

**CITY OF WOODRUFF,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

CITY OF WOODRUFF, SOUTH CAROLINA

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CITY OF WOODRUFF, SOUTH CAROLINA

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CITY OF WOODRUFF, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2011

Established

1874

MAYOR

Brad Burnett

CITY COUNCIL MEMBERS

William Arnold

Mattie Norman

Kenneth Gist

James Smith

Toni Sloan

Tony Kennedy

CITY MANAGER

Stephen Steese



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Woodruff, South Carolina (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the budgetary comparison information for the Tax Increment Financing District Fund and the Sewer – Proprietary (Enterprise) Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of court fines, assessments, and surcharges is presented for purposes of additional analysis as required by the State of South Carolina and is also not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the budgetary comparison information for the Tax Increment Financing District Fund and the Sewer – Proprietary (Enterprise) Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 15, 2011

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

INTRODUCTION

This discussion and analysis of the financial performance of the City of Woodruff, South Carolina (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,198,000 (net assets). Of this amount, \$1,052,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$927,000, as program and general revenues of \$3,830,000 exceeded expenses of \$2,903,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,130,000, a decrease of \$1,181,000 from the prior year. Approximately 88% of the combined ending fund balances, or \$999,000, was available for spending at the government's discretion, representing the General Fund unassigned fund balance.
- The General Fund fund balance decreased by \$71,000 in FY2011 as expenditures of \$2,190,000 exceeded revenues and other financing sources of \$2,119,000. The City budgeted a decrease of \$51,000 for FY2011, using prior year accumulated fund balance. The General Fund fund balance decreased by \$12,000 in FY 2010.
- During FY2011, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, which establishes new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. The implementation of this statement had no impact on the total fund balances for the City's governmental funds.
- The unassigned fund balance for the General Fund was \$999,000 at June 30, 2011, compared to \$996,000 at June 30, 2010. The unassigned fund balance of \$999,000 at June 30, 2011 was approximately 46% of FY 2011 total General Fund expenditures of \$2,190,000 and is approximately 50% of FY 2012 budgeted expenditures for the General Fund.
- The City's total governmental capital assets of \$4,086,000, net of depreciation, increased by \$1,677,000 or 70% during the current fiscal year, due to additions of \$1,963,000, partially offset by depreciation of \$286,000.
- The City's total business-type capital assets of \$2,294,000, net of depreciation, decreased by \$117,000 or 5% during the current fiscal year, due to depreciation expense of \$117,000.
- The City's total long-term indebtedness of \$1,390,000, which excludes compensated absences, decreased by \$450,000 or 24% from the prior year, due to principal payments made during the year.
- In June 2011, the City Council decided to terminate the City's OPEB plan, effective January 1, 2012. The City currently has one retiree receiving benefits under the OPEB plan, and the City will continue to provide benefits to this retiree until January 2013. No other City employees are currently eligible to receive benefits prior to the termination of the OPEB plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following: *Introductory Section*, *Financial Section*, (which includes management's discussion and analysis, the basic financial statements, required supplementary information and other supplementary information) and the *Compliance Section*.

Government-Wide Financial Statements. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are *government-wide financial statements* that provide a broad overview of the City's overall financial status, in a manner similar to a private-sector enterprise.

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include administrative, police, fire, street and recreation. The business-type activities of the City include the Sewer Fund.

Fund Financial Statements. The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the City, reporting its operations in *more detail* than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City are categorized into two categories: governmental funds and proprietary funds. The City does not have any fiduciary 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 uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains three different individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Tax Increment Financing District Fund and Special Revenue – Hospitality Tax Fund. All funds are considered to be major funds.

Proprietary Fund. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary fund financial statements provide more detailed information for the sewer operation, which is considered a major fund of the City.

Notes to the Basic 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.

Budgets. The City adopted an annual appropriated budget for the General Fund, the Tax Increment Financing District Fund, the Special Revenue - Hospitality Tax Fund and the Sewer Fund for fiscal 2011. Budgetary comparison schedules for these funds have been provided in the required and other supplementary information.

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the City’s Government-Wide and Fund Financial Statements			
Government-Wide Statements		Fund Financial Statements	
	Governmental Funds	Proprietary Funds	
Scope	Entire City Government	The Activities of the City That are Not Proprietary or Fiduciary	Activities the City Operates Similar to Private Businesses: The Sewer Fund for the City
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Assets ▪ Statement of Revenues, Expenses, and Changes in Net Assets ▪ Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resources Focus	Modified Accrual Accounting and Current Financial Resources Focus	Accrual Accounting and Economic Resources Focus
Type of Asset/Liability Information	All Assets and Liabilities, Both Financial and Capital, and Short-Term and Long-Term	Only Assets Expected to be Used and Liabilities That Come Due During the Year or Soon Thereafter; No Capital Assets or Long-Term Obligations Included	All Assets and Liabilities, Both Financial and Capital, and Short-Term and Long-Term
Type of Inflow/Outflow Information	All Revenues and Expenses During Year, Regardless of When Cash is Received or Paid	Revenues for Which Cash is Received During or Soon After the End of the Year; Expenditures When Goods or Services Have Been Received and Payment is Due During the Year or Soon Thereafter	All Revenues and Expenses During Year, Regardless of When Cash is Received or Paid

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$6,198,000 at the close of the most recent fiscal year.

This table provides a summary of the City's net assets as of June 30, 2011 and 2010:

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and Other Assets	\$ 1,220	2,382	281	211	1,501	\$ 2,593
Capital Assets, Net	4,086	2,409	2,294	2,411	6,380	4,820
TOTAL ASSETS	5,306	4,791	2,575	2,622	7,881	7,413
LIABILITIES						
Other Liabilities	118	134	31	54	149	188
Long Term Liabilities	1,316	1,704	218	250	1,534	1,954
TOTAL LIABILITIES	1,434	1,838	249	304	1,683	2,142
NET ASSETS						
Invested in Capital Assets, Net of Debt	2,865	841	2,099	2,180	4,964	3,021
Restricted	132	1,244	50	51	182	1,295
Unrestricted	875	868	177	87	1,052	955
TOTAL NET ASSETS	\$ 3,872	2,953	2,326	2,318	6,198	\$ 5,271

The decrease in current and other assets is due primarily to the expenditures related to the renovation of City Hall using savings and the TIF bond proceeds that were unspent at the end of the prior fiscal year. The increase in capital assets of \$1,560,000 is due primarily to current year additions of \$1,963,000 (renovations to City Hall and a new ladder fire truck), partially offset by depreciation expense of \$403,000. The decrease in other liabilities of \$39,000 is due primarily to the removal of the OPEB liability due to the decision to terminate the plan (\$27,000), a lower balance in accrued interest due to the decrease in outstanding debt (\$8,000), and a decrease in the accrued sludge removal (\$20,000), offset by an increase in accounts payable and accrued expenses (\$16,000). The decrease in long term liabilities of approximately \$420,000 is due primarily to paying off the 2003 GOB (\$74,000), the 2008 Note Payable (\$66,000) and regularly scheduled principal payments on all other outstanding debt. The increase in Net Assets of \$927,000 is due to the excess of revenues over expenses, as explained on the next page.

