 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>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>
Land	\$ 1,035,039	\$ 1,027,039	\$ 843,897	\$ 843,897	\$1,878,936	\$1,870,936
Building and system	4,876,913	4,921,140	158,396	165,763	5,035,309	5,086,903
Improvement other than Building	4,749,290	5,106,025	37,480,530	32,104,917	42,229,820	37,210,942
Machinery and equipment	294,509	310,454	1,465,628	1,635,568	1,760,137	1,946,022
Vehicles	1,472,305	1,408,790	248,818	199,781	1,721,123	1,608,571
Construction in Progress	-	389,470	-	4,579,085	-	4,968,555
Total	\$12,428,056	\$13,162,918	\$40,197,269	\$39,529,011	\$52,625,325	\$52,691,929

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, 2011 is \$9,695,000.

## **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 2011, the City of Seneca added 51.84 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 9 single family housing starts. The value of residential permits issued last calendar year was \$1,597,178.

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 1.02% percent from \$623,078,637 in 2010 to \$616,710,273 in 2011.

## **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, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Cash</b>	\$ 1,748,697	\$ 1,623,850	\$ 3,372,547
<b>Investments</b>	1,214,881	6,945,249	8,160,130
<b>Receivables</b>			
<b>Property taxes</b>	97,742	-	97,742
<b>Accounts</b>	80,613	2,975,780	3,056,393
<b>Interest</b>	8	-	8
<b>Notes</b>	45,190	-	45,190
<b>Other</b>	6,373	20,261	26,634
<b>Prepaid expenses</b>	19,645	8,661	28,306
<b>Internal balances</b>	(43,100)	43,100	-
<b>Due from other governmental units</b>	234,253	-	234,253
<b>Inventory</b>	29,380	551,632	581,012
<b>Restricted cash</b>	-	837,632	837,632
<b>Deferred charges</b>	-	245,281	245,281
<b>Capital assets:</b>			
<b>Land</b>	1,035,039	843,897	1,878,936
<b>Other capital assets, net of depreciation</b>	11,393,017	39,353,372	50,746,389
<b>Total assets</b>	<b>\$ 15,861,738</b>	<b>\$ 53,448,715</b>	<b>\$ 69,310,453</b>
<b>Liabilities</b>			
<b>Accounts payable</b>	\$ 368,854	\$ 1,319,048	\$ 1,687,902
<b>Accrued expenses</b>	228,263	357,404	585,667
<b>Compensated absences payable</b>	389,711	226,762	616,473
<b>Customer deposits</b>	-	677,230	677,230
<b>Deferred support</b>	60,383	-	60,383
<b>Noncurrent liabilities:</b>			
<b>Due within one year</b>	195,242	601,550	796,792
<b>Due in more than one year</b>	546,111	10,906,983	11,453,094
<b>Total liabilities</b>	<b>\$ 1,788,564</b>	<b>\$ 14,088,977</b>	<b>\$ 15,877,541</b>
<b>Net assets</b>			
<b>Invested in capital assets, net of debt</b>	\$ 11,686,703	\$ 28,688,736	\$ 40,375,439
<b>Restricted for debt service</b>	-	837,632	837,632
<b>Restricted for generation savings</b>	-	3,418,600	3,418,600
<b>Unrestricted</b>	2,386,471	6,414,770	8,801,241
<b>Total net assets</b>	<b>\$ 14,073,174</b>	<b>\$ 39,359,738</b>	<b>\$ 53,432,912</b>

See Notes to Financial Statements



City of Seneca  
Statement of Activities  
For the Year Ended June 30, 2011

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		
						Governmental activities	Business-type activities	Total
<b>Primary government:</b>								
<b>Governmental activities</b>								
General government	\$ 1,985,921	\$ -	\$ 154,836	\$ -	\$ (1,831,085)	\$ -	\$ (1,831,085)	
Public safety	5,079,393	-	-	-	(5,079,393)	-	(5,079,393)	
Public works	1,878,863	814,616	-	-	(1,064,247)	-	(1,064,247)	
Cultural & recreation	851,459	82,314	-	-	(769,145)	-	(769,145)	
Other	1,492,092	-	-	211,716	(1,280,376)	-	(1,280,376)	
<b>Total governmental activities</b>	<b>\$ 11,287,728</b>	<b>\$ 896,930</b>	<b>\$ 154,836</b>	<b>\$ 211,716</b>	<b>\$ (10,024,246)</b>	<b>\$ -</b>	<b>\$ (10,024,246)</b>	
<b>Business-type activities</b>								
Electric	\$ 12,724,371	\$ 17,291,649	\$ -	\$ -	\$ -	\$ 4,567,278	\$ 4,567,278	
Water	2,311,954	5,871,006	-	-	-	3,559,052	3,559,052	
Sewer	2,286,734	2,666,820	9,946	1,032,290	-	1,422,322	1,422,322	
Admin	2,698,173	-	-	-	-	(2,698,173)	(2,698,173)	
Interest on long-term debt	497,117	-	-	-	-	(497,117)	(497,117)	
Other	1,551,471	56,392	-	-	-	(1,495,079)	(1,495,079)	
<b>Total business-type activities</b>	<b>\$ 22,069,820</b>	<b>\$ 25,885,867</b>	<b>\$ 9,946</b>	<b>\$ 1,032,290</b>	<b>\$ -</b>	<b>\$ 4,858,283</b>	<b>\$ 4,858,283</b>	
<b>Total primary government</b>	<b>\$ 33,357,548</b>	<b>\$ 26,782,797</b>	<b>\$ 164,782</b>	<b>\$ 1,244,006</b>	<b>\$ (10,024,246)</b>	<b>\$ 4,858,283</b>	<b>\$ (5,165,963)</b>	
<b>General revenues:</b>								
Property taxes					\$ 1,716,224	\$ -	\$ 1,716,224	
Hospitality & accomodation taxes					419,176	-	419,176	
Licenses & permits					2,069,019	-	2,069,019	
Intergovernmental					735,122	-	735,122	
Federal aid					522,066	-	522,066	
State aid					430,411	-	430,411	
Fines / forfeitures					177,224	-	177,224	
Investment earnings					5,170	32,726	37,896	
Other					313,772	3,528	317,300	
Transfers					2,717,100	(2,717,100)	-	
<b>Total general revenues and transfers</b>					<b>\$ 9,105,284</b>	<b>\$ (2,680,846)</b>	<b>\$ 6,424,438</b>	
<b>Change in net assets</b>					<b>\$ (918,962)</b>	<b>\$ 2,177,437</b>	<b>\$ 1,258,475</b>	
<b>Net assets - beginning</b>					<b>14,992,136</b>	<b>37,182,301</b>	<b>52,174,437</b>	
<b>Net assets - ending</b>					<b>\$ 14,073,174</b>	<b>\$ 39,359,738</b>	<b>\$ 53,432,912</b>	

