

CITY OF SENECA
FINANCIAL REPORT
JUNE 30, 2014

City of Seneca
Financial Report
Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

*To the Honorable Mayor and Members of the City Council
City of Seneca, South Carolina*

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seneca, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seneca, South Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii - xvii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 major and nonmajor fund financial statements and schedules and the victim services supplementary schedule of fines and assessments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual major and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements and schedules, the victim services supplementary schedule of fines and assessments, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2015, on our consideration of the City of Seneca, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Seneca, South Carolina's internal control over financial reporting and compliance.

Stancil, Cooley, Estep & Stamey, LLP

Seneca, South Carolina
January 26, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Seneca
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements, additional information furnished in the notes to the financial statements and the supplementary statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Seneca exceeded its liabilities at the close of the most recent fiscal year by \$52,658,784 (net position). Of the amount, \$6,466,959 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,314,146 during the fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,754,645 or 14.9% 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. On March 29, 2012 the City issued \$8,350,000 of revenue bonds to provide resources for future debt service payments on the July 1, 2005 bonds. On September 26, 2013 the City issued \$5,840,000 of revenue bonds to fund capital acquisition and expansion of their utility systems infrastructures. During the current year the city repaid \$675,000, the outstanding balance is \$14,575,000. For more details see Note number eleven in the Notes to Financial Statements.

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

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

Both of the government-wide financial statements distinguish functions of the City 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 and the Seneca Industrial Facility which leases building space for warehousing and manufacturing.

The government-wide financial statements include the City of Seneca's governmental activities and business-type activities and can be found on pages 3-4 of this financial statement.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Seneca uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City of Seneca can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

While the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Seneca maintains two governmental type funds - a general fund and special revenue funds. 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 and the TIGGER Grant Fund are considered to be major funds.

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.

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

Proprietary funds

The City of Seneca maintains two proprietary funds. 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 enterprise funds to account for the Seneca Light and Water Plant and the Seneca Facilities Corp.

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 and the Seneca Facilities Corp. Both proprietary funds are considered to be major funds 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 21-43 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 63 of this report.

Governmental-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Seneca, assets exceeded liabilities by \$52,658,784 at the close of the most recent fiscal year.

By far the largest portion of the City of Seneca's net position (74.76 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 Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>
Current and other assets	\$3,395,731	\$2,769,070	\$15,574,789	\$10,317,218	\$18,970,520	\$13,086,288
Net capital assets	<u>14,265,350</u>	<u>11,057,898</u>	<u>46,036,670</u>	<u>45,140,038</u>	<u>60,302,020</u>	<u>56,197,936</u>
Total assets	\$17,661,081	\$13,826,968	\$61,611,459	\$55,457,256	\$79,272,540	\$69,284,224
Long-term debt outstanding	\$ 195,133	\$ 348,800	\$19,914,820	\$14,834,135	\$20,109,953	\$15,182,935
Other liabilities	<u>1,889,375</u>	<u>1,457,145</u>	<u>4,614,428</u>	<u>3,682,071</u>	<u>6,503,803</u>	<u>5,139,216</u>
Total liabilities	\$2,084,508	\$1,805,945	\$24,529,248	\$18,516,206	\$26,613,756	\$20,322,151
Net position						
Invested in capital assets, net of related debt	\$13,916,550	\$10,493,834	\$25,449,754	\$29,965,372	\$39,366,304	\$40,459,206
Restricted	-	-	6,825,521	3,033,222	6,825,521	3,033,222
Unrestricted	<u>1,660,023</u>	<u>1,527,189</u>	<u>4,806,936</u>	<u>4,325,021</u>	<u>6,466,959</u>	<u>5,852,210</u>
Total net position	<u>\$15,576,573</u>	<u>\$12,021,023</u>	<u>\$37,082,211</u>	<u>\$37,323,615</u>	<u>\$52,658,784</u>	<u>\$49,344,638</u>

At the end of the current fiscal year, the City of Seneca is able to report positive balances in all categories of net position, 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 activities' net position increased by \$3,555,550. Key factors in this increase are as follows:

- Governmental funds excess of revenues and other financing sources over expenditures of \$123,667 caused by general fund deficiency of \$(83,855) and other governmental funds excess of \$207,522.
- Change in capital assets less depreciation increase of \$3,207,450 reported on Statement of Activities. This increase was due mostly to capital outlay in special revenue funds of \$2,840,750.
- Repayment of capital leases not reported on Statement of Activities increase of \$215,265
- Changes in compensated absences accrued in salary expense decrease of \$(11,024)

The table below summarizes the changes in net position for fiscal year 2014.

Summary of Changes in Net Position

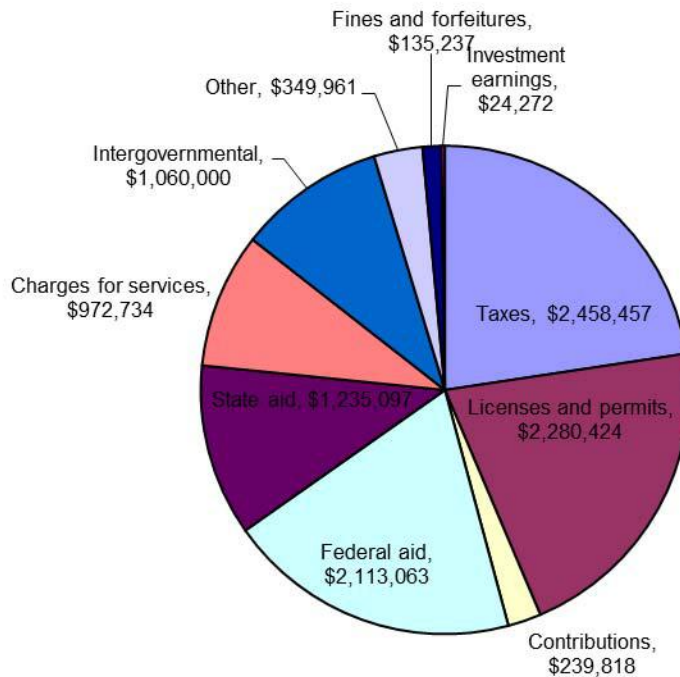
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>
REVENUES:						
Program revenues:						
Charges for services	\$972,734	\$894,438	\$29,320,885	\$24,890,846	\$30,293,619	\$25,785,284
General revenues:						
Property taxes	1,838,148	1,708,184	-	-	1,838,148	1,708,184
Hospitality and accommodations tax	620,309	526,740	-	-	620,309	526,740
Other revenues	2,280,424	2,280,893	-	-	2,280,424	2,280,893
Restricted grants	2,316,951	589,647	-	-	2,316,951	589,647
Grants and contributions not restricted to specific programs	2,331,027	1,122,752	-	-	2,331,027	1,122,752
Other/interest/finances	<u>509,470</u>	<u>403,053</u>	<u>83,082</u>	<u>(35,409)</u>	<u>592,552</u>	<u>367,644</u>
Total revenues	\$10,869,063	\$7,525,707	\$29,403,967	\$24,855,437	\$40,273,030	\$32,381,144
EXPENSES:						
General government	2,880,141	2,232,449	-	-	2,880,141	2,232,449
Public safety	5,274,143	5,059,680	-	-	5,274,143	5,059,680
Public works	2,470,291	1,884,409	-	-	2,470,291	1,884,409
Culture and recreation	1,589,361	1,239,989	-	-	1,589,361	1,239,989
Other	22,117	1,248,183	-	2,808,057	22,117	4,056,240
Administration	-	-	4,182,748	3,296,166	4,182,748	3,296,166
Electric	-	-	13,449,997	11,503,444	13,449,997	11,503,444
Water	-	-	3,801,050	2,875,996	3,801,050	2,875,996
Sewer	-	-	2,906,471	2,642,341	2,906,471	2,642,341
Interest on long-term debt	-	-	-	<u>499,289</u>	-	<u>499,289</u>
Total expenses	<u>12,236,053</u>	<u>11,664,710</u>	<u>24,340,266</u>	<u>23,625,293</u>	<u>36,576,319</u>	<u>35,290,003</u>
Change in net position before transfers	(1,366,990)	(4,139,003)	5,063,701	1,230,144	3,696,711	(2,908,859)

Transfers	<u>4,922,540</u>	<u>3,403,303</u>	<u>(4,922,540)</u>	<u>(3,403,303)</u>	<u>-</u>	<u>-</u>
Change in net position	3,555,550	(735,700)	141,161	(2,173,159)	3,696,711	(2,908,859)
Beginning net position	12,021,023	12,756,723	37,323,615	39,496,774	49,344,638	52,253,497
Change in accounting principle	<u>-</u>	<u>-</u>	<u>(382,565)</u>	<u>-</u>	<u>(382,565)</u>	<u>-</u>
Ending net position	<u>\$15,576,573</u>	<u>\$12,021,023</u>	<u>\$37,082,211</u>	<u>\$37,323,615</u>	<u>\$52,658,784</u>	<u>\$49,344,638</u>

GOVERNMENTAL ACTIVITIES

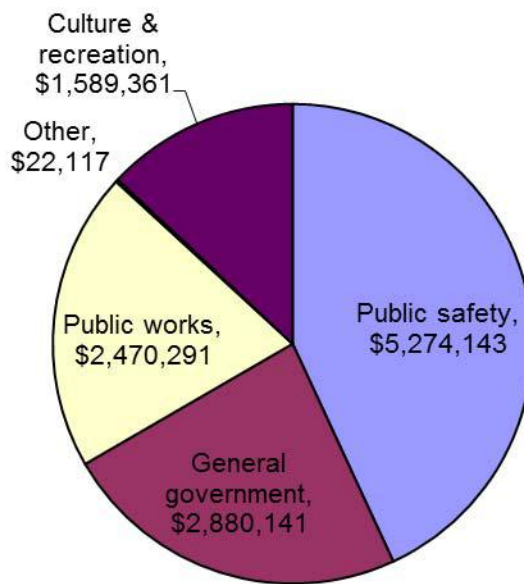
A chart is provided below which depicts the amount of revenue derived from property taxes, grants and contributions, business license and permit fees, charges for services, intergovernmental, and other revenues.

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, Finance/Administration, Planning & Development). The City of Seneca ended the year with a increase in net position of \$3,555,550. See page 5 for the key factors in this increase.