CITY OF WOODRUFF, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis (Continued)

This table shows the changes in net assets for the fiscal years ended 2011 and 2010.

CHANGE IN NET ASSETS (in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Charges for Services	\$ 927	\$ 913	471	437	1,398	\$ 1,350
Operating Grants	4	6	-	-	4	6
Capital Grants	757	569	-	-	757	569
General Revenues:						
Property Taxes	1,202	1,208	-	-	1,202	1,208
Other	459	498	10	4	469	502
TOTAL REVENUES ALL SOURCES	3,349	3,194	481	441	3,830	3,635
EXPENSES						
Administrative	435	486	-	-	435	486
Police	894	887	-	-	894	887
Fire	392	445	-	-	392	445
Street	526	517	-	-	526	517
Recreation	129	109	-	-	129	109
Interest and Fiscal Charges	54	86	-	-	54	86
Sewer	-	-	473	464	473	464
TOTAL EXPENSES	2,430	2,530	473	464	2,903	2,994
CHANGE IN NET ASSETS	919	664	8	(23)	927	641
NET ASSETS, Beginning of Year	2,953	2,289	2,318	2,341	5,271	4,630
NET ASSETS, End of Year	\$ 3,872	2,953	2,326	2,318	6,198	\$ 5,271

Governmental Activities. The City's net assets increased by \$919,000 in 2011, compared to an increase of \$664,000 for 2010. Key elements are as follows:

- Total capital grants were \$757,000 in fiscal 2011. The City received a ladder fire truck valued at approximately \$720,000 from Spartanburg County. This vehicle was purchased by the County and donated to the City under the terms of a General Obligation Bond that the County issued in December 2009. The City does not have any obligation whatsoever to repay this debt. Spartanburg County also purchased and donated fire vehicles and equipment totaling \$569,000 in the prior year.
- Decreases in property taxes (\$6,000) and other revenues (\$39,000) were partially offset by an increase in charges for services (\$14,000).
- Total expenses decreased \$100,000 from the prior year. Administrative department expenses decreased \$51,000, primarily due to the decision to terminate the OPEB plan. Fire department expenses decreased \$53,000 due to lower personnel costs, insurance, professional fees and maintenance costs. Expenses for all other departments experienced a net increase of \$4,000 in total from the prior year.

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis (Continued)

Business-Type Activities. The City's net assets increased by \$8,000 in 2011, compared to a decrease of \$23,000 for 2010. Sewer revenues increased by \$40,000 (9%) primarily due to a 5% rate increase. Expenses increased by \$9,000 primarily due to an increase in non cash depreciation of \$10,000. The Sewer Fund had \$114,000 in unrestricted cash at June 30, 2011, which was an increase of \$48,000 from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds. In particular how they were spent and what was left available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2011, the City's governmental funds reported a *combined* fund balance of \$1,130,000, as compared to \$2,311,000 for the prior year. The decrease of \$1,181,000 is due to expenditures exceeding revenues and other financing sources, primarily for the Tax Increment Financing ("TIF") District Fund, as explained below.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$999,000, or 46% of fiscal 2011 expenditures. A strong fund balance is necessary in the General Fund to meet the cash flow requirements of the City during the fiscal year. The City can invest idle cash and receive income from those investments to help fund cash flow requirements.

The City's General Fund fund balance decreased by \$71,000 during the current fiscal year to \$1,001,000, as expenditures of \$2,190,000 exceeded revenues and other financing sources of \$2,119,000. The City budgeted a decrease of \$51,000 for the current year, using prior year accumulated fund balance. The General Fund reported a decrease of \$12,000 in the prior year. The change from the prior year is the result of a decrease in revenues, including other financing sources, of \$518,000, due primarily to \$460,000 in proceeds from the issuance of a note payable in the prior year; the City did not issue any debt in the current year. In addition, property taxes decreased by \$24,000 (the result of lower assessed values), business licenses and permits increased by \$24,000 (the result of an increase in construction activities during 2011), miscellaneous income decreased \$101,000 (lower insurance proceeds) and a net \$43,000 increase from all other revenue sources. Partially offsetting the decrease in revenues, expenditures decreased a total of \$459,000. Capital outlay expenditures decreased by \$503,000, due primarily to the purchase of a new fire truck in the prior year using the proceeds from the note payable. Debt service expenditures increased by \$89,000 primarily for the first year payment on the 2009 Note Payable and the repayment of the outstanding balance on the 2008 note payable. Administrative department expenditures were basically flat for 2011, increasing by \$2,000. Fire department expenditures decreased by \$83,000, due primarily to lower personnel costs, insurance, professional fees and repairs and maintenance costs. Police department expenditures increased by \$21,000, due primarily to costs related to the Voluntary Retirement Package offered to complete the City's Reduction in Force of one full-time position. Street department expenditures increased by \$10,000 due primarily to higher equipment costs.

The TIF District Fund fund balance decreased by \$1,107,000 during the current fiscal year to \$115,000, as expenditures of \$1,488,000 (primarily capital outlay of \$1,212,000 related to the renovation of City Hall and the paving of two parking lots and debt service of \$276,000) exceeded revenues of \$381,000. The City budgeted to use \$1,170,000 in prior year accumulated fund balance for the current fiscal year.

The Hospitality Tax Fund fund balance decreased by \$3,000 during the current fiscal year from \$18,000 to \$15,000, as expenditures of \$122,000 exceeded revenues of \$118,000. The City expended \$103,000 for recreation activities (primarily for City parks and the PRT Committee) and \$18,000 for capital outlay expenditures.

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

The City's only Proprietary Fund is the Sewer Fund. The Sewer Fund was established to account for the operations and maintenance of the City's sanitary sewer collection system. This program had an increase in net assets of \$8,000 for the fiscal year ended June 30, 2011, as explained above.

Budgetary Highlights

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgets for all funds for 2011 were amended in total by \$1,035,000 during the year, primarily for the TIF District Fund. Significant variances between revised budgeted and actual revenues and expenditures in the General Fund, the TIF District Fund, the Hospitality Tax Fund and the Sewer Fund are explained below.

In the General Fund, actual revenues and other financing sources of \$2,119,000 were under budget by \$18,000 (0.8%) primarily due to lower property tax revenues of \$49,000 lower grants and shared revenues (aid to subdivision from the State of South Carolina) of \$32,000 and all other revenues of \$3,000. This was partially offset by higher licenses, permits and franchise fees of \$66,000. Actual expenditures of \$2,190,000 slightly exceeded budget of \$2,188,000 by \$2,000 (0.1%).

In the TIF District Fund, actual revenues of \$381,000 exceeded budget by \$55,000 (17.0%) due to higher collections of property taxes and the receipt of C-funds from Spartanburg County of \$27,000. Actual expenditures of \$1,488,000 were less than budget by \$8,000.