**City of Seneca**  
**Balance Sheet - Governmental Funds**  
**June 30, 2011**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 1,509,701	\$ 9,493	\$ 1,519,194
Investments	1,214,881	-	1,214,881
Receivables (net of allowances)			
Property taxes	97,742	-	97,742
Accounts	80,613	-	80,613
Interest	-	8	8
Notes	-	45,190	45,190
Other	1,109	5,264	6,373
Prepaid expenses	19,645	-	19,645
Due from other governmental units	75,935	158,318	234,253
Due from other funds	70,089	3,190	73,279
Inventory	29,380	-	29,380
<b>Total assets</b>	<b>\$ 3,099,095</b>	<b>\$ 221,463</b>	<b>\$ 3,320,558</b>
<b>Liabilities</b>			
Accounts payable	\$ 316,070	\$ 52,784	\$ 368,854
Accrued expenses	228,263	-	228,263
Due to other funds	3,190	113,189	116,379
Deferred revenue	72,767	-	72,767
Deferred support	60,383	-	60,383
<b>Total liabilities</b>	<b>\$ 680,673</b>	<b>\$ 165,973</b>	<b>\$ 846,646</b>
<b>Fund balances</b>			
<b>Nonspendable:</b>			
Inventory	\$ 29,380	\$ -	\$ 29,380
Prepaid expenses	19,645	-	19,645
<b>Assigned:</b>			
Health care insurance	18,187	-	18,187
Special projects	-	55,490	55,490
<b>Unassigned</b>	<b>2,351,210</b>	<b>-</b>	<b>2,351,210</b>
<b>Total fund balances</b>	<b>\$ 2,418,422</b>	<b>\$ 55,490</b>	<b>\$ 2,473,912</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 3,099,095</b>	<b>\$ 221,463</b>	

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

Property taxes receivable to full assessment value	72,767
Health care account internal service cash balance	229,503
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	12,428,056
Long-term liabilities are not due and payable in the current period	
Compensated absences	(389,711)
Capital leases	(741,353)

**Net assets of governmental funds** **\$ 14,073,174**

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, 2011**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 1,740,846	\$ 419,176	\$ 2,160,022
Licenses and permits	2,069,019	-	2,069,019
Federal aid	-	522,066	522,066
State aid	199,372	231,039	430,411
County aid	675,122	60,000	735,122
Charges for services	814,616	-	814,616
Fines and forfeitures	177,224	-	177,224
Investment earnings	4,708	462	5,170
Other revenues	166,583	-	166,583
<b>Total revenues</b>	<b>\$ 5,847,490</b>	<b>\$ 1,232,743</b>	<b>\$ 7,080,233</b>
<b>Expenditures</b>			
<b>Current operating</b>			
General government	\$ 1,416,125	\$ 569,796	\$ 1,985,921
Public safety	5,079,393	-	5,079,393
Public works	1,878,863	-	1,878,863
Culture & recreation	851,459	-	851,459
Debt service - principal	126,427	-	126,427
- interest	-	300	300
<b>Capital outlay</b>			
General government	14,601	-	14,601
Public safety	32,895	-	32,895
Public works	403,904	-	403,904
Culture & recreation	39,697	-	39,697
Special revenue fund	-	488,986	488,986
Intergovernmental grants	-	253,736	253,736
Other expenditures	-	22,781	22,781
<b>Total expenditures</b>	<b>\$ 9,843,364</b>	<b>\$ 1,335,599</b>	<b>\$ 11,178,963</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (3,995,874)</b>	<b>\$ (102,856)</b>	<b>\$ (4,098,730)</b>
<b>Other financing sources</b>			
Contributions & donations	\$ 366,552	\$ -	\$ 366,552
Capital lease proceeds	198,500	-	198,500
Interfund transfers	3,213,355	102,512	3,315,867
<b>Total other financing sources</b>	<b>\$ 3,778,407</b>	<b>\$ 102,512</b>	<b>\$ 3,880,919</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures</b>	<b>\$ (217,467)</b>	<b>\$ (344)</b>	<b>\$ (217,811)</b>
<b>Fund balances, beginning</b>	<b>2,635,889</b>	<b>55,834</b>	<b>2,691,723</b>
<b>Fund balances, ending</b>	<b>\$ 2,418,422</b>	<b>\$ 55,490</b>	<b>\$ 2,473,912</b>

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, 2011

<i>Amounts reported for governmental activities in the statement of activities are different because:</i>					
Net change in fund balances - total governmental funds	\$ (217,811)				
Property taxes are recorded at assessed values for the government-wide financial statements - the change in the amount to adjust to full assessment.	(24,622)				
Health care cash account not recorded in governmental funds.	229,503				
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="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">\$ 980,083</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>(1,116,178)</u></td> </tr> </table>		\$ 980,083		<u>(1,116,178)</u>
	\$ 980,083				
	<u>(1,116,178)</u>				
Transfers of capital assets to proprietary fund not recorded in governmental funds.	(598,767)				
Issuance of long-term debt not recorded in governmental funds.	(198,500)				
Repayment of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.	92,740				
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.	<u>(65,410)</u>				
Change in net assets of governmental activities	<u>\$ (918,962)</u>				

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, 2011

Revenues	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Property taxes			
Real property	\$ 1,378,105	\$ 1,478,169	\$ 100,064
Vehicles	140,000	138,670	(1,330)
Other	107,360	124,007	16,647
<b>Total property taxes</b>	<u>\$ 1,625,465</u>	<u>\$ 1,740,846</u>	<u>\$ 115,381</u>
Licenses and permits			
Business licenses	\$ 1,600,000	\$ 1,790,355	\$ 190,355
Franchise fees	74,500	71,898	(2,602)
Building permits	16,500	25,201	8,701
Miscellaneous permits	12,000	11,834	(166)
Natural gas authority	200,000	169,731	(30,269)
<b>Total licenses and permits</b>	<u>\$ 1,903,000</u>	<u>\$ 2,069,019</u>	<u>\$ 166,019</u>
Intergovernmental			
County revenue sharing	\$ 550,000	\$ 550,000	\$ -
State government shared revenue	188,819	167,349	(21,470)
SC Housing Authority	12,700	14,790	2,090
State grants	-	17,233	17,233
Intergovernmental revenues	72,000	125,122	53,122
<b>Total intergovernmental</b>	<u>\$ 823,519</u>	<u>\$ 874,494</u>	<u>\$ 50,975</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, 2011**