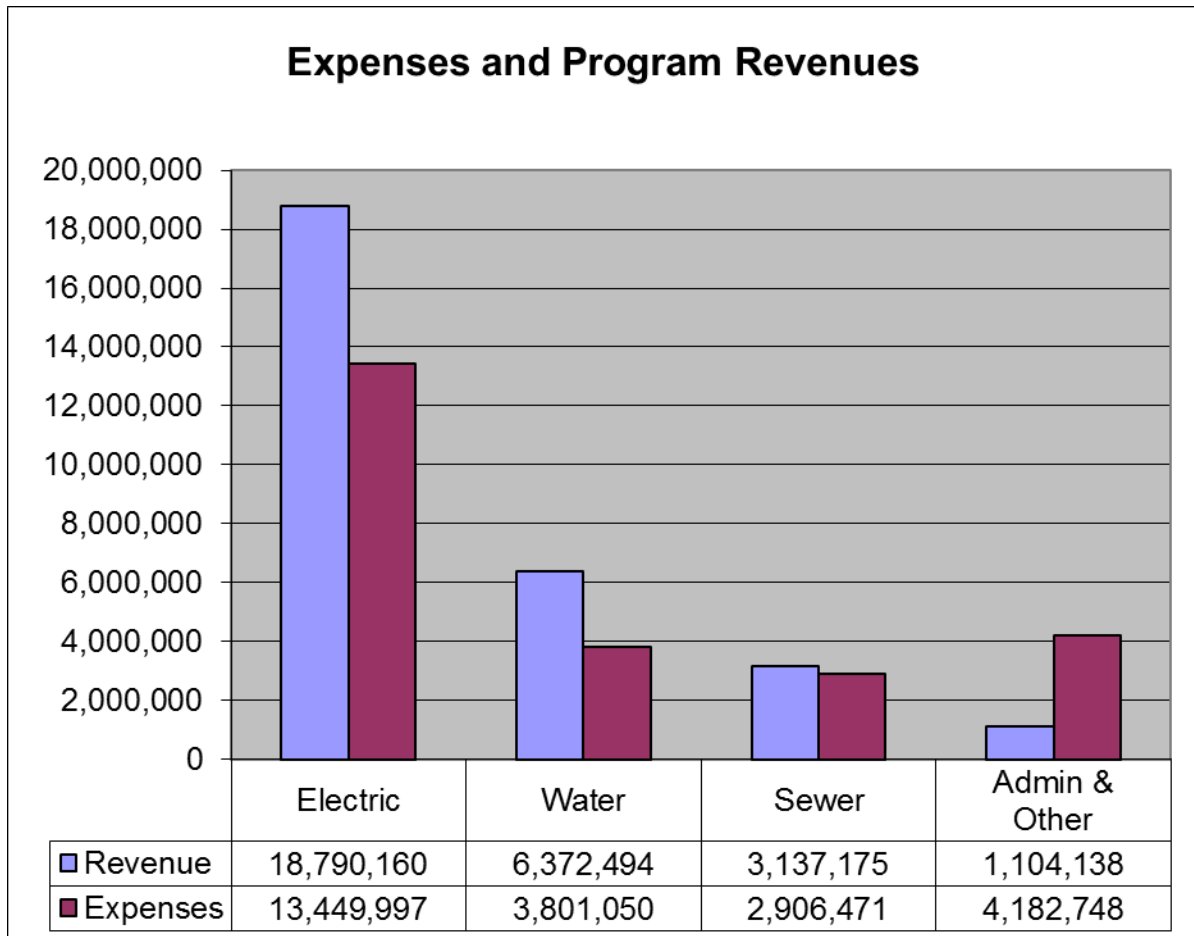
Expenditures by Function



Business-type activities

Business-type activities increased the City of Seneca’s net position by \$141,161. Key elements of the increase are as follows:

- Capital outlay consists of \$2,347,656 for Light & Water Fund and \$422,601 for Seneca Facilities Corp Fund.
- Interest expense of \$518,603.
- Transfers to other funds of \$4,922,540.



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 12.28% of the \$52,658,784 of net assets (\$6,466,959) 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 other 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 \$1,754,645, while total assets were \$2,901,970. In addition, the city has \$14,265,350 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 Position of the Light and Water Fund at year end was \$4,806,936. The Seneca Facilities Corp Fund handles the activity at the Industrial Facility on Shiloh Road. The Restricted Net Position of the Seneca Facilities Corp Fund at year end was \$54,735.

General fund budgetary highlights

The actual expenditures exceed the budgeted expenditures by \$1,632,670. The following is a brief summary of some of the variances.

- The Fire Department expenditures exceeded budget by \$231,911.
- The Public Works Department expenditures exceeded budget by \$25,517.
- The Recreation Department expenditures exceeded budget by \$105,144.
- Capital Outlay was expensed and not budgeted in the amount of \$1,467,004.

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, 2014 amounts to \$60,302,020 (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:

- Improvements street project North Townville Road \$727,251
- Construction in Progress Water Treatment Plant \$1,274,072
- Construction in Progress Light & Water Administration Building \$387,000
- Construction in Progress Substation #1 \$224,595
- Construction in Progress Charging Stations \$1,568,338
- Vehicles Governmental Funds \$1,176,992 (includes bus purchased with grant proceeds)
- Vehicles Light and Water Fund \$30,519
- Water Expansion \$55,914
- Sewer Expansion \$235,444

The total increase in the City of Seneca's net capital assets for the current fiscal year was \$4,104,082 consisting of an increase of \$3,207,450 for governmental activities and an increase of \$896,632 for business-type activities.

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

	Governmental activities		Business-type activities		Total	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Land	\$ 1,035,039	\$ 1,035,039	\$ 1,231,489	\$ 1,219,190	\$2,266,528	\$2,254,229
Building and system	4,434,480	4,503,555	2,257,600	2,320,547	6,692,080	6,824,102
Improvements other than building	3,635,299	4,136,266	37,843,744	36,254,243	41,479,043	40,390,509
Machinery and equipment	264,534	259,342	1,175,797	1,226,760	1,440,331	1,486,102
Vehicles	906,694	1,011,524	484,119	623,730	1,390,813	1,635,254
Construction in progress	<u>3,989,304</u>	<u>112,172</u>	<u>3,043,921</u>	<u>3,495,568</u>	<u>7,033,225</u>	<u>3,607,740</u>
Total	<u>\$14,265,350</u>	<u>\$11,057,898</u>	<u>\$46,036,670</u>	<u>\$45,140,038</u>	<u>\$60,302,020</u>	<u>\$56,197,936</u>

Additional information on the City of Seneca's capital assets can be found in note 6 in the Notes to financial statements beginning on page 21.

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 2014, the City of Seneca added 21.657 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 16 single family housing starts. The value of residential permits issued last calendar year was \$3,802,927.

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 increased by 0.89% percent from \$664,107,212 in 2013 to \$708,773,521 in 2014.

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 Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,377,259	\$ 569,737	\$ 1,946,996
Investments	1,002,679	3,712,976	4,715,655
Receivables			
Property taxes	110,972	-	110,972
Accounts	195,824	3,775,862	3,971,686
Interest	8	-	8
Notes	41,929	-	41,929
Other	28,435	42,739	71,174
Prepaid expenses	111,520	100,035	211,555
Internal balances	(268,000)	268,000	-
Due from other governmental units	506,675	-	506,675
Inventory	20,445	334,654	355,099
Restricted cash	267,985	6,770,786	7,038,771
Capital assets:			
Land and construction in progress	5,024,343	4,275,410	9,299,753
Other capital assets, net of depreciation	9,241,007	41,761,260	51,002,267
Total assets	\$ 17,661,081	\$ 61,611,459	\$ 79,272,540
Liabilities			
Accounts payable	\$ 354,671	\$ 2,356,283	\$ 2,710,954
Accrued expenses	309,615	379,230	688,845
Compensated absences payable	481,992	266,361	748,353
Customer deposits	-	773,588	773,588
Due to other governmental units	491,195	-	491,195
Unearned revenue	98,236	-	98,236
Noncurrent liabilities, net:			
Due within one year	153,666	838,966	992,632
Due in more than one year	195,133	19,914,820	20,109,953
Total liabilities	\$ 2,084,508	\$ 24,529,248	\$ 26,613,756
Net position			
Invested in capital assets, net of debt	\$ 13,916,550	\$ 25,449,754	\$ 39,366,304
Restricted for:			
Capital construction	-	4,624,555	4,624,555
Debt service	-	811,810	811,810
Generation savings	-	1,334,421	1,334,421
Other	-	54,735	54,735
Unrestricted	1,660,023	4,806,936	6,466,959
Total net position	\$ 15,576,573	\$ 37,082,211	\$ 52,658,784

See Notes to Financial Statements

City of Seneca
Statement of Activities
For the Year Ended June 30, 2014

Functions / programs	Program revenues			Net (expense) revenue & changes in net position		
	Expenses	Charges for services	Operating grants & contributions	Capital grants & contributions	Primary government	
					Governmental activities	Business-type activities
Primary government:						
Governmental activities						
General government	\$ 2,880,141	\$ -	\$ 239,818	\$ -	\$ (2,640,323)	\$ (2,640,323)
Public safety	5,274,143	-	-	-	(5,274,143)	(5,274,143)
Public works	2,470,291	972,734	-	-	(1,497,557)	(1,497,557)
Cultural & recreation	1,589,361	-	-	-	(1,589,361)	(1,589,361)
Other	22,117	-	-	-	(22,117)	(22,117)
Total governmental activities	\$ 12,236,053	\$ 972,734	\$ 239,818	\$ -	\$ (11,023,501)	\$ (11,023,501)
Business-type activities						
Electric	\$ 13,449,997	\$ 18,790,160	\$ -	\$ -	\$ 5,340,163	\$ 5,340,163
Water	3,801,050	6,372,494	-	-	2,571,444	2,571,444
Sewer	2,906,471	3,137,175	-	-	230,704	230,704
Admin	4,182,748	-	-	-	(4,182,748)	(4,182,748)
Other	-	1,021,056	-	-	1,021,056	1,021,056
Total business-type activities	\$ 24,340,266	\$ 29,320,885	\$ -	\$ -	\$ 4,980,619	\$ 4,980,619
Total primary government	\$ 36,576,319	\$ 30,293,619	\$ 239,818	\$ -	\$ (11,023,501)	\$ (6,042,882)
General revenues:						
Property taxes	\$ 1,838,148				\$ -	\$ 1,838,148
Hospitality & accommodation taxes	620,309				-	620,309
Licenses & permits	2,280,424				-	2,280,424
Intergovernmental	1,060,000				-	1,060,000
Federal aid	2,113,063				-	2,113,063
State aid	1,235,097				-	1,235,097
Fines / forfeitures	135,237				-	135,237
Investment earnings (loss)	24,272				80,952	105,224
Other	349,961				2,130	352,091
Transfers	4,922,540				(4,922,540)	-
Total general revenues and transfers	\$ 14,579,051				\$ (4,839,458)	\$ 9,739,593
Change in net assets						
Net position - beginning	\$ 3,555,550				\$ 141,161	\$ 3,696,711
Change in accounting principle	\$ 12,021,023				\$ 37,323,615	\$ 49,344,638
					(382,565)	(382,565)
Net position - beginning as restated						
	12,021,023				36,941,050	48,962,073
Net position - ending	\$ 15,576,573				\$ 37,082,211	\$ 52,658,784