In the Special Revenue - Hospitality Tax Fund, actual revenues of \$118,000 were higher than budget by \$1,000 (0.5%). Expenditures of \$122,000, which include capital outlay of \$18,000, were less than budget by \$11,000 (8.4%).

In the Sewer Fund, actual revenues of \$471,000 were higher than budget by \$28,000 (6.3%), primarily due to a 5% rate increase. Expenses are budgeted basically using the modified accrual basis: depreciation is not budgeted, but capital outlay and debt service (both principal and interest) are included in the annual budget, similar to governmental funds. Depreciation expense was \$118,000. The budget included capital outlay of \$30,000, sludge removal of \$35,000, and principal payments of \$36,000. Excluding these items, operating expenses were less than budget by \$25,000 primarily due to lower maintenance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the City had invested a net amount of \$6,380,000 in capital assets, which consisted primarily of infrastructure, real and personal property. During FY 2011, the City had net additions of \$1,963,000 and recognized depreciation expense of \$403,000.

CITY OF WOODRUFF, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

This table presents capital asset balances as of June 30, 2011 and 2010:

CAPITAL ASSETS AT YEAR END (in thousands)

CAPITAL ASSET	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Non-Depreciable Assets:						
Land	\$ 121	\$ 111	-	-	121	\$ 111
Other	-	189	-	-	-	189
Total Non-Depreciable Assets	121	300	-	-	121	300
Depreciable Assets:						
Buildings and Improvements	2,723	1,499	-	-	2,723	1,499
Infrastructure	2,391	2,205	1,674	1,674	4,065	3,879
Machinery and Equipment	567	555	238	265	805	820
Vehicles	2,380	1,633	-	-	2,380	1,633
Furniture and Fixtures	180	180	-	-	180	180
Treatment Plant	-	-	2,120	2,120	2,120	2,120
Less: Accumulated Depreciation	(4,276)	(3,963)	(1,738)	(1,648)	(6,014)	(5,611)
Total Depreciable Assets, Net	3,965	2,109	2,294	2,411	6,259	4,520
TOTAL CAPITAL ASSETS, NET	\$ 4,086	2,409	2,294	2,411	6,380	\$ 4,820

Current year additions include the renovation of City Hall, the paving of two parking lots and a new ladder fire truck donated by Spartanburg County as previously discussed. The total increase in the City's investment in capital assets was \$1,560,000, or approximately 32%.

Detailed information about the City's capital assets is presented in the notes to the basic financial statements (Note III. D).

Debt Administration

At June 30, 2011, the City had \$1,390,000, excluding compensated absences, in outstanding indebtedness, of which \$328,000 is due within one year. During 2011, the City made all of its scheduled debt payments and paid off the remaining outstanding indebtedness for the Series 2003 General Obligation Bonds (\$74,000) and the 2008 Note Payable – Financing Lease (\$66,000). The City did not enter into any new debt during 2011.

The State of South Carolina limits the amount of general obligation debt that governmental entities can issue to 8% of the assessed value of all taxable property within the entity's corporate limits. The City is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the City approve such additional debt. The City's state-imposed limit is approximately \$640,000 at June 30, 2011; the City had no outstanding general obligation indebtedness as of the date of the financial statements.

CITY OF WOODRUFF, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

This table presents a summary of the City's outstanding long-term debt as of June 30, 2011 and 2010:

OUTSTANDING INDEBTEDNESS AT YEAR END (in thousands)

Type of Debt	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
	2003 Series General Obligation Bonds	\$ -	74	-	-	-
Tax Increment Financing Bonds	770	1,005	-	-	770	1,005
2008 Note Payable - Financing Lease	-	66	-	-	-	66
2009 Note Payable - Financing Lease	422	460	-	-	422	460
Revenue Bonds - 2004 Series	-	-	198	235	198	235
Totals	\$ 1,192	1,605	198	235	1,390	\$ 1,840

Detailed information about the City's debt and other long-term obligations is presented in the notes to the basic financial statements (Note III. E).

FY 11-12 BUDGET INFORMATION AND ECONOMIC FACTORS

The City's FY 11-12 Budget continues the recent trend of reduced revenue sources. The FY 11-12 Budget is a conservative budget that takes into account the unknown and volatile nature of the current economy and the State's future budgets. The City of Woodruff sold a parcel of property in FY 10-11 and used the income from that sale to pay off the remaining debt owed on the GO Bond and 2008 police car financing. This will free up funds in the FY 11-12 budget to help overcome the economic downturn and resulting cuts from the State. The General Fund budget for FY 11-12 is down almost twelve percent (12%) from FY 10-11. When the \$146,000 from the sale of property and the \$51,000 usage of prior year accumulated fund balance is removed from the FY 10-11 budget, the decrease is equal to slightly more than 3%. This decrease is largely the result of underperforming property taxes and the continued reduction of the Aid to Subdivision allotment by the State of South Carolina. To offset these lost revenues and to continue working towards Council's goals, staff has worked to find ways to reduce our expenses. This has been completed through the reduction in force of one full-time position, changing our health and dental insurance provider, and through renegotiating our existing contracts. Increased revenue from business licenses, franchise fees, and economic development in the city has helped to offset some of these costs. Most economic development has occurred within the TIF District and driven the income in this fund up greatly over the last few years. The City completed some capital projects in FY 10-11 to include improved parking in the downtown area, renovations to City Hall, façade grants, and other projects that were funded mostly through the City's TIF and Hospitality funds. The City's Hospitality Taxes should see an increase beginning this year with the construction of a McDonalds scheduled to be completed by November 2011. These funds should continue to perform well enough to allow to continue the parks improvements planned by the City, and to continue completing the goals established in the TIF plan. The Sewer Fund had an increase in revenue in FY 10-11 due to better oversight of billing and a 5% percent increase in rates. This allowed the Fund to recognize a surplus for the first time in several years, and this performance is anticipated to continue through FY 11-12.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at the City of Woodruff, 231 E. Hayne Street, Woodruff, South Carolina 29388 or by visiting www.Cityofwoodruff.com.