*continued*

Revenues	Original & Final Budget	Actual	Budget Variance
Charges for services			
Garbage fees	\$ 815,815	\$ 814,616	\$ (1,199)
Fines and forfeitures			
Municipal court fines	\$ 86,500	\$ 149,224	\$ 62,724
Victims assistance fines	15,000	28,000	13,000
Total fines and forfeitures	\$ 101,500	\$ 177,224	\$ 75,724
Investment earnings	\$ 9,000	\$ 4,708	\$ (4,292)
Other			
Recreation fees / sports	\$ 57,000	\$ 82,314	\$ 25,314
Miscellaneous	15,500	84,269	68,769
Total other	\$ 72,500	\$ 166,583	\$ 94,083
Total revenues	\$ 5,350,799	\$ 5,847,490	\$ 496,691

*continued*

**City of Seneca**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual**  
**For the Year Ended June 30, 2011**

*continued*

<b>Expenditures</b>	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Budget Variance</b>
<b>Current operating</b>			
General government	\$ 208,504	\$ 222,267	\$ (13,763)
Municipal judge	78,234	85,397	(7,163)
Mayor and council	4,000	-	4,000
Elections	788,788	720,338	68,450
Finance / administration	402,334	388,123	14,211
Planning and development			
<b>Total general government</b>	<b>\$ 1,481,860</b>	<b>\$ 1,416,125</b>	<b>\$ 65,735</b>
<b>Public safety</b>			
Police department	\$ 2,774,280	\$ 3,035,143	\$ (260,863)
Fire department	1,827,810	2,044,250	(216,440)
<b>Total public safety</b>	<b>\$ 4,602,090</b>	<b>\$ 5,079,393</b>	<b>\$ (477,303)</b>
<b>Public works</b>			
Street department	\$ 939,050	\$ 939,969	\$ (919)
Sanitation department	577,387	633,725	(56,338)
Motor pool	239,161	305,169	(66,008)
<b>Total public works</b>	<b>\$ 1,755,598</b>	<b>\$ 1,878,863</b>	<b>\$ (123,265)</b>
<b>Culture and recreation</b>	\$ 762,476	\$ 851,459	\$ (88,983)

*continued*

**City of Seneca**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual**  
**For the Year Ended June 30, 2011**

continued

<b>Expenditures</b>	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Budget Variance</b>
Debt service - principal	\$ -	\$ 126,427	\$ (126,427)
Capital outlay			
General government	-	14,601	(14,601)
Public safety	-	32,895	(32,895)
Public works	-	403,904	(403,904)
Culture and recreation	-	39,697	(39,697)
Total capital outlay	-	491,097	(491,097)
Total expenditures	\$ 8,602,024	\$ 9,843,364	\$ (1,241,340)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,251,225)	\$ (3,995,874)	\$ (744,649)
Other financing sources			
Capital lease proceeds	-	198,500	198,500
Contributions & donations	-	366,552	366,552
Interfund transfers, net	3,251,225	3,213,355	(37,870)
Total other financing sources	\$ 3,251,225	\$ 3,778,407	\$ 527,182
Excess (deficiency) of revenues over (under) expenditures and other financing sources	\$ -	\$ (217,467)	\$ (217,467)
Fund balance, beginning	2,635,889	2,635,889	-
Fund balance, ending	\$ 2,635,889	\$ 2,418,422	\$ (217,467)

See Notes to Financial Statements



**City of Seneca  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011**

	<b>Business-type Activities</b>
	<b>Light &amp; Water Fund</b>
<b>Assets</b>	
<b>Current assets</b>	
<b>Cash</b>	\$ 1,623,850
<b>Restricted cash, debt service</b>	837,632
<b>Investments</b>	6,945,249
<b>Receivables:</b>	
<b>Accounts receivable</b>	2,975,780
<b>Other receivables</b>	20,261
<b>Prepaid expenses</b>	8,661
<b>Due from other funds</b>	113,189
<b>Inventory</b>	551,632
<b>Total current assets</b>	\$ 13,076,254
<b>Noncurrent assets</b>	
<b>Deferred charges, net</b>	\$ 245,281
<b>Land</b>	843,897
<b>Buildings</b>	294,687
<b>Improvements</b>	60,568,814
<b>Equipment</b>	5,802,208
<b>Vehicles</b>	1,818,387
<b>Less, accumulated depreciation</b>	(29,130,724)
<b>Total noncurrent assets</b>	\$ 40,442,550
<b>Total assets</b>	\$ 53,518,804

*continued*

**City of Seneca  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011**

*continued*

		<b>Business-type Activities</b>
		<b>Light &amp; Water Fund</b>
<hr/>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$	1,319,048
Accrued expenses		357,404
Compensated absences		226,762
State revolving fund loan, current		76,550
Bonds payable, current		525,000
Customer deposits		677,230
Due to other funds		70,089
<b>Total current liabilities</b>	<b>\$</b>	<b>3,252,083</b>
		<hr/>
<b>Long-term liabilities</b>		
State revolving fund loan, non-current	\$	1,736,983
Bonds payable, non-current		9,170,000
<b>Total long-term liabilities</b>	<b>\$</b>	<b>10,906,983</b>
		<hr/>
<b>Total liabilities</b>	<b>\$</b>	<b>14,159,066</b>
		<hr/>
<b>Net assets</b>		
Invested in capital assets, net of related debt	\$	28,688,736
Restricted for debt service		837,632
Restricted for generation savings		3,418,600
Unrestricted		6,414,770
<b>Total net assets</b>	<b>\$</b>	<b>39,359,738</b>
		<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, 2011**

	<b>Business - type Activities</b>
	<b>Light &amp; Water Fund</b>
<b>Operating revenues</b>	
<b>Charges for services</b>	
Electric	\$ 17,291,649
Water	5,871,006
Sewer	2,666,820
Other	56,392
	<b>\$ 25,885,867</b>
<b>Operating expenses</b>	
Light & Water administration	\$ 1,610,955
I & I department	67,795
Billing department	715,191
Engineering department	388,463
Electrical department	1,513,850
Water department	1,659,689
Sewer department	3,407,976
Water plant	1,023,866
Electrical generation / purchase	11,235,542
Depreciation	1,532,604
	<b>\$ 23,155,931</b>
<b>Operating income (loss)</b>	<b>\$ 2,729,936</b>
<b>Non-operating revenues (expenses)</b>	
Investment earnings	\$ 32,726
Amortization of bond issuance costs	(18,867)
Interest expense	(497,117)
Proceeds from sale of capital assets	3,528
<b>Other financing sources (uses)</b>	
Contributions & donations	1,641,003
Interfund transfers	(3,315,867)
	<b>\$ 575,342</b>
<b>Net income (loss) - budgetary basis</b>	<b>\$ 575,342</b>
<b>Adjustment to convert to GAAP basis</b>	
Capital outlay	1,602,095
	<b>\$ 2,177,437</b>
<b>Change in net assets</b>	<b>\$ 2,177,437</b>
<b>Net assets, beginning</b>	<b>37,182,301</b>
<b>Net assets, ending</b>	<b>\$ 39,359,738</b>