City of Seneca
Balance Sheet - Governmental Funds
June 30, 2014

	Governmental Fund Types			Total
	General	TIGGER Grant	Total Non-Major Funds	
Assets				
Cash	\$ 974,665	\$ 205,659	\$ 138,024	\$ 1,318,348
Investments	1,002,679	-	-	1,002,679
<i>Receivables (net of allowances)</i>				
Property taxes	110,972	-	-	110,972
Accounts	195,824	-	-	195,824
Interest	-	-	8	8
Notes	-	-	41,929	41,929
Other	28,435	-	-	28,435
Prepaid expenses	111,520	-	-	111,520
Restricted cash	267,985	-	-	267,985
Due from other governmental units	124,430	104,503	277,742	506,675
Due from other funds	65,015	195,903	-	260,918
Inventory	20,445	-	-	20,445
Total assets	\$ 2,901,970	\$ 506,065	\$ 457,703	\$ 3,865,738
Liabilities				
Accounts payable	\$ 256,562	\$ 14,870	\$ 83,239	\$ 354,671
Accrued expenses	297,546	-	-	297,546
Due to other governmental units	-	491,195	-	491,195
Due to other funds	268,000	-	260,918	528,918
Unearned revenue	98,236	-	-	98,236
Total liabilities	\$ 920,344	\$ 506,065	\$ 344,157	\$ 1,770,566
Deferred inflows of resources				
Unavailable revenue - property taxes	\$ 95,016	\$ -	\$ -	\$ 95,016
Fund balances				
<i>Nonspendable:</i>				
Inventory	\$ 20,445	\$ -	\$ -	\$ 20,445
Prepaid expenses	111,520	-	-	111,520
<i>Assigned:</i>				
Special projects	-	-	113,546	113,546
Unassigned	1,754,645	-	-	1,754,645
Total fund balances	\$ 1,886,610	\$ -	\$ 113,546	\$ 2,000,156
Total liabilities, deferred inflows of resources and fund balances	\$ 2,901,970	\$ 506,065	\$ 457,703	
Amounts reported for governmental activities in the statement of net position are different because:				
Property taxes receivable to full assessment value				95,016
Health care account internal service cash balance				58,911
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.				14,265,350
Accrued interest on governmental debt is not due and payable in the current period.				(12,069)
Long-term liabilities are not due and payable in the current period				
Compensated absences				(481,992)
Capital leases				(348,799)
Net position of governmental funds				\$ 15,576,573

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, 2014

	Governmental Fund Types			Total
	General	TIGGER Grant	Total Non-Major Funds	
Revenues				
Taxes	\$ 1,827,294	\$ -	\$ 620,309	\$ 2,447,603
Licenses and permits	2,280,424	-	-	2,280,424
Federal aid	-	1,044,491	1,068,572	2,113,063
State aid	1,091,209	-	143,888	1,235,097
County aid	1,000,000	-	60,000	1,060,000
Charges for services	972,734	-	-	972,734
Fines and forfeitures	135,237	-	-	135,237
Investment earnings (loss)	24,270	-	2	24,272
Other revenues	301,220	-	20,649	321,869
Total revenues	\$ 7,632,388	\$ 1,044,491	\$ 1,913,420	\$ 10,590,299
Expenditures				
Current operating				
General government	\$ 2,038,081	\$ -	\$ 691,526	\$ 2,729,607
Public safety	5,034,848	-	-	5,034,848
Public works	1,919,978	-	-	1,919,978
Culture and recreation	1,076,392	-	275,539	1,351,931
Debt service - principal	236,531	-	-	236,531
Capital outlay				
Public safety	436,829	-	-	436,829
Public works	906,200	-	-	906,200
Culture and recreation	123,975	-	-	123,975
Special revenue funds	-	2,038,550	802,200	2,840,750
Intergovernmental grants	-	-	10,061	10,061
Other expenditures	-	10,048	34,917	44,965
Total expenditures	\$ 11,772,834	\$ 2,048,598	\$ 1,814,243	\$ 15,635,675
Excess (deficiency) of revenues over (under) expenditures	\$ (4,140,446)	\$ (1,004,107)	\$ 99,177	\$ (5,045,376)
Other financing sources				
Proceeds from sale of fixed assets	\$ 6,685	\$ -	\$ -	\$ 6,685
Contributions & donations	239,818	-	-	239,818
Interfund transfers, net	3,810,088	1,004,107	108,345	4,922,540
Total other financing sources	\$ 4,056,591	\$ 1,004,107	\$ 108,345	\$ 5,169,043
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (83,855)	\$ -	\$ 207,522	\$ 123,667
Fund balances, beginning	1,970,465	-	(93,976)	1,876,489
Fund balances, ending	\$ 1,886,610	\$ -	\$ 113,546	\$ 2,000,156

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, 2014

<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
<i>Net change in fund balances - total governmental funds</i>	\$ 123,667		
<i>Property taxes are recorded at assessed values for the government-wide financial statements - the change in the amount to adjust to full assessment.</i>	10,854		
<i>Changes in health care cash account are recorded in health insurance expense of the various departments, the balance is reflected in the government-wide statement of net position.</i>	21,407		
<i>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.</i>	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">\$ 4,307,754</td> </tr> <tr> <td style="text-align: right;"><u>(1,100,304)</u></td> </tr> </table>	\$ 4,307,754	<u>(1,100,304)</u>
\$ 4,307,754			
<u>(1,100,304)</u>			
<i>Change in capital assets</i>	3,207,450		
<i>Depreciation</i>	215,265		
<i>Repayment of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net position.</i>	(12,069)		
<i>Interest expense in the statement of activities is recognized as the interest accrues. However, interest reported in the governmental funds is recognized as an expenditure when it is due. This amount is the net change in accrued interest for the year.</i>	(11,024)		
<i>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 position.</i>	<u>(11,024)</u>		
<i>Change in net position of governmental activities</i>	<u>\$ 3,555,550</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, 2014

Revenues	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Property taxes			
Real property	\$ 1,447,278	\$ 1,521,230	\$ 73,952
Vehicles	138,058	176,041	37,983
Other	125,000	130,023	5,023
Total property taxes	<u>\$ 1,710,336</u>	<u>\$ 1,827,294</u>	<u>\$ 116,958</u>
Licenses and permits			
Business licenses	\$ 1,685,906	\$ 1,975,295	\$ 289,389
Franchise fees	68,525	78,268	9,743
Building permits	30,000	36,138	6,138
Miscellaneous permits	14,428	14,323	(105)
Natural gas authority	135,000	176,400	41,400
Total licenses and permits	<u>\$ 1,933,859</u>	<u>\$ 2,280,424</u>	<u>\$ 346,565</u>
Intergovernmental			
County revenue sharing	\$ 650,000	\$ 650,000	\$ -
County grant	-	350,000	350,000
State government shared revenue	175,132	186,808	11,676
SC housing authority	15,000	18,187	3,187
State grants	150,000	756,992	606,992
Intergovernmental revenues	125,000	129,222	4,222
Total intergovernmental	<u>\$ 1,115,132</u>	<u>\$ 2,091,209</u>	<u>\$ 976,077</u>

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2014

continued

Revenues	Original & Final Budget	Actual	Budget Variance
Charges for services			
Garbage fees	\$ 956,912	\$ 972,734	\$ 15,822
Fines and forfeitures			
Municipal court fines	\$ 165,000	\$ 112,793	\$ (52,207)
Victims assistance fines	25,000	22,444	(2,556)
Total fines and forfeitures	\$ 190,000	\$ 135,237	\$ (54,763)
Investment earnings (loss)	\$ 3,000	\$ 24,270	\$ 21,270
Other			
Recreation fees / sports	\$ 72,700	\$ 58,075	\$ (14,625)
Miscellaneous	100,500	243,145	142,645
Total other	\$ 173,200	\$ 301,220	\$ 128,020
Total revenues	\$ 6,082,439	\$ 7,632,388	\$ 1,549,949

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2014

continued

Expenditures	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Current operating			
General government			
Municipal judge	\$ 241,569	\$ 227,660	\$ 13,909
Mayor and council	89,492	89,754	(262)
Elections	4,000	3,703	297
Finance / administration	1,375,671	1,347,809	27,862
Planning and development	408,585	369,155	39,430
Total general government	<u>\$ 2,119,317</u>	<u>\$ 2,038,081</u>	<u>\$ 81,236</u>
Public safety			
Police department	\$ 3,242,696	\$ 3,127,083	\$ 115,613
Fire department	1,675,854	1,907,765	(231,911)
Total public safety	<u>\$ 4,918,550</u>	<u>\$ 5,034,848</u>	<u>\$ (116,298)</u>
Public works			
Street department	\$ 979,593	\$ 937,357	\$ 42,236
Sanitation department	551,683	554,628	(2,945)
Motor pool	363,185	427,993	(64,808)
Total public works	<u>\$ 1,894,461</u>	<u>\$ 1,919,978</u>	<u>\$ (25,517)</u>
Culture and recreation			
	\$ 971,248	\$ 1,076,392	\$ (105,144)

continued

City of Seneca
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual
 For the Year Ended June 30, 2014

continued

Expenditures	Original & Final Budget	Actual	Budget Variance
Debt service	\$ 236,588	\$ 236,531	\$ 57
Capital outlay			
Public safety	-	436,829	\$ (436,829)
Public works	-	906,200	(906,200)
Culture and recreation	-	123,975	(123,975)
Total capital outlay	\$ -	\$ 1,467,004	\$ (1,467,004)
Total expenditures	\$ 10,140,164	\$ 11,772,834	\$ (1,632,670)
Excess (deficiency) of revenues over (under) expenditures	\$ (4,057,725)	\$ (4,140,446)	\$ (82,721)
Other financing sources			
Proceeds from sale of fixed assets	10,000	6,685	\$ (3,315)
Contributions & donations	100,000	239,818	139,818
Interfund transfers, net	3,947,725	3,810,088	(137,637)
Total other financing sources	\$ 4,057,725	\$ 4,056,591	\$ (1,134)
Excess (deficiency) of revenues over (under) expenditures and other financing sources	\$ -	\$ (83,855)	\$ (83,855)
Fund balance, beginning	1,970,465	1,970,465	-
Fund balance, ending	\$ 1,970,465	\$ 1,886,610	\$ (83,855)