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Basic Financial Statements

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 907,433	114,209	\$ 1,021,642
Restricted Cash and Cash Equivalents	2,174	3,870	6,044
Investments	156,314	-	156,314
Restricted Investments	-	46,853	46,853
Property Taxes Receivable	15,686	-	15,686
Accounts Receivable	38,681	111,986	150,667
Other Receivables	61,522	-	61,522
Internal Balances	161	(161)	-
Due From Other Governments	38,544	-	38,544
Bond Issuance Costs	-	3,745	3,745
Capital Assets:			
Nondepreciable Capital Assets	121,350	-	121,350
Depreciable Capital Assets, Net	3,964,380	2,294,385	6,258,765
TOTAL ASSETS	5,306,245	2,574,887	7,881,132
LIABILITIES			
Accounts Payable and Accrued Expenses	90,221	-	90,221
Accrued Interest	28,521	879	29,400
Accrued Sludge Removal	-	30,000	30,000
Non-Current Liabilities:			
Due Within One Year	376,526	51,721	428,247
Due in More Than One Year	939,336	165,730	1,105,066
TOTAL LIABILITIES	1,434,604	248,330	1,682,934
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,865,363	2,098,954	4,964,317
Restricted for:			
Tax Increment Financing District	114,613	-	114,613
Parks and Tourism	14,737	-	14,737
Debt Service	-	50,723	50,723
Victims' Assistance	2,174	-	2,174
Unrestricted	874,754	176,880	1,051,634
TOTAL NET ASSETS	\$ 3,871,641	2,326,557	\$ 6,198,198

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

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
Administrative Department	\$ 434,502	689,075	-	-	254,573		\$ 254,573
Police Department	893,788	83,728	4,000	-	(806,060)		(806,060)
Fire Department	392,077	-	-	730,124	338,047		338,047
Street Department	526,073	151,786	-	-	(374,287)		(374,287)
Recreation Department	128,833	2,204	-	27,156	(99,473)		(99,473)
Interest and Other Charges	54,197	-	-	-	(54,197)		(54,197)
Total Governmental Activities	<u>2,429,470</u>	<u>926,793</u>	<u>4,000</u>	<u>757,280</u>	<u>(741,397)</u>		<u>(741,397)</u>
Business-Type Activities:							
Sewer Fund	472,976	470,848	-	-	-	(2,128)	(2,128)
Total Business-Type Activities	<u>472,976</u>	<u>470,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,128)</u>	<u>(2,128)</u>
TOTAL PRIMARY GOVERNMENT	\$ 2,902,446	1,397,641	4,000	757,280	(741,397)	(2,128)	(743,525)
GENERAL REVENUES:							
Property Taxes Levied for General Purposes					849,659	-	849,659
Property Taxes Levied for Tax Increment Financing					352,063	-	352,063
Hospitality Taxes					110,517	-	110,517
Unrestricted Shared Revenue					179,796	-	179,796
Unrestricted Investment Earnings					4,296	627	4,923
Miscellaneous					17,403	9,681	27,084
Gain on Disposal of Capital Assets					146,052	-	146,052
Total General Revenues					<u>1,659,786</u>	<u>10,308</u>	<u>1,670,094</u>
CHANGE IN NET ASSETS					918,389	8,180	926,569
NET ASSETS - Beginning of Year					<u>2,953,252</u>	<u>2,318,377</u>	<u>5,271,629</u>
NET ASSETS - Ending of Year					\$ 3,871,641	2,326,557	\$ 6,198,198

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

CITY OF WOODRUFF, SOUTH CAROLINA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	GENERAL	TAX INCREMENT FINANCING DISTRICT	SPECIAL REVENUE - HOSPITALITY TAX	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 765,836	121,970	19,628	\$ 907,434
Restricted Cash and Cash Equivalents	2,174	-	-	2,174
Investments	156,314	-	-	156,314
Receivables:				
Accounts	38,681	-	-	38,681
Property Taxes	15,686	-	-	15,686
Other	52,707	-	8,815	61,522
Prepaid Items	-	-	-	-
Due from Other Funds	17,051	-	-	17,051
Due from Other Governments	38,544	-	-	38,544
TOTAL ASSETS	1,086,993	121,970	28,443	1,237,406
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	83,622	4,173	-	87,795
Accrued Salaries and Fringe Benefits	2,427	-	-	2,427
Due to Other Funds	-	3,184	13,706	16,890
TOTAL LIABILITIES	86,049	7,357	13,706	107,112
FUND BALANCES:				
Restricted for Victims' Assistance	2,174	-	-	2,174
Restricted for TIF District Improvements	-	114,613	-	114,613
Restricted for Parks and Tourism	-	-	14,737	14,737
Unassigned	998,770	-	-	998,770
TOTAL FUND BALANCES	1,000,944	114,613	14,737	1,130,294
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,086,993	121,970	28,443	\$ 1,237,406

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

CITY OF WOODRUFF, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,130,294
Amounts reported for the governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of capital assets was \$8,362,361, and the accumulated depreciation was \$4,276,631.	4,085,730
Accrued interest on the debt in governmental funds is not due and payable in the current period and therefore is not reported as a liability in the funds.	(28,521)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Bonds and Notes Payable	(1,191,846)
Compensated Absences	<u>(124,016)</u>
	<u>(1,315,862)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,871,641</u></u>

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

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	GENERAL	TAX INCREMENT FINANCING DISTRICT	SPECIAL REVENUE - HOSPITALITY TAX	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 849,659	352,063	110,517	\$ 1,312,239
Licenses and Permits	576,887	-	-	576,887
Fines and Forfeitures	83,728	-	-	83,728
Franchise and Other Fees	266,178	-	-	266,178
Shared Revenues	179,796	-	-	179,796
Investment Income	2,738	1,458	100	4,296
Miscellaneous	9,714	-	7,688	17,402
Grants	4,000	27,156	-	31,156
TOTAL REVENUES ALL SOURCES	1,972,700	380,677	118,305	2,471,682
EXPENDITURES				
Current:				
Administrative Department	403,249	-	-	403,249
Police Department	860,096	-	-	860,096
Fire Department	254,726	-	-	254,726
Street Department	461,525	-	-	461,525
Recreation Department	-	-	103,442	103,442
Non-Departmental	5,000	-	-	5,000
Capital Outlay	4,232	1,211,972	18,181	1,234,385
Debt Service:				
Principal Retirement	178,717	235,000	-	413,717
Interest	22,005	40,535	-	62,540
Bond Issuance Cost	-	-	-	-
TOTAL EXPENDITURES	2,189,550	1,487,507	121,623	3,798,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(216,850)	(1,106,830)	(3,318)	(1,326,998)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Payment of TIF Note Payable - Current Refunding	-	-	-	-
Proceeds from Disposal of Capital Assets	146,052	-	-	146,052
TOTAL OTHER FINANCING SOURCES (USES)	146,052	-	-	146,052
NET CHANGE IN FUND BALANCES	(70,798)	(1,106,830)	(3,318)	(1,180,946)
FUND BALANCES, Beginning of Year	1,071,742	1,221,443	18,055	2,311,240
FUND BALANCES, END OF YEAR	\$ 1,000,944	114,613	14,737	\$ 1,130,294

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

CITY OF WOODRUFF, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (1,180,946)**

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

Payment of bond and note payable principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 413,717

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in accrued interest. 8,344

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 843

In the Statement of Activities, equipment and capital assets contributed by other entities are reported as revenues. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements. 730,124

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the excess of current year capital asset additions of \$1,232,742 over depreciation expense of \$286,435. 946,307

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 918,389**

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

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF NET ASSETS

SEWER - PROPRIETARY (ENTERPRISE) FUND

JUNE 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	114,209
Restricted Cash and Cash Equivalents		3,870
Restricted Investments		46,853
Accounts Receivable, Net		111,986
Prepaid Insurance		-
Total Current Assets		<u>276,918</u>

Non-Current Assets:

Bond Issuance Costs		3,745
Depreciable Capital Assets, Net		2,294,385
Total Non-Current Assets		<u>2,298,130</u>

TOTAL ASSETS

2,575,048

LIABILITIES

Current:

Accounts Payable		-
Accrued Interest		879
Compensated Absences		13,408
Due to Other Funds		161
Accrued Sludge Removal		30,000
Revenue Bonds Payable, Current Portion		38,313
Total Current Liabilities		<u>82,761</u>

Non-Current Liabilities:

Revenue Bonds Payable, Non-Current		159,984
Compensated Absences		5,746
Total Non-Current Liabilities		<u>165,730</u>

TOTAL LIABILITIES

248,491

NET ASSETS

Invested in Capital Assets, Net of Related Debt		2,098,954
Restricted For:		
Debt Service		50,723
Unrestricted		176,880
TOTAL NET ASSETS	\$	<u>2,326,557</u>

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

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

SEWER - PROPRIETARY (ENTERPRISE) FUND

YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Sales to Customers	\$ 470,848
TOTAL OPERATING REVENUES ALL SOURCES	<u>470,848</u>

OPERATING EXPENSES

Sewer Department	345,276
Depreciation and Amortization	117,899
TOTAL OPERATING EXPENSES	<u>463,175</u>

OPERATING INCOME

7,673

NON-OPERATING REVENUES (EXPENSES):

Investment Earnings	627
Other Income	9,681
Interest Expense	(9,801)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>507</u>

CHANGE IN NET ASSETS

8,180

TOTAL NET ASSETS, Beginning of Year 2,318,377

TOTAL NET ASSETS, End of Year **\$ 2,326,557**

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

CITY OF WOODRUFF, SOUTH CAROLINA

STATEMENT OF CASH FLOWS

SEWER - PROPRIETARY (ENTERPRISE) FUND

YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Charges for Services	\$ 463,824
Payments to Employees/Suppliers for Goods and Services	(359,589)
NET CASH PROVIDED BY OPERATING ACTIVITIES	104,235

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Other Non-Operating Revenue	9,681
Payments to Other Funds	(19,830)
NET CASH USED BY NON-CAPITAL FINANCING ACTIVITIES	(10,149)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments for Bonds	(36,634)
Interest Payments for Bonds	(9,801)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(46,435)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Earnings	627
NET CASH PROVIDED BY INVESTING ACTIVITIES	627

NET INCREASE IN CASH AND CASH EQUIVALENTS

48,278

CASH AND CASH EQUIVALENTS, Beginning of Year

69,801

CASH AND CASH EQUIVALENTS, End of Year

\$ 118,079

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 7,673
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	117,899
Change In:	
Accounts Receivable	(7,024)
Prepaid Insurance	4,780
Accounts Payable	(3,037)
Accrued Sludge Removal	(20,000)
Compensated Absences	3,944
Net Cash Provided by Operating Activities	\$ 104,235

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:

Cash and Cash Equivalents	\$ 114,209
Restricted Cash and Cash Equivalents	3,870
CASH AND CASH EQUIVALENTS	\$ 118,079

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

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

The City of Woodruff (the “City”) is an incorporated municipality located in Spartanburg County, South Carolina. It was first established in 1874. The City operates under a council-manager form of government. The City is governed by a seven member council (the “Council”).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

The accompanying basic financial statements include all City funds and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity’s governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all of the following: determine its budget without the City having authority to approve or modify that budget; levy taxes or set rates or charges without approval by the City; and issue bonded debt without approval by the City. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City’s basic financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide basic financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any blended or discretely presented component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the “Primary Government”). For the most part, the effect of interfund activity has been eliminated from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary 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 imposed by the provider have been met.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under notes payable / financing leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The City has no non-major funds.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained to be consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the City's major governmental fund types:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City with the exception of those funds required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Tax Increment Financing District Fund, a major fund** and a budgeted fund, is used to account for the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal and interest related to the City's indebtedness and expenditures allowed under the terms of the Tax Increment Financing agreement.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The *Hospitality Tax Fund, a major fund* and a budgeted fund, is the City's only Special Revenue Fund. It is used to account for and report the financial resources received and disbursed related to the City's 2% tax on food and beverage sales that is restricted for tourism related expenditures.

Proprietary fund types are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable GASB pronouncements, as well as requirements of the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The City has elected not to follow the aforementioned guidance issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City uses the following proprietary fund:

The *Sewer Enterprise Fund* is used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability. The City's Proprietary Fund is used to account for sewer services provided to the residents of the City, including some surrounding areas. This is a budgeted fund.

C. Assets, Liabilities and Equity

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund (the "Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

Restricted Cash, Cash Equivalents and Investments

The City has various cash and investment accounts which are restricted by either funding sources, bond requirements, or state laws or regulations.

Investments

The City's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash investment objectives are preservation of capital, liquidity and yield. The City reports its cash and investments at fair value, which is normally determined by quoted market prices. The City currently or in the past year has used the following investments:

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

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

2. *Receivables and Payables*

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for sanitation and sewer fees, charges and services.

3. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for furniture and equipment, vehicles, buildings and improvements, and \$50,000 for infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	N/A
Infrastructure, Sewer Lines and Treatment Plant	15 - 50 years	25 - 50 years
Machinery and Equipment	5 - 15 years	10 - 15 years
Vehicles	5 - 15 years	N/A
Furniture and Fixtures	15 years	N/A

4. *Compensated Absences*

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." City employees are granted vacation and sick leave in varying amounts and eligible employees earn compensatory time. A maximum of 25 vacation days may be carried over to the following calendar year. Upon termination of employment, an employee is reimbursed for accumulated vacation and compensatory days. Unused sick leave is not reimbursed and therefore is not reported in the financial statements. The entire compensated absence liability and expense is reported in the governmental-wide financial statements. The portion applicable to the Proprietary Fund is also reported in the Proprietary Fund financial statements. Governmental funds will only recognize a liability for compensated absences if they have matured, for example, as a result of employee resignations or retirements.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

5. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations of the City are reported in the government-wide financial statements. In addition, all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the Proprietary Fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported in the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the non-current portion of notes payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within thirty days after year end are considered to have been made with current available financial resources.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as bond issuance costs, are deferred, if material, and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Amortization of premiums, discounts and bond issuance costs are included in interest expense. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, if material, are included in other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

6. *Fund Balance*

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

In accordance with GASB #54, the City classifies governmental fund balances as follows:

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

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

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

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.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Continued)

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 expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City's practice is to generally 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.