See Notes to Financial Statements

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**City of Seneca**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2011**

	<b>Business-type Activities</b>
	<b>Light &amp; Water Fund</b>
<b>Cash flows from operating activities:</b>	
<i>Receipts from customers and users</i>	\$ 26,096,392
<i>Payments to suppliers / goods and services</i>	(16,393,588)
<i>Payments to / for employees</i>	(3,837,725)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 5,865,079</b>
<b>Cash flows from non-capital financing activities:</b>	
<i>Interfund transfers</i>	\$ (3,315,867)
<i>Advances to other funds</i>	378,474
<b>Total cash flows from non-capital financing activities</b>	<b>\$ (2,937,393)</b>
<b>Cash flows from capital and related financing activities:</b>	
<i>Addition of capital assets</i>	\$ (1,602,095)
<i>Principal paid on capital debt</i>	(578,928)
<i>Interest paid on capital debt</i>	(497,117)
<i>Capital contributions</i>	1,042,238
<i>Proceeds from sale of capital assets</i>	3,528
<i>Deferred support</i>	(601,459)
<b>Total cash flows from capital activities</b>	<b>\$ (2,233,833)</b>
<b>Cash flows from investing activities:</b>	
<i>Proceeds from long-term investments</i>	\$ 6,788,805
<i>Purchases of investments</i>	(7,932,075)
<i>Investment income received</i>	32,726
<b>Total cash flows from investing activities</b>	<b>\$ (1,110,544)</b>
<b>Net increase (decrease) in cash</b>	<b>\$ (416,691)</b>
<b>Cash, beginning</b>	<b>2,878,173</b>
<b>Cash, ending</b>	<b>\$ 2,461,482</b>

*continued*

**City of Seneca  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2011**

*continued*

	<b>Business-type Activities</b>
	<b>Light &amp; Water Fund</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
<b>Operating income</b>	\$ 2,729,936
<b>Adjustments to reconcile operating income to net     cash provided (used) by operating activities:</b>	
<b>Depreciation</b>	1,532,604
<b>Capital outlay / GAAP adjustment</b>	1,602,095
<b>Changes in assets (increase), decrease:</b>	
<b>Accounts receivable</b>	204,870
<b>Other receivables</b>	2,435
<b>Prepaid expenses</b>	(150)
<b>Inventory</b>	(27,613)
<b>Changes in liabilities increase,(decrease):</b>	
<b>Accounts / contracts payable</b>	(290,503)
<b>Accrued expenses</b>	21,648
<b>Compensated absences</b>	86,537
<b>Customer deposits</b>	3,220
<b>Total adjustments</b>	\$ 3,135,143
<b>Net cash provided by operating activities</b>	\$ 5,865,079
 <b>Noncash investing, capital, and financing activities:</b>	
<b>Contributions of capital assets from     government</b>	\$ 598,767

**See Notes to Financial Statements**

**City of Seneca  
Statement of Fiduciary Net Assets  
Agency Fund  
June 30, 2011**

	<b>Firemens Fund</b>
<b>Assets</b>	
Cash / investments	\$ 5,007
<b>Liabilities</b>	-
<b>Net assets</b>	
Held in trust for firemen	\$ 5,007

See Notes to Financial Statements



**City of Seneca  
Statement of Changes in Fiduciary Net Assets  
Agency Fund  
For the Year Ended June 30, 2011**

	<b>Firemens Fund</b>
<b>Additions</b>	
Contributions	\$ 28,360
Investment earnings	77
<b>Total additions</b>	\$ 28,437
<b>Reductions</b>	
Benefits	32,320
<b>Change in net assets</b>	\$ (3,883)
<b>Net assets, beginning</b>	8,890
<b>Net assets, ending</b>	\$ 5,007

See Notes to Financial Statements

***NOTES TO FINANCIAL STATEMENTS***



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**City of Seneca**  
**Notes to Financial Statements**  
**June 30, 2011**

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

*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 leave time (vacation and compensatory time) are recorded as a compensated absence liability in the government-wide financial statements. Vested leave time of proprietary funds is recorded as an expense and a liability as the benefits accrue. Amounts of governmental funds vested leave time 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, 2011 is \$ 4,206,844. The bank balance of the funds at June 30, 2011 is \$ 4,196,916, of which \$ 3,597,821 is category 1 (insured by Federal Deposit Insurance), and \$ 599,095 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, 2011.

<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, 2011, \$599,095 of the City's bank balance of \$ 4,196,916 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 \$ 8,160,130, the City has a custodial credit risk exposure of \$ 7,910,130 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, 2011:

<u>Investment</u>	<u>Carrying amount</u>	<u>Market value</u>
Certificate of deposit	\$ 3,418,482	\$ 3,418,482
State Investment Pool	<u>4,741,648</u>	<u>4,741,648</u>
Totals	<u>\$ 8,160,130</u>	<u>\$ 8,160,130</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 government-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, 2011 was as follows:

### Governmental Activities

<b>Capital assets, not depreciated</b>	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>
Land	\$ 1,027,039	\$ 8,000	\$ -	\$ 1,035,039
Construction in progress	389,470	209,297	598,767	-
<b>Total not depreciated</b>	<b>\$ 1,416,509</b>	<b>\$ 217,297</b>	<b>\$ 598,767</b>	<b>\$ 1,035,039</b>
<b>Capital assets, depreciated</b>				
Buildings	\$ 7,565,808	\$ 144,165	\$ -	\$ 7,709,973
Improvements	6,763,598	162,923	-	6,926,521
Equipment	825,672	85,799	-	911,471
Vehicles	4,590,191	369,899	20,750	4,939,340
<b>Total depreciated</b>	<b>\$ 19,745,269</b>	<b>\$ 762,786</b>	<b>\$ 20,750</b>	<b>\$ 20,487,305</b>
<b>Less accumulated depreciation for:</b>				
	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>
Buildings	\$ 2,644,668	\$ 188,392	\$ -	\$ 2,833,060
Improvements	1,657,573	519,658	-	2,177,231
Equipment	515,218	101,744	-	616,962
Vehicles	3,181,401	306,384	20,750	3,467,035
<b>Total depreciation</b>	<b>\$ 7,998,860</b>	<b>\$ 1,116,178</b>	<b>\$ 20,750</b>	<b>\$ 9,094,288</b>
<b>Total depreciable assets, net</b>	<b>\$ 11,746,409</b>	<b>\$ ( 353,392)</b>	<b>-</b>	<b>\$ 11,393,017</b>
<b>Total governmental activities capital assets, net</b>	<b>\$ 13,162,918</b>	<b>\$ ( 136,095)</b>	<b>\$ 598,767</b>	<b>\$ 12,428,056</b>