See Notes to Financial Statements

City of Seneca
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Light & Water Fund</u>	<u>Seneca Facilities Corp Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 526,166	\$ 43,571	\$ 569,737
Restricted cash	6,770,786	-	6,770,786
Investments	3,712,976	-	3,712,976
Receivables:			
Accounts receivable	3,775,862	-	3,775,862
Other receivables	42,739	-	42,739
Prepaid expenses	100,035	-	100,035
Due from other funds	60,656	268,000	328,656
Inventory	334,654	-	334,654
Total current assets	\$ 15,323,874	\$ 311,571	\$ 15,635,445
Noncurrent assets			
Land	\$ 1,030,989	\$ 200,500	\$ 1,231,489
Buildings	294,687	2,223,202	2,517,889
Improvements	62,356,486	2,789,956	65,146,442
Equipment	6,062,851	-	6,062,851
Vehicles	2,457,766	-	2,457,766
Construction in progress	3,043,921	-	3,043,921
Less, accumulated depreciation	(34,263,160)	(160,528)	(34,423,688)
Total noncurrent assets	\$ 40,983,540	\$ 5,053,130	\$ 46,036,670
Total assets	\$ 56,307,414	\$ 5,364,701	\$ 61,672,115

continued

City of Seneca
Statement of Net Position
Proprietary Funds
June 30, 2014

continued

	<u>Light & Water Fund</u>	<u>Seneca Facilities Corp Fund</u>	<u>Total</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 2,339,462	\$ 16,821	\$ 2,356,283
Accrued expenses	379,230	-	379,230
Compensated absences	266,361	-	266,361
Capital lease payable, current	52,200	-	52,200
State revolving fund loan, current	91,766	-	91,766
Bonds payable, current	695,000	-	695,000
Customer deposits	761,099	12,489	773,588
Due to other funds	-	60,656	60,656
Total current liabilities	\$ 4,585,118	\$ 89,966	\$ 4,675,084
Long-term liabilities			
Capital lease payable, non-current	\$ 161,377	\$ -	\$ 161,377
State revolving fund loan, non-current	1,463,221	-	1,463,221
Bonds payable, non-current, net	13,070,222	-	13,070,222
Notes payable, non-current	-	5,220,000	5,220,000
Total long-term liabilities	\$ 14,694,820	\$ 5,220,000	\$ 19,914,820
Total liabilities	\$ 19,279,938	\$ 5,309,966	\$ 24,589,904
Net position			
Invested in capital assets, net of related debt	\$ 25,449,754	\$ -	\$ 25,449,754
Restricted for:			
Capital construction	4,624,555	-	4,624,555
Debt service	811,810	-	811,810
Generation savings	1,334,421	-	1,334,421
Other	-	54,735	54,735
Unrestricted	4,806,936	-	4,806,936
Total net position	\$ 37,027,476	\$ 54,735	\$ 37,082,211

See Notes to Financial Statements

City of Seneca
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Light & Water Fund</u>	<u>Seneca Facilities Corp Fund</u>	<u>Total</u>
Operating revenues			
Charges for services			
Electric	\$ 18,790,160	\$ -	\$ 18,790,160
Water	6,372,494	-	6,372,494
Sewer	3,137,175	-	3,137,175
Lease Income	-	932,484	932,484
Other	88,572	-	88,572
Total operating revenues	\$ 28,388,401	\$ 932,484	\$ 29,320,885
Operating expenses			
Light & Water administration	\$ 2,657,630	\$ -	\$ 2,657,630
I & I department	127,239	-	127,239
Billing department	926,216	-	926,216
Engineering department	430,405	-	430,405
Electrical department	2,276,047	-	2,276,047
Water department	2,419,866	-	2,419,866
Sewer department	2,930,506	-	2,930,506
Water plant	2,904,229	-	2,904,229
Electrical generation / purchase	11,846,344	-	11,846,344
Facilities administration	-	787,041	787,041
Total operating expenses	\$ 26,518,482	\$ 787,041	\$ 27,305,523
Operating income (loss)	\$ 1,869,919	\$ 145,443	\$ 2,015,362
Non-operating revenues (expenses)			
Investment income (loss)	\$ 80,952	\$ -	\$ 80,952
Interest expense	(330,233)	(188,370)	(518,603)
Bond issuance costs	(102,550)	-	(102,550)
Proceeds from sale of capital assets	130	-	130
Other financing sources (uses)			
Contributions & donations	2,000	-	2,000
Interfund transfers in (out)	(4,670,540)	(252,000)	(4,922,540)
Net income (loss) - budgetary basis	\$ (3,150,322)	\$ (294,927)	\$ (3,445,249)
Adjustment to convert to GAAP basis			
Principal payments on debt	816,153	-	816,153
Capital outlay	2,347,656	422,601	2,770,257
Change in net position	\$ 13,487	\$ 127,674	\$ 141,161
Net position, beginning	37,124,607	199,008	37,323,615
Change in accounting principle	(110,618)	(271,947)	(382,565)
Net position, beginning as restated	37,013,989	(72,939)	36,941,050
Net position, ending	\$ 37,027,476	\$ 54,735	\$ 37,082,211

See Notes to Financial Statements

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City of Seneca
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Light & Water Fund	Seneca Facilities Corp Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 28,007,879	\$ 935,598	\$ 28,943,477
Payments to suppliers / goods and services	(16,234,599)	(234,833)	(16,469,432)
Payments to / for employees	(4,317,085)	-	(4,317,085)
Net cash provided (used) by operating activities	\$ 7,456,195	\$ 700,765	\$ 8,156,960
Cash flows from non-capital financing activities:			
Interfund transfers	\$ (4,670,540)	\$ (252,000)	\$ (4,922,540)
Advances to other funds	(351,227)	(257,344)	(608,571)
Total cash flows from non-capital financing activities	\$ (5,021,767)	\$ (509,344)	\$ (5,531,111)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (2,347,656)	\$ (422,601)	\$ (2,770,257)
Proceeds from sale of capital assets	130	-	130
Principal paid on capital debt	(816,153)	-	(816,153)
Interest paid on capital debt	(207,667)	(188,370)	(396,037)
Bond proceeds, net	5,737,450	-	5,737,450
Total cash flows from capital and related financing activities	\$ 2,366,104	\$ (610,971)	\$ 1,755,133
Cash flows from investing activities:			
Proceeds from investments	\$ 33,776	\$ -	\$ 33,776
Purchases of investments	(496,120)	-	(496,120)
Interest income	61,718	-	61,718
Total cash flows from investing activities	\$ (400,626)	\$ -	\$ (400,626)
Net increase (decrease) in cash	\$ 4,399,906	\$ (419,550)	\$ 3,980,356
Cash, beginning	2,897,046	463,121	3,360,167
Cash, ending	\$ 7,296,952	\$ 43,571	\$ 7,340,523

continued

City of Seneca
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

continued

	Light & Water Fund	Seneca Facilities Corp Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 1,869,919	\$ 145,443	\$ 2,015,362
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,755,526	113,849	1,869,375
Capital outlay / GAAP adjustment	2,347,656	422,601	2,770,257
Principal payments on debt / GAAP adjustment	816,153	-	816,153
Changes in assets (increase), decrease:			
Accounts receivable	(414,252)	-	(414,252)
Other receivables	3,465	-	3,465
Prepaid expenses	(16,849)	-	(16,849)
Inventory	203,905	-	203,905
Changes in liabilities increase,(decrease):			
Accounts payable	825,902	15,758	841,660
Accrued expenses	28,204	-	28,204
Compensated absences	6,301	-	6,301
Customer deposits	30,265	3,114	33,379
Total adjustments	\$ 5,586,276	\$ 555,322	\$ 6,141,598
Net cash provided by operating activities	\$ 7,456,195	\$ 700,765	\$ 8,156,960
Schedule of non-cash and related financing activities:			
Contribution of capital assets	\$ 2,000	-	\$ 2,000
Unrealized gain on investments	19,234	-	19,234

See Notes to Financial Statements

City of Seneca
Statement of Fiduciary Net Position
Agency Fund
June 30, 2014

	<i>Firemens Fund</i>
Assets	
<i>Cash / investments</i>	\$ 11,448
Liabilities	-
Net position	
<i>Held in trust for firemen</i>	\$ 11,448

See Notes to Financial Statements



City of Seneca
Statement of Changes in Fiduciary Net Position
Agency Fund
For the Year Ended June 30, 2014

	<i>Firemens Fund</i>
Additions	
<i>Contributions</i>	\$ 29,496
<i>Investment earnings</i>	18
Total additions	\$ 29,514
Reductions	
<i>Benefits</i>	26,640
Change in net position	\$ 2,874
Net position, beginning	8,574
Net position, ending	\$ 11,448

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

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City of Seneca
Notes to Financial Statements
June 30, 2014

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 funds (light and water and Seneca facilities corp fund), and the agency fund. Seneca facilities corp fund is a blended component unit. There are no 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 position 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 funds 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 funds 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 and Seneca facilities corp funds) 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 light and water fund are charges to customers for electric, water and sewer services. Impact and tap fees are reported as operating revenues. Operating expenses for the light and water fund include the costs of utility purchases and services, administrative expenses and asset depreciation. The principal operating revenue of the Seneca facilities corp fund is lease income. Operating expenses include 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.

Proprietary Funds

Enterprise Funds -- accounts for charges to users for electricity, water and sewer services, lease income and the cost of operations of the utility systems and facilities. Depreciation is recorded in these funds.

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.