7. Net Assets

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

8. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

9. Comparative Data and Reclassifications

Comparative data (i.e. presentation of prior year totals for the basic financial statements) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Council adopts an annual budget for the General Fund, the Tax Increment Financing District Fund, the Hospitality Tax Fund, and the Sewer Fund. The annual budget for the governmental funds is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Sewer Fund is adopted under a basis consistent with accounting principles generally accepted in the United States of America, except that depreciation is not considered. Additionally, cash outlays for debt principal, and capital assets funded by operations are budgeted but treated differently in accordance with accounting principles generally accepted in the United States of America. After joint workshops with the Council, the City Manager submits to the Council a proposed operating budget covering the funds for the fiscal year commencing the following July 1. These workshops and hearings are open to the public. The operating budget includes proposed expenditures and the means of financing them. Prior to the beginning of the fiscal year, the budgets are legally enacted through passage of an ordinance.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer amounts between departments must be approved by the Council. The presented budgetary information is as originally adopted or as amended by the City Council.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, none of the City’s bank balances of \$651,812 (which had a carrying value of \$621,048) was exposed to custodial credit risk.

Investments

As of June 30, 2011, the City had the following investments:

Investment Type	Credit Rating	Fair Value	Weighted Average Maturity (Years)
SC Pooled Investment Fund	Unrated	\$ 609,805	Less than 1 yr
Total		\$ 609,805	

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The City places no limit on the amount it may invest in any one issuer. All of the City’s investments are currently in the SC Pooled Investment Fund; these non-security investments are exempt from concentration of credit risk disclosures.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and investments as shown for all fund types at June 30, 2011 is as follows:

Description	Amount
Carrying Value of Deposits	\$ 621,048
Fair Value of Investments	609,805
Total Deposits and Investments	<u>1,230,853</u>
Statement of Net Assets:	
Cash and Cash Equivalents	1,021,642
Restricted Cash and Cash Equivalents	6,044
Investments	156,314
Restricted Investments	46,853
Total Cash and Investments	<u>\$ 1,230,853</u>

B. Property Taxes and Other Receivables

Spartanburg County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the City. This obligation is established each year by the Council and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Property taxes are levied and billed by the County on real and personal properties on October 1 based on assessed values of approximately \$7.07 million for the City’s general operations and \$15.01 million for the City’s fire district at the rate of 101.4 mills and 12.6 mills, respectively, for the fiscal 2011 assessments. The City’s Tax Increment Financing District had an assessed value after improvements of approximately \$928,000 for the fiscal 2011 assessments. The rate for the Tax Increment Financing District is 407.1 mills. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	-	3% of tax
February 2 through March 15	-	10% of tax
After March 15	-	15% of tax plus collection cost

Current year real and personal property taxes become delinquent on March 16. Penalties collected by the County for delinquent taxes are kept by the County and are not sent to the City. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Property taxes receivable not collected within 60 days of year end are fully reserved and are not considered collectible at June 30, 2011. Sewer and sanitation accounts receivable were \$111,986 and \$38,681, respectively, at June 30, 2011. Other receivables totaled \$61,522 and include amounts due for franchise fees, hospitality taxes and other items. The total due from other governments of \$38,544 include amounts due from the State of South Carolina for other shared revenues.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Internal Balances and Transfers

The General Fund receivable of \$3,184 from the Tax Increment Financing District Fund, receivable of \$161 from the Sewer Fund and receivable of \$13,706 from the Hospitality Tax Fund are due to amounts paid by the General Fund on behalf of the other funds. All of these amounts are expected to be repaid within one year.

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 111,350	10,000	-	-	\$ 121,350
Construction in Progress	188,695	1,035,260	-	(1,223,955)	-
Total Capital Assets, Non-Depreciable	300,045	1,045,260	-	(1,223,955)	121,350
Capital Assets, Depreciable:					
Buildings and Improvements	1,499,156	-	-	1,223,955	2,723,111
Infrastructure	2,205,432	185,782	-	-	2,391,214
Machinery and Equipment	554,977	11,700	-	-	566,677
Vehicles	1,632,885	720,124	-	27,000	2,380,009
Furniture and Fixtures	180,000	-	-	-	180,000
Total Capital Assets, Depreciable	6,072,450	917,606	-	1,250,955	8,241,011
Less: Accumulated Depreciation:					
Buildings and Improvements	1,260,054	40,157	-	-	1,300,211
Infrastructure	1,740,339	55,974	-	-	1,796,313
Machinery and Equipment	240,478	39,729	-	-	280,207
Vehicles	542,657	150,243	-	27,000	719,900
Furniture and Fixtures	179,668	332	-	-	180,000
Total Accumulated Depreciation	3,963,196	286,435	-	27,000	4,276,631
Total Capital Assets, Depreciable Net	2,109,254	631,171	-	1,223,955	3,964,380
Governmental Activities Capital Assets, Net	\$ 2,409,299	1,676,431	-	-	\$ 4,085,730

Infrastructure assets include streets and streetscapes (but not sidewalks), parking lots, lights, drainage systems, and other immaterial infrastructure.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of governmental activities as follows:

Department:	Depreciation Expense
Administrative	\$ 36,166
Police	33,692
Fire	137,351
Recreation	7,210
Street	72,016
Total Depreciation Expense - Governmental Activities	<u>\$ 286,435</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Treatment Plant	\$ 2,120,000	-	-	-	\$ 2,120,000
Infrastructure	1,674,444	-	-	-	1,674,444
Machinery and Equipment	264,874	-		(27,000)	237,874
Total Capital Assets, Depreciable	<u>4,059,318</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>4,032,318</u>
Less Accumulated Depreciation:					
Treatment Plant	846,321	42,400	-	-	888,721
Infrastructure	672,544	43,634	-	-	716,178
Machinery and Equipment	129,531	30,503		(27,000)	133,034
Total Accumulated Depreciation	<u>1,648,396</u>	<u>116,537</u>	<u>-</u>	<u>(27,000)</u>	<u>1,737,933</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,410,922</u>	<u>(116,537)</u>	<u>-</u>	<u>-</u>	<u>\$ 2,294,385</u>

The City provides fire prevention, fire protection and fire suppression services to the unincorporated area of Spartanburg County known as the Woodruff Fire Service Area ("WFSA") under an agreement executed in 1988. This agreement expired in 2003 but the City and County have continued to operate under the terms of the agreement. Under this agreement, the County pays the City operating fees based on millage (presently 12.6 mills). During the year ended June 30, 2010, the City submitted a new agreement to Spartanburg County whereby the City will continue to provide fire prevention, fire protection and fire suppression services to the WFSA, along with a ten-year Capital Improvements Plan ("CIP") for the WFSA. The new agreement does not have a stated expiration date.

The County approved the CIP and in December 2009 issued a \$1,750,000 general obligation bond, with the proceeds to be used for the CIP, after the payment of bond issuance costs. The CIP includes the acquisition, construction, furnishing and equipping of a new fire sub-station, the renovation and equipping of the current fire station, the acquisition of various items of equipment, including new fire engines, service trucks and other equipment and other uses. In accordance with the terms of the bond documents, the City will own and operate the sub-station and equipment purchased from the proceeds of the bond. The City has no obligation whatsoever for the repayment of this indebtedness.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

During the years ended June 30, 2011 and 2010, the City acquired land and equipment totaling approximately \$720,000 and \$569,000, respectively, under this arrangement with the County. The City anticipates that the new sub-station will be completed during fiscal 2012.

E. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Series 2003 General Obligation Bonds	\$ 73,881	-	73,881	-	\$ -
Tax Increment Financing Debt, Series 2010	1,005,000	-	235,000	770,000	250,000
Note Payable - Financing Lease, 2008	66,682	-	66,682	-	-
Note Payable - Financing Lease, 2009	460,000	-	38,154	421,846	39,715
Compensated Absences	97,972	62,109	36,065	124,016	86,811
Total Governmental Activities	<u>\$ 1,703,535</u>	<u>62,109</u>	<u>449,782</u>	<u>1,315,862</u>	<u>\$ 376,526</u>
Business-Type Activities:					
Series 2004 Revenue Bonds	\$ 234,931	-	36,634	198,297	\$ 38,313
Compensated Absences	15,210	7,218	3,274	19,154	13,408
Total Business-Type Activities	<u>\$ 250,141</u>	<u>7,218</u>	<u>39,908</u>	<u>217,451</u>	<u>\$ 51,721</u>

The General Fund and Tax Increment Financing District Fund is used to liquidate all governmental activities' long-term obligations, while the Sewer Fund is responsible for payments of business-type activities' long-term obligations.

The State of South Carolina limits the amount of general obligation debt that governmental entities can issue to 8% of the assessed value of all taxable property within the entity's corporate limits. The City is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the City approve such additional debt. The City's state-imposed limit is approximately \$640,000 at June 30, 2011; the City had no outstanding general obligation indebtedness as of the date of these financial statements.

Detail for each outstanding debt issue as of June 30, 2011, is as follows:

- \$ 198,297 **Series 2004 Sewer Revenue Bonds** – The City issued the bonds for improvements to the sewer system. The amount of the original issue was \$407,000. Monthly payments of \$3,856, which include interest at 4.49%, are due on the 1st of each month. Final maturity of the bonds is March 2016. The bonds are collateralized by the Sewer System and its revenues.
- \$ 770,000 **Series 2010 Refunding and Improvement Tax Increment Financing (“TIF”) Bond** - In 2010, the City issued this bond in the amount of \$1,005,000 to refund the Series 2001 TIF Bond and to provide funds for the renovation of City Hall. Interest on the Bond is at 3.3% and is to be paid on a semi-annual basis on October 1st and April 1st. Annual principal payments are due on April 1st each year and range from \$235,000 to \$265,000; final maturity is April 1, 2014.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

\$ 421,846 **2009 Note Payable - Financing Lease** - The City entered into an agreement with a local bank to fund the purchase of a new fire truck and related equipment. The amount of the note payable – financing lease was \$460,000. Annual payments of \$56,968, which includes interest at 4.09%, are due on the 13th of August, beginning in 2010 with a final maturity in August 2019.

Presented below is a summary of debt service requirements to maturity by year for the Governmental and Business-Type Activities of the City:

Year Ending June 30,	Principal	Interest	Totals
Governmental Activities:			
2012	\$ 289,715	42,663	\$ 332,378
2013	296,339	32,789	329,128
2014	308,030	22,683	330,713
2015	44,790	12,178	56,968
2016	46,622	10,347	56,969
2017-2020	206,350	21,523	227,873
Totals	<u>\$ 1,191,846</u>	<u>142,183</u>	<u>\$ 1,334,029</u>
Business-Type Activities:			
2012	\$ 38,313	8,121	\$ 46,434
2013	40,069	6,365	46,434
2014	41,905	4,529	46,434
2015	43,826	2,608	46,434
2016	34,184	642	34,826
Totals	<u>\$ 198,297</u>	<u>22,265</u>	<u>\$ 220,562</u>

F. Sewer Sludge Removal Liability

During 2005, the South Carolina Department of Health and Environmental Control (“DHEC”) inspected the City’s sewer operations, informing the City that its biosolids (sludge) exceeded federal prescribed limits. As a result, the City removed the sludge from its wastewater treatment plant cells during 2006 to comply with the federal standards. Management has committed to removing the sludge in the future on a five year cycle and expended approximately \$20,000 in fiscal 2011 to remove the sludge from most of its wastewater treatment plant cells. The City will remove the sludge from its remaining cells during fiscal 2012, at an estimated cost of \$20,000. In addition, management estimates that it will cost approximately \$50,000 to remove the sludge at the next cycle, which management anticipates occurring in the fall of 2015. Accordingly, the City has recorded a liability of \$10,000 as of June 30, 2011 related to the next cycle. The total liability is \$30,000 as of June 30, 2011.

G. Operating Leases

The City leases a backhoe and two copiers under two operating lease agreements expiring in 2015. Total rental expenditures charged to operations were approximately \$11,000 for the year ended June 30, 2011. Rental payments for the backhoe (monthly charge of \$757) are being charged equally to the General Fund and the Sewer Fund. Rental payments for the two copiers (monthly charge of \$150) are being charged to the General Fund.

CITY OF WOODRUFF, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Operating Leases (Continued)

Future minimum payments for these leases are as follows:

Year Ending June 30,	Amount
2012	\$ 10,883
2013	10,883
2014	10,883
2015	8,774
Total	<u>\$ 41,423</u>

IV. OTHER INFORMATION

A. Retirement Plan

The City participates in two statewide multiple-employer public employee retirement systems. Both are cost-sharing public employee retirement systems with one exception: all risk and costs are not shared by the City but are the liability of the State of South Carolina. The two retirement systems are funded through City and employee contributions and the City has no legal obligation for paying benefits.

Plan Description. Substantially all City employees are members of the South Carolina Retirement System “SCRS” or the Police Officers Retirement System “PORS”. The South Carolina Retirement System and the Police Officers Retirement System are cost-sharing multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems, which is a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, life insurance benefits and survivor benefits. The Plans’ provisions are established under Title 9 of the SC Code of Laws. Comprehensive Annual Financial Reports containing financial statements and required supplementary information for the Systems are issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy. Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plan are as follows: SCRS—6.5% of salary; PORS Class II--6.5% of salaries. Employers are required to contribute at the following actuarially determined rates: SCRS State and Local Agencies & Public Schools—9.24%; PORS requirements are Class II—11.13% of salaries. In addition to the above rates, participating employers of the SCRS and PORS contribute 0.15% and 0.2%, respectively, of payroll to provide a group life insurance benefit for their participants and for PORS, an additional 0.2% to provide an accidental death benefit. All employers contribute at the actuarially required contribution rates. The City contributed \$39,046, \$36,357, and \$38,353 to the SCRS for the years 2011, 2010, and 2009, respectively, and \$52,959, \$54,023, and \$61,811 to the PORS for the years 2011, 2010, and 2009, respectively. All amounts were 100% of the required contributions for each year.

B. Risk Management

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

The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays semi-annual premiums for this coverage. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. The SCMIRF net assets from its most recently issued audited financial statements at December 31, 2010 were approximately \$28,528,000.