### Business-Type Activities

<b>Capital assets, not depreciated</b>	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>
Land	\$ 843,897	\$ -	\$ -	\$ 843,897
Const in progress	4,579,085	1,033,011	5,612,096	-
<b>Total not depreciated</b>	<b>\$ 5,422,982</b>	<b>\$ 1,033,011</b>	<b>\$ 5,612,096</b>	<b>\$ 843,897</b>
<b>Capital assets, depreciated</b>				
Buildings	\$ 294,687	\$ -	\$ -	\$ 294,687
Improvements	53,940,438	6,628,376	-	60,568,814
Equipment	5,778,321	23,887	-	5,802,208
Vehicles	1,690,704	127,683	-	1,818,387
<b>Total depreciated</b>	<b>\$ 61,704,150</b>	<b>\$ 6,779,946</b>	<b>\$ -</b>	<b>\$ 68,484,096</b>
<b>Less accumulated depreciation for:</b>				
	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>
Buildings	\$ 128,924	\$ 7,367	\$ -	\$ 136,291
Improvements	21,835,521	1,252,763	-	23,088,284
Equipment	4,142,753	193,827	-	4,336,580
Vehicles	1,490,923	78,646	-	1,569,569

Total depreciation	\$ 27,598,121	\$ 1,532,603	\$ -	\$ 29,130,724
Total depreciable assets, net	\$ 34,106,029	\$ 5,247,343	\$ -	\$ 39,353,372
Total business-type activities assets, net	\$ 39,529,011	\$ 6,280,354	\$ 5,612,096	\$ 40,197,269

## 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, 2011 is as follows:

Operating revenues	\$ 25,885,867
Depreciation	1,532,604
Operating income	2,729,936
Net income / GAAP	2,177,437
Fixed asset additions	2,200,860
Net assets	39,359,738

## 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 <sup>st</sup>
Tax due	On or before January 15 <sup>th</sup>
Penalty	3% after January 15th 7% additional after February 1 <sup>st</sup>
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, 2011 represent uncollected tax levies less allowance for doubtful accounts as follows:

	<u>Receivable</u>	<u>Allowance</u>
General fund	\$ 100,765	\$ 3,023

## 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 &amp; water</u>	<u>Nonmajor</u>	<u>Total</u>
Taxes	\$ 100,765	\$ -	\$ -	\$ 100,765
Accounts / notes	80,613	2,975,780	45,190	3,101,583
Intergovernmental	75,935	-	158,318	234,253
Other	1,109	20,261	5,272	26,642
	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	\$ 258,422	\$ 2,996,041	\$ 208,780	\$ 3,463,243
	<hr/>	<hr/>	<hr/>	<hr/>
Less, allowance	3,023	-	-	3,023
	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 255,399</u>	<u>\$ 2,996,041</u>	<u>\$ 208,780</u>	<u>\$ 3,460,220</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	\$ 3,251,225	\$ 37,870	\$ 3,213,355
Special revenue funds	102,512	-	102,512
Proprietary fund	-	3,315,867	(3,315,867)
Total transfers	<u>\$ 3,353,737</u>	<u>\$ 3,353,737</u>	<u>\$ -</u>

As of June 30, 2011, 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	\$ 70,089	\$ 3,190
Light & water fund	113,189	70,089
Special revenue funds	3,190	113,189
Totals	<u>\$ 186,468</u>	<u>\$ 186,468</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 1<sup>st</sup> each year, with bond interest due February 1<sup>st</sup> and August 1<sup>st</sup> 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>
08/01/11	\$ 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
<b>Totals</b>	<b>\$ 9,695,000.00</b>		<b>\$ 3,461,846.25</b>	<b>\$ 13,156,846.25</b>	

### 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 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup> and November 1<sup>st</sup> 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>
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	
<b>Totals</b>	<b>\$ 1,813,533.00</b>	<b>\$ 619,420.33</b>	<b>\$ 2,432,953.33</b>	

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<i>Governmental activities:</i>					
<i>Capital leases:</i>					
Fire truck	\$ 635,593	\$ -	\$ (92,740)	\$ 542,853	\$ 126,427
Garbage truck	-	198,500	-	198,500	68,815
<i>Governmental activity long-term liabilities</i>	<u>\$ 635,593</u>	<u>\$ 198,500</u>	<u>\$ (92,740)</u>	<u>741,353</u>	<u>\$ 195,242</u>
<i>Business-type activities:</i>					
Revenue bonds	\$ 10,200,000	\$ -	\$ (505,000)	\$ 9,695,000	\$ 525,000
SRF Loan	1,887,461	-	(73,928)	1,813,533	76,550
<i>Business-type activity long-term liabilities</i>	<u>\$ 12,087,461</u>	<u>\$ -</u>	<u>\$ (578,928)</u>	<u>\$ 11,508,533</u>	<u>\$ 601,550</u>

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

## 12. Fund Balance

*During the year ended June 30, 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), which establishes new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. The implementation of this statement had no impact on the total fund balances for the City’s governmental funds. In accordance with GASB 54, the City classifies governmental fund balances as follows:*

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

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

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

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

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

**13. 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	\$ 222,267	\$ 208,504	\$ 13,763
Mayor and council	85,397	78,234	7,163
Police department	3,035,143	2,774,280	260,863
Fire department	2,044,250	1,827,810	216,440
Streets	939,969	939,050	919
Sanitation	633,725	577,387	56,338
Motor pool	305,169	239,161	66,008
Culture and recreation	851,459	762,476	88,983
Debt service – principal	126,427	-	126,427

**14. Employees’ 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	11.13 % 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](http://www.retirement.sc.gov) , or a copy is available by writing the South Carolina Retirement System at PO Box 11960, Columbia, SC 29211-1960.

**15. 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, 2011 are as follows:

Principal and interest fund	\$	660,787
Debt service / SRF		176,845
Peak generation savings fund		3,418,482
		<hr/>
Total restricted assets	\$	<u>4,256,114</u>

**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, 2011:

<u>Funding</u>		<u>Operations</u>
Federal (FTA)	\$	335,368
State (SCDOT)		122,586
Local match (as needed)		111,842
		<hr/>
Total funding	\$	<u>569,796</u>

## 17. Capital leases

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:

### Equipment

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, 2011.