D. Blended component unit

Seneca Facilities Corporation is a nonprofit public benefit corporation formed on August 3, 2012 for the purpose of assisting the City in promoting and encouraging the retention of existing businesses and industries and the establishment of new businesses and industries in economically distressed areas of the City. Seneca Facilities Corporation is a blended component unit of the City of Seneca in accordance with the requirements set forth in GASB Statement No. 61 "The Financial Reporting Entity: Omnibus." Seneca Facilities Corporation and the City of Seneca have substantively the same governing body, and management of the City have operational responsibility for the activities of Seneca Facilities Corporation. Seneca Facilities Corporation is a major fund and is presented as a proprietary fund in the basic financial statements. Information regarding separate financial statements of Seneca Facilities Corporation may be obtained by contacting Mr. Joel Seavey at the City of Seneca, PO Box 4773, Seneca, SC 29679-4773.

E. Adoption of accounting standards/change in accounting principle

The City of Seneca implemented for the fiscal year ended June 30, 2014, GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB 65). Among other things, GASB 65 reclassifies certain items previously reported as assets and liabilities as outflows of resources (expenditures) or inflows of resources (revenues). GASB 65 requires debt issuance costs be recognized as an expense in the period incurred. Previously capitalized debt issuance costs, net of accumulated amortization, as of June 30, 2013 in the Light and Water and Seneca Facilities Corporation Funds totaled \$110,618 and \$271,647, respectively. Beginning of year net position has been restated by these amounts to reflect this change in accounting principle.

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. There were no budgetary amendments during the fiscal year.

The special revenue funds 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.

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, 2014 is \$8,942,433. The bank balance of the funds at June 30, 2014 is \$8,942,513, of which \$1,269,734 is category 1 (insured by Federal Deposit Insurance), and \$3,074,833 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. 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, 2014.

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

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, 2014, \$3,074,833 of the City’s bank balance of \$8,942,513 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 \$4,715,655, the City has no custodial credit risk exposure because investments in the State Investment Pool and US Government Agencies are exempt from risk categorization.

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, 2014:

<u>Investment</u>	<u>Carrying amount</u>	<u>Market value</u>
State Investment Pool	\$ 10,473	\$ 10,473
US Government Agencies	4,705,182	4,705,182
	<u>\$ 4,715,655</u>	<u>\$ 4,715,655</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:

Type of asset	Estimated life
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, 2014 was as follows:

Governmental Activities				
Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	\$ 1,035,039	\$ -	\$ -	\$ 1,035,039
Construction in progress	112,172	3,877,132	-	3,989,304
Total not depreciated	\$ 1,147,211	\$ 3,877,132	\$ -	\$ 5,024,343
Capital assets, depreciated				
Buildings	\$ 7,709,973	\$ 118,287	\$ -	\$ 7,828,260
Improvements	7,393,804	48,949	-	7,442,753
Equipment	1,082,575	81,090	-	1,163,665
Vehicles	5,106,483	182,296	-	5,288,779
Total depreciated	\$ 21,292,835	\$ 430,622	\$ -	\$ 21,723,457
Less accumulated depreciation for:	Beginning	Increases	Decreases	Ending
Buildings	\$ 3,206,418	\$ 187,362	\$ -	\$ 3,393,780
Improvements	3,257,538	549,916	-	3,807,454
Equipment	823,233	75,898	-	899,131
Vehicles	4,094,958	287,128	-	4,382,086
Total depreciation	\$ 11,382,146	\$ 1,100,304	\$ -	\$ 12,482,450
Total depreciable assets, net	\$ 9,910,689	\$ (669,682)	-	\$ 9,241,007
Total governmental activities capital assets, net	\$ 11,057,900	\$ 3,207,450	\$ -	\$ 14,265,350

Business-Type Activities				
Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	\$ 1,219,190	\$ 12,299	\$ -	\$ 1,231,489
Construction in progress	3,495,568	2,307,768	2,759,415	3,043,921
Total not depreciated	\$ 4,714,758	\$ 2,320,067	\$ 2,759,415	\$ 4,275,410

Capital assets, depreciated				
Buildings	\$ 2,517,889	\$ -	\$ -	\$ 2,517,889
Improvements	62,099,921	3,046,521	-	65,146,442
Equipment	5,934,536	128,315	-	6,062,851
Vehicles	2,427,247	30,519	-	2,457,766
Total depreciated	\$ 72,979,593	\$ 3,205,355	\$ -	\$ 76,184,948
Less accumulated depreciation for:				
	Beginning	Increases	Decreases	Ending
Buildings	\$ 197,342	\$ 62,947	\$ -	\$ 260,289
Improvements	25,845,678	1,457,020	-	27,302,698
Equipment	4,707,776	179,278	-	4,887,054
Vehicles	1,803,517	170,130	-	1,973,647
Total depreciation	\$ 32,554,313	\$ 1,869,375	\$ -	\$ 34,423,688
Total depreciable assets, net	\$ 40,425,280	\$ 1,335,980	\$ -	\$ 41,761,260
Total business-type activities capital assets, net	\$ 45,140,038	\$ 3,656,047	\$ 2,759,415	\$ 46,036,670

Included in business-type activities construction in progress is capitalized interest in the amount of \$99,620.

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

Governmental activities	
General government	\$ 150,352
Public safety	215,820
Public works	539,977
Culture & recreation	194,155
Total depreciation expense – governmental activities	\$ 1,100,304
Business-type activities	
Electric	\$ 262,687
Water	818,930
Sewer	261,333
Administration	526,425
Total depreciation expense – business-type activities	\$ 1,869,375

7. Property taxes

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

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

Taxes receivable in the general fund at June 30, 2014 represent uncollected tax levies less allowance for doubtful accounts as follows:

	<u>Receivable</u>	<u>Allowance</u>
General fund	<u>\$ 114,404</u>	<u>\$ 3,432</u>

8. Receivables

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. 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 follows:

Receivable	General	TIGGER	Light & water	Nonmajor	Total
Taxes	\$ 114,404	\$ -	\$ -	\$ -	\$ 114,404
Accounts / notes	195,824	-	3,775,862	41,929	4,013,615
Intergovernmental	124,430	104,503	-	277,742	506,675
Other	28,435	-	42,739	8	71,182
Gross receivables	\$ 463,093	\$ 104,503	\$ 3,818,601	\$ 319,679	\$ 4,705,876
Less allowance	3,432	-	-	-	3,432
Net receivables	<u>\$ 459,661</u>	<u>\$ 104,503</u>	<u>\$ 3,818,601</u>	<u>\$ 319,679</u>	<u>\$ 4,702,444</u>

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure)

until then. The government only has one item that qualifies for reporting in this category. It is the unamortized bond/loan costs in the proprietary funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 position 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	\$ 4,031,354	\$ 221,266	\$ 3,810,088
TIGGER fund	1,004,107	-	1,004,107
Light & water fund	-	4,670,540	(4,670,540)
Seneca facilities corp fund	-	252,000	(252,000)
Nonmajor governmental funds	221,266	112,921	108,345
Total transfers	<u>\$ 5,256,727</u>	<u>\$ 5,256,727</u>	<u>\$ -</u>

As of June 30, 2014, interfund receivables and payables that resulted from interfund transactions were as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ 65,015	\$ 268,000
TIGGER fund	195,903	-
Light & water fund	60,656	-
Seneca facilities corp fund	268,000	60 656
Nonmajor governmental funds	-	260 918
Totals	<u>\$ 589,574</u>	<u>\$ 589,574</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 position.

Revenue Bonds

The City issued revenue bonds in its business-type activities where the City pledges income derived from the acquired or constructed assets to pay debt service. During the year \$5,840,000 of revenue bonds were issued to finance the following projects: the construction of a light and water administration building, charging stations for new electric transit buses, and substation replacement. Revenue bonds (gross) outstanding at June 30, 2014 are as follows:

Purpose	Interest Rate	Balance	Current Portion
2004 Combined Utility System	3.75% - 4.00%	\$ 585,000	\$ 585,000
2012 Combined Utility System	2.28%	8,150,000	110,000
2013 Combined Utility System	2.73%	5,840,000	-
Total		<u>\$ 14,575,000</u>	<u>\$ 695,000</u>

Advance Refunding

On March 29, 2012, the City issued \$8,350,000 of Combined Utility System Refunding Revenue Bonds, Series 2012, to provide resources to purchase U.S Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$7,475,000 of the Series 2004 Combined Utility System Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the proprietary fund statement of net position. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$988,992. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt.

The transaction also resulted in an economic gain of \$482,967 and a reduction of \$581,775 in future debt service payments.

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>
08/01/13	\$ 585,000	4.00	\$ 11,700	\$ 596,700	\$ 608,400

The following table provides the Series 2012 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>
08/01/14	\$ 110,000	2.28	\$ 92,910	\$ 202,910	\$ 295,820
02/01/15			91,656	91,656	
08/01/15	725,000	2.28	91,656	816,656	908,312
02/01/16			83,391	83,391	
08/01/16	740,000	2.28	83,391	823,391	906,782
02/01/17			74,955	74,955	
08/01/17	760,000	2.28	74,955	834,955	909,910
02/01/18			66,291	66,291	
08/01/18	775,000	2.28	66,291	841,291	907,582
02/01/19			57,456	57,456	
08/01/19	790,000	2.28	57,456	847,456	904,912
02/01/20			48,450	48,450	
08/01/20	810,000	2.28	48,450	858,450	906,900
02/01/21			39,216	39,216	
08/01/21	830,000	2.28	39,216	869,216	908,432
02/01/22			29,754	29,754	
08/01/22	850,000	2.28	29,754	879,754	909,508
02/01/23			20,064	20,064	
08/01/23	870,000	2.28	20,064	890,064	910,128
02/01/24			10,146	10,146	
08/01/24	890,000	2.28	10,146	900,146	910,292
Totals	<u>\$ 8,150,000</u>		<u>\$ 1,135,668</u>	<u>\$ 9,285,668</u>	