<u>Fiscal year ending</u>		<u>Lease payments</u>
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	\$	632,135
Less interest portion		<u>( 89,282)</u>
Present value of future minimum lease payments	\$	<u>542,853</u>

On June 6, 2011, the City entered into a capital lease agreement with TD Equipment Finance, Inc. for the purchase of a garbage truck in the amount of \$198,500.

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, 2011.

<u>Fiscal year ending</u>		<u>Lease payments</u>
06/30/2012	\$	68,815
06/30/2013		68,815
06/30/2014		68,814
Total minimum lease payments	\$	206,444
Less interest portion		<u>( 7,944)</u>
Present value of future minimum lease payments	\$	<u>198,500</u>

**18. Self-Insured Health Insurance**

On July 1, 2010, the City established a self insured comprehensive group health care plan for its employees. A third party administrator has been retained to process and pay health claims incurred by employees and/or their dependents, if they are enrolled in the plan. The plan establishes a “Stop Loss” of \$50,000 per person per contract year. Claims that exceed the \$50,000 “Stop Loss” threshold are covered under an excess loss insurance policy. At year-end, claims due and payable equal approximately \$211,316 and are recorded as a liability and expense within the General Fund and Proprietary Fund. The following indicates claims versus premiums for the past fiscal year:

<u>Fiscal year ending June 30,</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2011	\$ -	\$ 1,411,369	\$ 1,200,053	\$ 211,316

**19. 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. The closing for the purchase has been scheduled for February, 2012.

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

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**City of Seneca**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Fiscal Year Ended June 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Revenues</b>			
<b>Taxes</b>	\$ 419,176	\$ -	\$ 419,176
<b>Federal aid</b>	363,439	158,627	522,066
<b>State aid</b>	231,039	-	231,039
<b>County aid</b>	60,000	-	60,000
<b>Investment earnings</b>	462	-	462
<b>Total revenues</b>	<u>\$ 1,074,116</u>	<u>\$ 158,627</u>	<u>\$ 1,232,743</u>
<b>Expenditures</b>			
<b>Current operating</b>			
<b>General government</b>			
<b>Project administration</b>	\$ 569,796	\$ -	\$ 569,796
<b>Public works - paving</b>	108,453	-	108,453
<b>Capital outlay</b>	171,236	209,297	380,533
<b>Debt service - interest</b>	300	-	300
<b>Intergovernmental grants</b>	253,736	-	253,736
<b>Other</b>	22,781	-	22,781
<b>Total expenditures</b>	<u>\$ 1,126,302</u>	<u>\$ 209,297</u>	<u>\$ 1,335,599</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (52,186)	\$ (50,670)	\$ (102,856)
<b>Other financing sources</b>			
<b>Transfers in</b>	\$ 51,842	\$ 50,670	\$ 102,512
<b>Total other financing sources</b>	<u>\$ 51,842</u>	<u>\$ 50,670</u>	<u>\$ 102,512</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures</b>	\$ (344)	\$ -	\$ (344)
<b>Fund balances, beginning</b>	<u>55,834</u>	<u>-</u>	<u>55,834</u>
<b>Fund balances, ending</b>	<u>\$ 55,490</u>	<u>\$ -</u>	<u>\$ 55,490</u>

See Notes to Financial Statements

City of Seneca  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	<u>Community Development</u>	<u>Hospitality Acc Tax</u>	<u>CAT Grant MT-1N711-19</u>	<u>"C" Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 6,169	\$ 3,324	\$ -	\$ -	\$ 9,493
<b>Receivables</b>					
Notes	45,190	-	-	-	45,190
Interest	8	-	-	-	8
Other	5,264	-	-	-	5,264
Due from other funds	-	3,190	-	-	3,190
Due from other governmental units	-	-	78,318	80,000	158,318
<b>Total assets</b>	<u>\$ 56,631</u>	<u>\$ 6,514</u>	<u>\$ 78,318</u>	<u>\$ 80,000</u>	<u>\$ 221,463</u>
<b>Liabilities</b>					
<b>Liabilities and fund balances</b>					
Accounts payable	\$ -	\$ 5,301	\$ 47,483	\$ -	\$ 52,784
Due to other funds	-	2,354	30,835	80,000	113,189
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 7,655</u>	<u>\$ 78,318</u>	<u>\$ 80,000</u>	<u>\$ 165,973</u>
<b>Fund balances</b>					
	\$ 56,631	\$ (1,141)	\$ -	\$ -	\$ 55,490
<b>Total liabilities and fund balances</b>	<u>\$ 56,631</u>	<u>\$ 6,514</u>	<u>\$ 78,318</u>	<u>\$ 80,000</u>	<u>\$ 221,463</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, 2011

	Community Development	"C" Funds	Hospitality Acc Tax	CAT Grant MT-1N711-19	ARRA Grant MT-0N7RR-A5	Total
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 419,176	\$ -	\$ -	\$ 419,176
Federal aid	-	-	-	335,368	28,071	363,439
State aid	-	108,453	-	122,586	-	231,039
County aid	-	-	-	60,000	-	60,000
Investment earnings	217	-	245	-	-	462
<b>Total revenues</b>	<b>\$ 217</b>	<b>\$ 108,453</b>	<b>\$ 419,421</b>	<b>\$ 517,954</b>	<b>\$ 28,071</b>	<b>\$ 1,074,116</b>
<b>Expenditures</b>						
Current operating						
General government	\$ -	\$ -	\$ -	\$ 569,796	\$ -	\$ 569,796
Project administration	-	108,453	-	-	-	108,453
Public works - paving	-	-	143,165	-	28,071	171,236
Capital outlay	-	-	300	-	-	300
Debt service - interest	-	-	253,736	-	-	253,736
Intergovernmental grants	-	-	22,318	-	-	22,781
Other	463	-	-	-	-	463
<b>Total expenditures</b>	<b>\$ 463</b>	<b>\$ 108,453</b>	<b>\$ 419,519</b>	<b>\$ 569,796</b>	<b>\$ 28,071</b>	<b>\$ 1,126,302</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (246)</b>	<b>\$ -</b>	<b>\$ (98)</b>	<b>\$ (51,842)</b>	<b>\$ -</b>	<b>\$ (52,186)</b>
<b>Other financing sources (uses)</b>						
Transfers in (out)	\$ -	\$ -	\$ -	\$ 51,842	\$ -	\$ 51,842
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,842</b>	<b>\$ -</b>	<b>\$ 51,842</b>
<b>Net change in fund balances</b>	<b>\$ (246)</b>	<b>\$ -</b>	<b>\$ (98)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (344)</b>
<b>Fund balances, beginning</b>	<b>56,877</b>	<b>-</b>	<b>(1,043)</b>	<b>-</b>	<b>-</b>	<b>55,834</b>
<b>Fund balances, ending</b>	<b>\$ 56,631</b>	<b>\$ -</b>	<b>\$ (1,141)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,490</b>

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, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
<i>Investment earnings</i>	\$ 200	\$ 217	\$ 17
<b>Expenditures</b>			
<i>Other</i>	\$ -	\$ 463	\$ (463)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 200	\$ (246)	\$ (446)
<b>Fund balance, beginning</b>	56,877	56,877	-
<b>Fund balance, ending</b>	\$ 57,077	\$ 56,631	\$ (446)

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
State aid	\$ 600,000	\$ 108,453	\$ (491,547)
<b>Expenditures</b>			
Public works / paving	\$ 600,000	\$ 108,453	\$ 491,547
<b>Excess of revenues over (under) expenditures</b>	\$ -	\$ -	\$ -
<b>Fund balance, beginning</b>	-	-	-
<b>Fund balance, ending</b>	\$ -	\$ -	\$ -

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Taxes	\$ 404,377	\$ 419,176	\$ 14,799
Investment earnings	560	245	(315)
<b>Total revenues</b>	<u>\$ 404,937</u>	<u>\$ 419,421</u>	<u>\$ 14,484</u>
<b>Expenditures</b>			
Capital outlay	-	143,165	\$ (143,165)
Debt service - principal	80,000	-	80,000
Debt service - interest	700	300	400
Intergovernmental grants	264,237	253,736	10,501
Other	60,000	22,318	37,682
<b>Total expenditures</b>	<u>\$ 404,937</u>	<u>\$ 419,519</u>	<u>\$ (14,582)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$ (98)	\$ (98)
<b>Fund balance, beginning</b>	<u>(1,043)</u>	<u>(1,043)</u>	-
<b>Fund balance, ending</b>	<u>\$ (1,043)</u>	<u>\$ (1,141)</u>	<u>\$ (98)</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-1N711-19**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual**  
**Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Federal aid	\$ 350,772	\$ 335,368	\$ (15,404)
State aid	124,511	122,586	(1,925)
County aid	55,000	60,000	5,000
<b>Total revenues</b>	<b>\$ 530,283</b>	<b>\$ 517,954</b>	<b>\$ (12,329)</b>
<b>Expenditures</b>			
General government			
Project administration	\$ 605,283	\$ 569,796	\$ 35,487
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (75,000)</b>	<b>\$ (51,842)</b>	<b>\$ 23,158</b>
<b>Other financing sources</b>			
Contributions and donations	\$ 25,000	-	\$ (25,000)
Transfer from other funds	50,000	51,842	1,842
<b>Total other financing sources</b>	<b>\$ 75,000</b>	<b>\$ 51,842</b>	<b>\$ (23,158)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance, beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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**  
**From Inception and for the Fiscal Year Ended June 30, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Grant Authorization</u>
<b>Revenues</b>				
<b>Federal aid</b>	\$ 486,929	\$ 28,071	\$ 515,000	\$ 515,000
<b>Expenditures</b>				
<b>Capital outlay</b>	\$ 546,616	\$ 28,071	\$ 574,687	\$ 515,000
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (59,687)	\$ -	\$ (59,687)	\$ -
<b>Other financing sources</b>				
<b>Transfers in</b>	\$ 59,687	\$ -	\$ 59,687	\$ -
<b>Net change in fund balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Fund balance, beginning</b>	-	-	-	-
<b>Fund balance, ending</b>	\$ -	\$ -	\$ -	\$ -

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, 2011**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
<b>Revenues</b>				
Federal aid	\$ 320,545	\$ 158,627	\$ 479,172	\$ 500,000
<b>Expenditures</b>				
Capital outlay	\$ 389,470	\$ 209,297	\$ 598,767	\$ 617,355
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (68,925)</u>	<u>\$ (50,670)</u>	<u>\$ (119,595)</u>	<u>\$ (117,355)</u>
<b>Other financing sources</b>				
Transfers in	\$ 68,925	\$ 50,670	\$ 119,595	\$ 117,355
<b>Net change in fund balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Fund balance, beginning</b>	-	-	-	
<b>Fund balance, ending</b>	<u>\$ -</u>	<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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating revenues</b>			
<b>Charges for services</b>			
Electric receipts	\$ 17,425,000	\$ 17,291,649	\$ (133,351)
Water receipts	6,031,943	5,871,006	(160,937)
Sewer receipts	3,028,459	2,666,820	(361,639)
Other revenues	100,000	56,392	(43,608)
<b>Total operating revenues</b>	<u>\$ 26,585,402</u>	<u>\$ 25,885,867</u>	<u>\$ (699,535)</u>
<b>Operating expenses</b>			
Light & water administration (505)	\$ 1,449,844	\$ 1,610,955	\$ (161,111)
I & I department (506)	121,159	67,795	53,364
Billing department (507)	726,542	715,191	11,351
Engineering department (508)	333,284	388,463	(55,179)
Electrical department (509)	2,100,545	1,513,850	586,695
Water department (510)	2,049,824	1,659,689	390,135
Sewer department (511)	2,522,799	3,407,976	(885,177)
Water plant (512)	1,300,722	1,023,866	276,856
Electrical generation / purchase (513)	10,915,200	11,235,542	(320,342)
Depreciation	1,306,423	1,532,604	(226,181)
<b>Total operating expenses</b>	<u>\$ 22,826,342</u>	<u>\$ 23,155,931</u>	<u>\$ (329,589)</u>
<b>Operating income (loss)</b>	<u>\$ 3,759,060</u>	<u>\$ 2,729,936</u>	<u>\$ (1,029,124)</u>
<b>Non-operating transactions</b>			
Investment earnings	\$ 51,748	\$ 32,726	\$ (19,022)
Interest expense	(607,546)	(497,117)	110,429
Amortization of bond issuance costs	-	(18,867)	(18,867)
Proceeds from sale of capital assets	47,963	3,528	(44,435)
<b>Other financing sources (uses)</b>			
Contributions and donations	-	1,641,003	1,641,003
Interfund transfers in (out)	(3,251,225)	(3,315,867)	(64,642)
<b>Net income (loss) - budgetary basis</b>	<u>\$ -</u>	<u>\$ 575,342</u>	<u>\$ 575,342</u>
<b>Adjustment to convert to GAAP basis</b>			
Capital outlay	-	1,602,095	1,602,095
<b>Net income (loss) - GAAP basis</b>	<u>\$ -</u>	<u>\$ 2,177,437</u>	<u>\$ 2,177,437</u>
<b>Net assets, beginning</b>	<u>37,182,301</u>	<u>37,182,301</u>	<u>-</u>
<b>Net assets, ending</b>	<u>\$ 37,182,301</u>	<u>\$ 39,359,738</u>	<u>\$ 2,177,437</u>