The following table provides the Series 2013 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>
08/01/14	\$ -	2.73	\$ 79,716	\$ 79,716	\$ 135,074
02/01/15			79,716	79,716	
08/01/15	-	2.73	79,716	79,716	159,432
02/01/16			79,716	79,716	
08/01/16	380,000	2.73	79,716	459,716	539,432
02/01/17			74,529	74,529	
08/01/17	390,000	2.73	74,529	464,529	539,058
02/01/18			69,205	69,205	
08/01/18	400,000	2.73	69,205	469,205	538,410
02/01/19			63,745	63,745	
08/01/19	415,000	2.73	63,745	478,745	542,490
02/01/20			58,081	58,081	
08/01/20	425,000	2.73	58,081	483,081	541,162
02/01/21			52,280	52,280	
08/01/21	435,000	2.73	52,280	487,280	539,560
02/01/22			46,342	46,342	
08/01/22	445,000	2.73	46,342	491,342	537,684
02/01/23			40,267	40,267	
08/01/23	460,000	2.73	40,267	500,267	540,534
02/01/24			33,989	33,989	
08/01/24	470,000	2.73	33,989	503,989	537,978
02/01/25			27,573	27,573	
08/01/25	485,000	2.73	27,573	512,573	540,146
02/01/26			20,953	20,953	
08/01/26	500,000	2.73	20,953	520,953	541,906
02/01/27			14,128	14,128	
08/01/27	510,000	2.73	14,128	524,128	538,256
02/01/28			7,166	7,166	
08/01/28	525,000	2.73	7,166	532,166	539,332
Totals	<u>\$ 5,840,000</u>		<u>\$ 1,415,096</u>	<u>\$ 7,255,096</u>	

Loan agreements – Seneca Facilities Corporation

On August 30, 2012, Seneca Facilities Corporation, a blended component unit of the City of Seneca, entered into a loan agreement with TD Community Development Corporation (TDCDC) in the amount of \$5,220,000 for the purchase of and construction and improvements to the property at 320 Shiloh Road. The loan consists of two promissory notes as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Note A	3.95%	08/30/2022	\$ 4,020,000
Note B – New Market Tax Credit Equity Loan	2.25%	08/31/2052	1,200,000
Total			<u>\$ 5,220,000</u>

Following are the payment terms for each note.

Note A - Beginning October 1, 2012, monthly interest only payments are due until August 1, 2019. On September 1, 2019, a one-time principal reduction payment is due in the amount of \$1,876,000. Beginning September 1, 2019, monthly principal and interest payments are due until August 1, 2022, at which time a balloon payment is due in the amount of \$1,500,800.

Note B – Beginning October 1, 2012, monthly interest only payments are due until August 1, 2019, after which interest shall continue to accrue on the outstanding principal balance, but no payments of principal or interest are due until the maturity date. The note is subject to a put/call agreement whereby TDCDC may elect within the put option period to require Seneca Facilities Corporation, or its designee, to purchase the B note for an amount equal to 1% of the principal amount of the note. Upon expiration of the put option period, Seneca Facilities Corporation has the right to require TDCDC to sell the B note to Seneca Facilities Corporation, or its designee, at the fair market value of the note, or the call price.

The following table provides the Note A debt service for future periods.

Fiscal yr ending June 30,	Principal	Interest	Debt svc	Calendar yr debt svc
2015	\$ -	\$ 160,965	\$ 160,965	\$ 160,965
2016	-	161,406	161,406	161,406
2017	-	160,965	160,965	160,965
2018	-	160,965	160,965	160,965
2019	-	160,965	160,965	2,082,969
2020	2,054,667	95,510	2,150,177	293,448
2021	214,400	74,790	289,190	284,862
2022	214,400	66,204	280,604	1,690,819
2023	1,536,533	15,332	1,551,865	-
Totals	\$ 4,020,000	\$ 1,057,102	\$ 5,077,102	

The following table provides the Note B debt service for future periods.

Fiscal yr ending June 30,	Principal	Interest	Debt svc	Calendar yr debt svc
2015	\$ -	\$ 27,375	\$ 27,375	\$ 27,375
2016	-	27,450	27,450	27,450
2017	-	27,375	27,375	27,375
2018	-	27,375	27,375	27,375
2019	-	27,375	27,375	1,220,550
2020	1,200,000 ^{1*}	6,900	1,206,900	-
Totals	\$ 1,200,000	\$ 143,850	\$ 1,343,850	

1* Principal amount subject to put/call terms disclosed above.

2007 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 for the first twelve payments, then 2.25% thereafter. Payments began February 1, 2009 and continue for 20 years. Quarterly principal and interest payments in the amount of \$31,495.56 are due February 1st, May 1st, August 1st and November 1st of each year. The following table provides the SRF loan debt service for future periods.

Fiscal year ending June 30,	Principal	Interest	Debt svc	Calendar yr debt svc
2015	\$ 91,765	\$ 34,217	\$ 125,982	\$ 125,982
2016	93,848	32,134	125,982	125,982
2017	95,977	30,005	125,982	125,982
2018	98,155	27,827	125,982	125,982
2019	100,382	25,600	125,982	125,982
2020	102,660	23,322	125,982	125,982
2021	104,989	20,993	125,982	125,982
2022	107,372	18,610	125,982	125,982
2023	109,808	16,174	125,982	125,982
2024	112,299	13,683	125,982	125,982
2025	114,848	11,134	125,982	125,982
2026	117,454	8,528	125,982	125,982
2027	120,119	5,863	125,982	125,982
2028	122,844	3,138	125,982	125,982
2029	62,466	529	62,995	-
Totals	\$ 1,554,986	\$ 271,757	\$ 1,826,743	

Capital leases

The City has several lease agreements which qualify as capital leases for accounting purposes. Following are the assets leased under capital leases:

Equipment

Governmental activities:

Fire truck	\$ 747,207
Hook truck	85,225
Brush tractor	82,462
	<hr/>

Total governmental activities **\$ 914,894**

Business-type activities:

Vacuum truck	\$ 268,491
	<hr/>

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2014.

<u>Fiscal year ending</u>	<u>Lease payments</u>	
06/30/2015	\$	223,141
06/30/2016		223,142
06/30/2017		73,271
06/30/2018		73,269
Total minimum lease payments	\$	592,823
Less interest portion		(30,446)
Present value of future minimum lease payments	\$	<u>562,377</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Capital leases	\$ 564,064	\$ -	\$ (215,265)	\$ 348,799	\$ 153,666
Business-type activities:					
Revenue bonds payable	\$ 9,410,000	\$ 5,840,000	\$ (675,000)	\$ 14,575,000	\$ 695,000
Deferred amount on refunding	(889,428)	-	79,650	(809,778)	-
Total bonds payable	\$ 8,520,572	\$ 5,840,000	\$ (595,350)	\$ 13,765,222	\$ 695,000
NMTC loans	\$ 5,220,000	\$ -	\$ -	\$ 5,220,000	\$ -
SRF loan	1,644,716	-	(89,730)	1,554,986	91,766
Total loans	\$ 6,864,716	\$ -	\$ (89,730)	\$ 6,774,986	\$ 97,766
Capital lease	\$ 265,000	\$ -	\$ (51,422)	\$ 213,578	\$ 52,200
Business-type activity long-term liabilities	<u>\$ 15,650,288</u>	<u>\$ 5,840,000</u>	<u>\$ (736,502)</u>	<u>\$ 20,753,786</u>	<u>\$ 838,966</u>

2014 State Revolving Fund Loan

On March 10, 2014 the City entered into a loan agreement with the South Carolina Water Quality Revolving Fund Authority in the amount of \$11,528,750 for water system improvements and meter replacements. On July 30, 2014 the City was issued its first draw request for this project from the State Revolving Fund Loan Program in the amount of \$2,089,857 for expenditures incurred by the City through June 30, 2014. Of this amount, \$1,365,691 and \$724,166 represent expenditures that were incurred during fiscal year ending June 30, 2014 and 2013, respectively. The loan bears interest at 1.64% per annum over 20 years. Prior to the payment initiation date of August 1, 2015, amounts disbursed shall bear interest from the date of the disbursement and accrued interest only shall be due on the payment initiation

date. Repayment of principal and interest shall be due in 80 quarterly installments in the amount of \$169,310 with the first payment due November 1, 2015.

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. Segment information

The City of Seneca maintains two enterprise funds (light and water and Seneca facilities corp funds). Segment information for the year ended June 30, 2014 is as follows:

	<u>Light & water fund</u>	<u>Seneca facilities corp fund</u>	<u>Total enterprise funds</u>
Operating revenues	\$ 28,388,401	\$ 932,484	\$ 29,320,885
Depreciation	1,755,526	113,849	1,869,375
Operating income (loss)	1,869,919	145,443	2,015,362
Net income / GAAP	13,487	127,674	141,161
Fixed asset additions	2,347,656	422,601	2,770,257
Net position	37,027,476	54,735	37,082,211

13. Fund balance

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("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.

14. Net position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by City Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governmental entities.

15. 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	7.50 % of salary
Police Officers Retirement System	7.84 % of salary

Employers are required to contribute to the plan as follows:

South Carolina Retirement System	10.45 % of salary
Police Officers Retirement System	12.44 % 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. Three-year trend information is as follows:

<u>Year Ending</u>	<u>South Carolina Retirement System</u>		<u>Police Officers Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
06/30/14	\$ 596,864	100%	\$ 326,450	100%
06/30/13	588,284	100%	303,533	100%
06/30/12	526,989	100%	284,793	100%

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and the Police Officer's Retirement System is publicly available on the website at www.retirement.sc.gov, or a copy is available by writing the South Carolina Retirement System at PO Box 11960, Columbia, SC 29211-1960.

16. Restricted assets

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

The bond principal and interest accounts are escrow accounts 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. Construction funds represent revenue bond proceeds to be used for capital projects. Account balances at June 30, 2014 are as follows:

Construction funds	\$ 4,531,509
Debt service – SRF loan	21,002
Debt service –Note A – TDCDC	267,985
Peak general savings fund	1,334,421
Principal and interest funds	883,854
Total restricted assets	<u>\$ 7,038,771</u>

17. 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>Excess</u>
Mayor & council	\$ 89,754	\$ 89,492	\$ 262
Fire department	1,907,765	1,675,854	231,911
Sanitation	554,628	551,683	2,945
Motor pool	427,993	363,185	64,808
Culture & recreation	1,076,392	971,248	105,144

18. Public transit

Clemson Area Transit Service

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 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, 2014:

Funding

Federal (FTA)	\$ 421,463
State (SCDOT)	143,888
Local match (as needed)	143,887
Total funding	<u>\$ 709,238</u>

TIGGER Grant/Electric Transit Buses Project

On July 1, 2012, the City entered into a subrecipient grant agreement with the South Carolina Department of Transportation in the amount of \$4,118,000 to deploy the nation's first complete fleet of zero-emission, all electric transit buses. The project will replace five diesel transit buses with five 35 foot fast charge battery electric buses. The duration of the project is through June 30, 2016. The City entered into a contract with Proterra, Inc. dated June 18, 2012 in the amount of \$5,468,000 for the purchase of four of the electric buses and two fast charging stations. The City incurred \$2,048,598 in expenditures relating to this project during the year.