See Notes to Financial Statements

**City of Seneca**  
**Capital Assets Used in the Operation**  
**of Governmental Funds**  
**Schedule by Type**  
**June 30, 2011**

**Governmental funds capital assets**

<b>Land</b>	<b>\$ 1,035,039</b>
<b>Buildings</b>	<b>7,709,973</b>
<b>Improvements</b>	<b>6,926,521</b>
<b>Equipment</b>	<b>911,471</b>
<b>Vehicles</b>	<b><u>4,939,340</u></b>
<b>Total</b>	<b>\$ 21,522,344</b>
<b>Less, accumulated depreciation</b>	<b><u>(9,094,288)</u></b>
<b>Investment in capital assets</b>	<b><u><u>\$ 12,428,056</u></u></b>

**See Notes to Financial Statements**



City of Seneca  
**Capital Assets Used in the Operation of Governmental Funds**  
Schedule by Function & Activity  
June 30, 2011

Function & activity	Land	Buildings	Improvements	Machinery & equipment	Vehicles	Total
General government						
Finance / administration	\$ 173,787	\$ 1,797,412	\$ 480,639	\$ 229,664	\$ 19,847	\$ 2,701,349
Planning & development	37,497	-	182,448	-	827,750	1,047,695
<b>Total general government</b>	<b>\$ 211,284</b>	<b>\$ 1,797,412</b>	<b>\$ 663,087</b>	<b>\$ 229,664</b>	<b>\$ 847,597</b>	<b>\$ 3,749,044</b>
Public safety						
Police department	\$ 20,000	\$ 602,387	\$ 246,385	\$ 101,943	\$ 533,769	\$ 1,504,484
Fire department	16,709	1,430,900	-	205,438	1,754,885	3,407,932
<b>Total public safety</b>	<b>\$ 36,709</b>	<b>\$ 2,033,287</b>	<b>\$ 246,385</b>	<b>\$ 307,381</b>	<b>\$ 2,288,654</b>	<b>\$ 4,912,416</b>
Public works						
Street department	\$ 2,000	\$ 50,000	\$ 4,600,579	\$ 253,513	\$ 391,603	\$ 5,297,695
Sanitation department	1,000	232,460	-	-	1,279,102	1,512,562
Motor pool	2,000	-	-	-	53,070	55,070
<b>Total public works</b>	<b>\$ 5,000</b>	<b>\$ 282,460</b>	<b>\$ 4,600,579</b>	<b>\$ 253,513</b>	<b>\$ 1,723,775</b>	<b>\$ 6,865,327</b>
Recreation	\$ 633,885	\$ 3,596,814	\$ 712,014	\$ 120,913	\$ 75,814	\$ 5,139,440
Other	\$ 148,161	-	\$ 704,456	-	\$ 3,500	\$ 856,117
<b>Total governmental funds capital assets</b>	<b>\$ 1,035,039</b>	<b>\$ 7,709,973</b>	<b>\$ 6,926,521</b>	<b>\$ 911,471</b>	<b>\$ 4,939,340</b>	<b>\$ 21,522,344</b>
Less accumulated depreciation						<u>(9,094,288)</u>
<b>Net governmental funds capital assets</b>						<u><b>\$ 12,428,056</b></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, 2011**

**Collections: (municipal court)**

<b>Fines</b>	<b>\$ 152,453</b>
<b>Assessments</b>	<b>157,741</b>
<b>Surcharges</b>	<b>73,186</b>
<b>Total collections</b>	<b>\$ 383,380</b>

**Retainage: (municipal treasurer)**

<b>Fines</b>	<b>\$ 152,453</b>
<b>Assessments</b>	<b>17,467</b>
<b>Surcharges</b>	<b>10,533</b>
<b>Total retainage</b>	<b>\$ 180,453</b>

**Amounts remitted:**

<b>State treasurer - assessments</b>	<b>\$ 202,927</b>
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**Amount of expenditures allocated to  
Victim services by fund source:**

<b>From assessments &amp; surcharges</b>	<b>\$ 28,000</b>
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**Funds carried forward designated as  
Victim right's funds**

<b>\$ -</b>
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**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, 2011**

<b>Federal Grantor/Pass-Through Grantor /Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Total Expenditures</b>
<b>US Department of Transportation</b>			
<b>Passed Through SC Dept. of Transportation</b>			
<b>Transit Operating Grant</b>	20.509	MT-1N711-19	\$ 335,368
<b>Formula Grants for Other Than Urbanized Areas-ARRA</b>	20.509	SC-86-X001	28,071
<b>Total US Department of Transportation</b>			<u>\$ 363,439</u>
<b>Department of Housing and Urban Development</b>			
<b>Passed Through SC Community Development Block Grant Program</b>			
<b>Utica Mill Village Phase III Sewer Upgrade</b>	14.228	4-CI-09-017	158,627
<b>Total Department of Housing and Urban Development</b>			<u>\$ 158,627</u>
<b>Total Federal Assistance Expended</b>			<u>\$ 522,066</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 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**

*We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seneca, as of and for the year ended June 30, 2011, which collectively comprise the City of Seneca's basic financial statements and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.*

**Internal Control Over Financial Reporting**

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

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



### **Compliance and Other Matters**

*As part of obtaining reasonable assurance about whether the City 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 City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.*

***Stancil Cooley Estep & Stamey, LLP***

Seneca, South Carolina  
January 30, 2012



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

**Compliance**

*We have audited the City of Seneca's compliance, with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that could have a direct and material effect on each of the City of Seneca's major federal programs for the year ended June 30, 2011. The 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 of Seneca's management. Our responsibility is to express an opinion on the 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 OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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 of the City of Seneca's compliance with those requirements.*

*In our opinion, the City of Seneca complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.*

## **Internal Control Over Compliance**

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

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

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

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

***Stancil Cooley Estep & Stamey, LLP***

*Seneca, South Carolina  
January 30, 2012*

**CITY OF SENECA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

*The auditor's 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 or significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133".*

*The auditor's 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:*

- *Utica Mill Village Phase III Sewer Upgrade, Grant # 4-CI-09-017, CFDA # 14.228.*

*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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