19. Pending contingent liability

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), was issued by GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions and pension plans. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered. This Statement will require the City to report a net pension liability for its participation in the South Carolina Retirement System on the Statement of Net Position for the government-wide statements and present more extensive note disclosures. In general, it should not have a significant impact on the City's governmental funds. The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City's net position. GASB 68 is required to be implemented by the City no later than fiscal year ending June 30, 2015.

20. Lease agreement – Seneca Facilities Corporation

Lease terms

On August 30, 2012 the City entered into a lease agreement with Seneca Facilities Corporation for the lease of the property at 320 Shiloh Road through September 1, 2027. Annual lease payments in the amount of \$500,000 are due August 30th of each year. An additional one-time lease payment in the amount of \$1,876,000 is due on August 30, 2019. If at any time following the date of the lease agreement a portion of the property is leased directly by Seneca Facilities Corporation to a tenant, the amount of the annual lease payment due by the City will be reduced by the amount of the annual rent actually paid to Seneca Facilities Corporation by the tenant. During fiscal year ending June 30, 2014, the City made a lease payments to Seneca Facilities Corporation in the amount of \$493,285.

Escrow payments

The City is required to make an annual escrow payment in the amount of \$268,000 on August 30, 2013 through 2019. The escrow payments will be applied toward the additional lease payment due on August 30, 2019 in the amount of \$1,876,000.

Facilities management agreement

In accordance with the lease agreement, the City entered into a facilities management agreement with Seneca Facilities Corporation for the management of the property at 320 Shiloh Road. Seneca Facilities Corporation is required to pay a management fee in the amount of \$50,000 to the City on June 30th of each of the years 2013 to and including 2022.

21. Construction commitments

The City has construction commitments totaling \$11,037,900 at June 30, 2014. Costs of \$1,131,055 had been incurred on these contracts as of June 30, 2014.

22. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is insured for these risks of loss by commercial insurance.

23. 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 \$86,734 based upon claims paid in July and August, 2014. This amount is recorded as a liability and expense within the General Fund and Light & Water Fund. The following indicates claims versus premiums for the past three fiscal years:

<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>
2014	\$ 163,320	\$ 1,071,247	\$ 1,147,833	\$ 86,734
2013	174,701	1,218,215	1,229,596	163,320
2012	211,316	1,189,850	1,226,465	174,701

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

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City of Seneca
TIGGER Grant....PT-3N709-G2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues			
Federal aid	\$ 1,044,491	\$ 1,097,958	\$ 4,118,000
Expenditures			
Capital outlay	\$ 2,038,550	\$ 2,097,958	\$ 5,118,000
Other	10,048	10,048	-
Total expenditures	\$ 2,048,598	\$ 2,108,006	\$ 5,118,000
Excess (deficiency) of revenues over (under) expenditures	\$ (1,004,107)	\$ (1,010,048)	\$ (1,000,000)
Other financing sources			
Transfers in	1,004,107	1,010,048	1,000,000
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	
Fund balance, ending	\$ -	\$ -	

Note:

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

See Notes to Financial Statements

City of Seneca
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2014

	Community Development	Hospitality Tax	Accommodations Tax	CAT Grant PT-4N711-25	Livability Grant PT-3N709-H1	Total
Assets						
Cash	\$ 6,745	\$ 107,529	\$ 23,750	\$ -	\$ -	\$ 138,024
Receivables						
Notes	41,929	-	-	-	-	41,929
Interest	8	-	-	-	-	8
Due from other governmental units	-	-	32,456	138,177	107,109	277,742
Total assets	\$ 48,682	\$ 107,529	\$ 56,206	\$ 138,177	\$ 107,109	\$ 457,703
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 13,021	\$ 20,835	\$ 49,383	\$ -	\$ 83,239
Due to other funds	-	65,015	-	88,794	107,109	260,918
Total liabilities	\$ -	\$ 78,036	\$ 20,835	\$ 138,177	\$ 107,109	\$ 344,157
Fund balances	48,682	29,493	35,371	-	-	113,546
Total liabilities and fund balances	\$ 48,682	\$ 107,529	\$ 56,206	\$ 138,177	\$ 107,109	\$ 457,703

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, 2014

	Community Development	Hospitality Tax	Accommodations Tax	CAT Grant PT-4N711-25	Livability Grant PT-3N709-H1	VAP Grant PT-1N709-K2	Total
Revenues							
Taxes	\$ -	\$ 536,898	\$ 83,411	\$ -	\$ -	\$ -	\$ 620,309
Federal aid	-	-	-	421,463	107,109	540,000	1,068,572
State aid	-	-	-	143,888	-	-	143,888
County aid	-	-	-	60,000	-	-	60,000
Investment earnings	2	-	-	-	-	-	2
Other revenue	-	20,649	-	-	-	-	20,649
Total revenues	2	\$ 557,547	\$ 83,411	\$ 625,351	\$ 107,109	\$ 540,000	\$ 1,913,420
Expenditures							
Current operating							
General government	\$ -	\$ -	\$ -	\$ 691,526	\$ -	\$ -	\$ 691,526
Project administration	-	275,539	-	-	-	-	275,539
Culture and recreation	-	-	-	17,712	133,886	650,602	802,200
Capital outlay	-	-	-	-	-	-	10,061
Intergovernmental grants	-	10,061	-	-	-	-	34,917
Other	984	-	33,933	-	-	-	-
Total expenditures	984	\$ 285,600	\$ 33,933	\$ 709,238	\$ 133,886	\$ 650,602	\$ 1,814,243
Excess (deficiency) of revenues over (under) expenditures	(982)	\$ 271,947	\$ 49,478	\$ (83,887)	\$ (26,777)	\$ (110,602)	\$ 99,177
Other financing sources (uses)							
Transfers in (out)	-	\$ (85,000)	\$ (27,921)	\$ 83,887	\$ 26,777	\$ 110,602	\$ 108,345
Net change in fund balances	(982)	\$ 186,947	\$ 21,557	\$ -	\$ -	\$ -	\$ 207,522
Fund balances, beginning	49,664	(157,454)	13,814	-	-	-	(93,976)
Fund balances, ending	\$ 48,682	\$ 29,493	\$ 35,371	\$ -	\$ -	\$ -	\$ 113,546

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, 2014

	Budget	Actual	Variance
Revenues			
<i>Investment earnings</i>	\$ -	\$ 2	\$ 2
Expenditures			
<i>Other</i>	\$ -	\$ 984	\$ (984)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (982)	\$ (982)
Fund balance, beginning	49,664	49,664	-
Fund balance, ending	\$ 49,664	\$ 48,682	\$ (982)

See Notes to Financial Statements

City of Seneca
 Hospitality Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual
 Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance
Revenues			
Taxes	\$ 460,000	\$ 536,898	\$ 76,898
Other revenue	-	20,649	20,649
Total revenues	\$ 460,000	\$ 557,547	\$ 97,547
Expenditures			
Current operating			
Culture and recreation	\$ 290,000	\$ 275,539	\$ 14,461
Intergovernmental grants	25,000	10,061	14,939
Total expenditures	\$ 315,000	\$ 285,600	\$ 29,400
Excess (deficiency) of revenues over (under) expenditures	\$ 145,000	\$ 271,947	\$ 126,947
Other financing sources (uses)			
Transfers out	(145,000)	(85,000)	60,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ 186,947	\$ 186,947
Fund balance, beginning	(157,454)	(157,454)	-
Fund balance, ending	\$ (157,454)	\$ 29,493	\$ 186,947

See Notes to Financial Statements

City of Seneca
Accommodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes	\$ 35,000	\$ 83,411	\$ 48,411
Expenditures			
Other	\$ 9,500	\$ 33,933	\$ (24,433)
Excess (deficiency) of revenues over (under) expenditures	\$ 25,500	\$ 49,478	\$ 23,978
Other financing sources (uses)			
Transfers out	(25,500)	(27,921)	(2,421)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ 21,557	\$ 21,557
Fund balance, beginning	13,814	13,814	-
Fund balance, ending	<u>\$ 13,814</u>	<u>\$ 35,371</u>	<u>\$ 21,557</u>

See Notes to Financial Statements

City of Seneca
CAT Operating Grant...PT-4N711-25
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Federal aid	\$ 260,367	\$ 421,463	\$ 161,096
State aid	101,939	143,888	41,949
County aid	60,000	60,000	-
Total revenues	\$ 422,306	\$ 625,351	\$ 203,045
Expenditures			
Current operating			
General government	\$ 525,515	\$ 691,526	\$ (166,011)
Project administration	-	17,712	(17,712)
Capital outlay			
Total expenditures	\$ 525,515	\$ 709,238	\$ (183,723)
Excess (deficiency) of revenues over (under) expenditures	\$ (103,209)	\$ (83,887)	\$ 19,322
Other financing sources			
Transfers in	\$ 103,209	\$ 83,887	\$ (19,322)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -

See Notes to Financial Statements

City of Seneca
Livability Grant...PT-3N709-H1
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues			
Federal aid	\$ 107,109	\$ 107,109	\$ 1,812,500
Expenditures			
Capital outlay	\$ 133,886	\$ 133,886	\$ 2,265,625
Excess (deficiency) of revenues over (under) expenditures	\$ (26,777)	\$ (26,777)	\$ (453,125)
Other financing sources			
Transfers in	26,777	26,777	453,125
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	
Fund balance, ending	\$ -	\$ -	

Note:

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

See Notes to Financial Statements

City of Seneca
VAP Grant...PT-1N709-K2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues			
Federal aid	\$ 540,000	\$ 540,000	\$ 540,000
Expenditures			
Capital outlay	\$ 650,602	\$ 650,602	\$ 650,000
Excess (deficiency) of revenues over (under) expenditures	\$ (110,602)	\$ (110,602)	\$ (110,000)
Other financing sources			
Transfers in	110,602	110,602	110,000
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	
Fund balance, ending	\$ -	\$ -	

Note:

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

See Notes to Financial Statements

City of Seneca
Light & Water Fund
Schedule of Revenues, Expenses, and Changes in Net Position
Budget to Actual
Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Charges for services			
Electric receipts	\$ 18,146,669	\$ 18,790,160	\$ 643,491
Water receipts	6,774,278	6,372,494	(401,784)
Sewer receipts	3,095,241	3,137,175	41,934
Other revenues	175,148	88,572	(86,576)
Total operating revenues	<u>\$ 28,191,336</u>	<u>\$ 28,388,401</u>	<u>\$ 197,065</u>
Operating expenses			
Light & water administration (505)	\$ 3,021,616	\$ 2,657,630	\$ 363,986
I & I department (506)	126,873	127,239	(366)
Billing department (507)	884,731	926,216	(41,485)
Engineering department (508)	391,694	430,405	(38,711)
Electrical department (509)	2,099,969	2,276,047	(176,078)
Water department (510)	2,171,887	2,419,866	(247,979)
Sewer department (511)	2,674,899	2,930,506	(255,607)
Water plant (512)	1,962,909	2,904,229	(941,320)
Electrical generation/purchase (513)	10,802,324	11,846,344	(1,044,020)
Total operating expenses	<u>\$ 24,136,902</u>	<u>\$ 26,518,482</u>	<u>\$ (2,381,580)</u>
Operating income (loss)	\$ 4,054,434	\$ 1,869,919	\$ (2,184,515)
Non-operating transactions			
Investment income (loss)	\$ 9,000	\$ 80,952	\$ 71,952
Interest expense	-	(330,233)	(330,233)
Bond issuance costs	-	(102,550)	(102,550)
Proceeds from sale of capital assets	3,000	130	(2,870)
Bond proceeds	1,000,000	-	(1,000,000)
Other financing sources (uses)			
Contributions and donations	-	2,000	2,000
Interfund transfers in (out)	(5,066,434)	(4,670,540)	395,894
Net income (loss) - budgetary basis	\$ -	\$ (3,150,322)	\$ (3,150,322)
Adjustment to convert to GAAP basis			
Principal payments on debt	-	816,153	816,153
Capital outlay	-	2,347,656	2,347,656
Net income (loss) - GAAP basis	\$ -	\$ 13,487	\$ 13,487
Net position, beginning	\$ 37,124,607	\$ 37,124,607	\$ -
Change in accounting principle	-	(110,618)	(110,618)
Net position, beginning as restated	<u>37,124,607</u>	<u>37,013,989</u>	<u>(110,618)</u>
Net position, ending	<u>\$ 37,124,607</u>	<u>\$ 37,027,476</u>	<u>\$ (97,131)</u>

See Notes to Financial Statements

City of Seneca
Seneca Facilities Corp Fund
Schedule of Revenues, Expenses, and Changes in Net Position
Budget to Actual
Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues			
Charges for services			
Lease income	\$ 920,473	\$ 932,484	\$ 12,011
Operating expenses			
Facilities administration	<u>313,100</u>	<u>787,041</u>	<u>(473,941)</u>
Operating income (loss)	\$ 607,373	\$ 145,443	\$ (461,930)
Non-operating transactions			
Interest expense	\$ (185,790)	\$ (188,370)	\$ (2,580)
Other financing sources (uses)			
Interfund transfers in (out)	<u>(594,000)</u>	<u>(252,000)</u>	<u>342,000</u>
Net income (loss) - budgetary basis	\$ (172,417)	\$ (294,927)	\$ (122,510)
Adjustment to convert to GAAP basis			
Capital outlay	<u>-</u>	<u>422,601</u>	<u>422,601</u>
Net income (loss) - GAAP basis	\$ (172,417)	\$ 127,674	\$ 300,091
Net position, beginning	\$ 199,008	\$ 199,008	\$ -
Change in accounting principle	<u>-</u>	<u>(271,947)</u>	<u>(271,947)</u>
Net position, beginning as restated	<u>199,008</u>	<u>(72,939)</u>	<u>(271,947)</u>
Net position, ending	<u>\$ 26,591</u>	<u>\$ 54,735</u>	<u>\$ 28,144</u>

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation
of Governmental Funds
Schedule by Type
June 30, 2014

Governmental funds capital assets

Land	\$ 1,035,039
Buildings	7,828,260
Improvements	7,442,753
Equipment	1,163,665
Vehicles	5,288,779
Construction in progress	<u>3,989,304</u>
Total	\$ 26,747,800
Less, accumulated depreciation	<u>(12,482,450)</u>
Investment in capital assets	<u><u>\$ 14,265,350</u></u>

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function & Activity
 June 30, 2014

Function & activity	Land	Buildings	Improvements	Machinery & equipment	Vehicles	Construction in progress	Total
General government							
Municipal judge	-	-	-	5,601	-	-	5,601
Finance / administration	173,787	1,797,412	480,639	318,306	19,847	-	2,789,991
Planning & development	37,497	-	-	-	827,750	-	865,247
Total general government	<u>\$ 211,284</u>	<u>\$ 1,797,412</u>	<u>\$ 480,639</u>	<u>\$ 323,907</u>	<u>\$ 847,597</u>	<u>\$ -</u>	<u>\$ 3,660,839</u>
Public safety							
Police department	20,000	632,788	254,385	96,342	704,483	309,131	2,017,129
Fire department	16,709	1,430,900	-	205,438	1,754,885	-	3,407,932
Total public safety	<u>\$ 36,709</u>	<u>\$ 2,063,688</u>	<u>\$ 254,385</u>	<u>\$ 301,780</u>	<u>\$ 2,459,368</u>	<u>\$ 309,131</u>	<u>\$ 5,425,061</u>
Public works							
Street department	2,000	50,000	4,740,236	335,975	570,328	780,015	6,478,554
Sanitation department	1,000	232,460	-	-	1,279,102	-	1,512,562
Motor pool	2,000	-	48,949	45,000	53,070	-	149,019
Total public works	<u>\$ 5,000</u>	<u>\$ 282,460</u>	<u>\$ 4,789,185</u>	<u>\$ 380,975</u>	<u>\$ 1,902,500</u>	<u>\$ 780,015</u>	<u>\$ 8,140,135</u>
Recreation	<u>\$ 633,885</u>	<u>\$ 3,684,700</u>	<u>\$ 794,377</u>	<u>\$ 157,003</u>	<u>\$ 75,814</u>	<u>\$ -</u>	<u>\$ 5,345,779</u>
Other	<u>\$ 148,161</u>	<u>\$ -</u>	<u>\$ 1,124,167</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 2,900,158</u>	<u>\$ 4,175,986</u>
Total governmental funds capital assets	<u>\$ 1,035,039</u>	<u>\$ 7,828,260</u>	<u>\$ 7,442,753</u>	<u>\$ 1,163,665</u>	<u>\$ 5,288,779</u>	<u>\$ 3,989,304</u>	<u>\$ 26,747,800</u>
Less accumulated depreciation							<u>(12,482,450)</u>
Net governmental funds capital assets							<u>\$ 14,265,350</u>

See Notes to Financial Statements

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OTHER REQUIRED INFORMATION

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**City of Seneca
Victim Services
Supplementary Schedule of Fines and Assessments
Fiscal Year Ended June 30, 2014**

Collections: (municipal court)

Fines	\$ 114,602
Assessments	123,544
Surcharges	54,641
Total collections	\$ 292,787

Retainage: (municipal treasurer)

Fines	\$ 114,602
Assessments	13,731
Surcharges	8,713
Total retainage	\$ 137,046

Amounts remitted:

State treasurer - assessments	\$ 155,741
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**Amount of expenditures allocated to
victim services by fund source:**

From assessments & surcharges	\$ 22,444
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**Funds carried forward designated as
Victim right's funds**

\$ -

See Notes to Financial Statements

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***FEDERAL FINANCIAL ASSISTANCE
SECTION***

City of Seneca
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass Through Grantor's Number	Total Expenditures
US Department of Transportation			
Passed Through SC Dept. of Transportation			
Federal Transit Capital Investment Grants			
Livability Grant	*** 20.500	PT-3N709-H1	\$ 107,109
Vehicle Acquisition Program Grant	*** 20.500	PT-1N709-K2	540,000
Total Federal Transit Cluster			647,109
Formula Grants for Rural Areas			
	20.509	PT-4N711-25	421,463
TIGGER Earmark			
	*** 20.523	PT-3N709-G2	1,044,491
Total US Department of Transportation			
Department of Environmental Protection Agency			
Passed Through SC Water Quality Revolving Fund Authority			
Capitalization Grants for Drinking Water State Revolving Funds	*** 66.468	3-059-13-3710002-03	2,089,857
Total Federal Assistance Expended			
			\$ 4,202,920

*** Major Programs

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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**INDEPENDENT AUDITOR'S 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**

*To the Honorable Mayor and Members of the City Council
City of Seneca, South Carolina*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seneca, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Seneca, South Carolina's basic financial statements, and have issued our report thereon dated January 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seneca, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Seneca, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seneca, South Carolina's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina
January 26, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

*To the Honorable Mayor and Members of the City Council
City of Seneca, South Carolina*

Report on Compliance for Each Major Federal Program

We have audited the City of Seneca, South Carolina's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Seneca, South Carolina's major federal programs for the year ended June 30, 2014. The City of Seneca, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Seneca, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 City of Seneca, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Seneca, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Seneca, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Seneca, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Seneca, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, South Carolina's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina
January 26, 2015

CITY OF SENECA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014

A. SUMMARY OF AUDIT RESULTS

The auditor's report expresses an unmodified opinion on the financial statements of the City of Seneca.

No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditor's 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 for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133".

The auditor's report on compliance for the major federal award programs for the City of Seneca expresses an unmodified opinion on all major federal programs.

There are no audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 reported in this Schedule.

The programs tested as major include:

- *Federal Transit Capital Investment Grants, Grant # PT3N709-H1 - CFDA # 20.500*
- *Federal Transit Capital Investment Grants, Grant #PT-1N709-K2 – CFDA # 20.500*
- *TIGGER Earmark, Grant #PT-4N711-25 – CFDA #20.523*
- *Capitalization Grants for Drinking Water State Revolving Funds, Loan #3-059-13-3710002-03 – CFDA # 66.468*

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

The City of Seneca was not determined to be a low-risk auditee.

B. FINDINGS.....FINANCIAL STATEMENTS AUDIT.....NONE

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

**CITY OF SENECA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

No prior year audit findings.