CITY OF WOODRUFF, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

IV. OTHER INFORMATION (CONTINUED)

B. Risk Management (Continued)

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The City pays semi-annual premiums to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets from its most recently issued audited financial statements at December 31, 2010 were approximately \$40,789,000.

The City had also joined together with other local governments in the South Carolina Local Government Assurance Group ("SCLGAG") to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating a common risk management and insurance program. The group reinsures to cover large specific losses. The SCLGAG's net assets from its most recently issued audited financial statements at June 30, 2010 were approximately \$6,873,000. In January 2011, the SCLGAG voted to dissolve, effective June 30, 2011. However, SCLGAG will continue to operate through June 30, 2012 to settle all outstanding claims. Effective July 1, 2011, the City changed to the South Carolina Employee Insurance Program, which is administered by the South Carolina Budget and Control Board.

The City could be in the position of having to make additional contributions to a pool if required by the financial condition of the pool. The City is unable to estimate what impact the final settlement of claims of the SCLGAG will have to the City, if any, and thus no amounts have been reflected in these financial statements. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

C. Grants

The City participates in federal and state assisted grant programs that are governed by various rules and regulations of grantor agencies. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes it has substantially complied with contract/grant provisions. Based on prior experience, the City's management believes such disallowances, if any, would not be significant; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

D. Post-Employment Health Care Benefits

As of June 30, 2011, the City sponsored a single-employer defined benefit post-employment healthcare plan (the "OPEB Plan") that provides medical and dental insurance for retirees under the Medicare eligible age of 65. Employees become eligible when they have at least 20 years of service with the City and are at least 55 years of age. The OPEB Plan does not cover retirees' spouses or dependents. In June 2011, the City Council decided to terminate the OPEB Plan, effective January 1, 2012. The City currently has one retiree receiving benefits under the OPEB Plan, and the City will continue to provide benefits to this retiree until January 2013. No other City employees are currently eligible to receive benefits prior to the termination of the OPEB Plan. The City has elected not to record or disclose any of the OPEB requirements as the amounts are not material to the financial statements.

E. Subsequent Events

In July 2011, the City received a grant from the United States Department of Homeland Security Assistance to Firefighters Grant Program for approximately \$70,000 to purchase radio equipment for the fire department. The millage for property taxes for fiscal 2012 was raised for general operations and the TIF District from 101.4 mills and 407.1 mills, respectively, to 103 mills and approximately 409 mills, respectively. The millage for the fire district remained unchanged at 12.6 mills.

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Required Supplementary Information

CITY OF WOODRUFF, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	\$ 866,000	899,000	849,659	\$ (49,341)
Licenses and Permits	544,500	538,500	576,887	38,387
Fines and Forfeitures	102,000	82,000	83,728	1,728
Franchise and Other Fees	238,500	238,500	266,178	27,678
Shared Revenues	190,000	190,000	179,796	(10,204)
Investment Income	6,000	4,000	2,738	(1,262)
Miscellaneous	10,000	12,500	9,714	(2,786)
Grants	10,000	26,000	4,000	(22,000)
TOTAL REVENUES ALL SOURCES	<u>1,967,000</u>	<u>1,990,500</u>	<u>1,972,700</u>	<u>(17,800)</u>
EXPENDITURES				
Current:				
Administrative Department	406,250	422,650	403,249	19,401
Police Department	819,250	829,800	860,096	(30,296)
Fire Department	259,150	259,150	254,726	4,424
Street Department	467,350	467,350	461,525	5,825
Non-Departmental	-	-	5,000	(5,000)
Capital Outlay	9,000	9,000	4,232	4,768
Debt Service:				
Principal Retirement	38,175	180,335	178,717	1,618
Interest	18,825	19,215	22,005	(2,790)
TOTAL EXPENDITURES	<u>2,018,000</u>	<u>2,187,500</u>	<u>2,189,550</u>	<u>(2,050)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(51,000)</u>	<u>(197,000)</u>	<u>(216,850)</u>	<u>(19,850)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Capital Assets	-	146,000	146,052	52
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>146,000</u>	<u>146,052</u>	<u>52</u>
NET CHANGE IN FUND BALANCE	<u>(51,000)</u>	<u>(51,000)</u>	<u>(70,798)</u>	<u>(19,798)</u>
FUND BALANCE, Beginning of Year	<u>1,071,742</u>	<u>1,071,742</u>	<u>1,071,742</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,020,742</u>	<u>1,020,742</u>	<u>1,000,944</u>	<u>\$ (19,798)</u>

Note: The City budgeted to use \$51,000 in prior year accumulated fund balance for fiscal 2011. Expenditures for the Police Department exceeded budget primarily due to higher personnel costs due to the voluntary retirement package offered and accepted to complete the City Reduction in Force of one full time equivalent position for fiscal 2012.

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

CITY OF WOODRUFF, SOUTH CAROLINA

SPECIAL REVENUE - HOSPITALITY TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	\$ 115,000	110,000	110,517	\$ 517
Investment Income	250	250	100	(150)
Miscellaneous Income	3,000	7,500	7,688	188
TOTAL REVENUES ALL SOURCES	<u>118,250</u>	<u>117,750</u>	<u>118,305</u>	<u>555</u>
EXPENDITURES				
Current:				
Recreation Department	100,500	95,000	103,442	(8,442)
Capital Outlay	52,750	37,750	18,181	19,569
TOTAL EXPENDITURES	<u>153,250</u>	<u>132,750</u>	<u>121,623</u>	<u>11,127</u>
NET CHANGE IN FUND BALANCE	(35,000)	(15,000)	(3,318)	11,682
FUND BALANCE, Beginning of Year	<u>18,055</u>	<u>18,055</u>	<u>18,055</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (16,945)</u>	<u>3,055</u>	<u>14,737</u>	<u>\$ 11,682</u>

Note: The City budgeted to use \$15,000 in prior year accumulated fund balance for fiscal 2011.

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

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Other Supplementary Information

CITY OF WOODRUFF, SOUTH CAROLINA

TAX INCREMENT FINANCING DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	\$ 325,000	325,000	352,063	\$ 27,063
Investment Income	500	500	1,458	958
Grants	-	-	27,156	27,156
TOTAL REVENUES ALL SOURCES	<u>325,500</u>	<u>325,500</u>	<u>380,677</u>	<u>55,177</u>
EXPENDITURES				
Current:				
Recreation Department		-	-	-
Capital Outlay	1,100,000	1,220,500	1,211,972	8,528
Debt Service:				
Principal Retirement	250,000	250,000	235,000	15,000
Interest	25,500	25,000	40,535	(15,535)
Bond Issuance Cost	-	-	-	-
TOTAL EXPENDITURES	<u>1,375,500</u>	<u>1,495,500</u>	<u>1,487,507</u>	<u>7,993</u>
NET CHANGE IN FUND BALANCE	(1,050,000)	(1,170,000)	(1,106,830)	63,170
FUND BALANCE, Beginning of Year	<u>1,221,443</u>	<u>1,221,443</u>	<u>1,221,443</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 171,443</u>	<u>51,443</u>	<u>114,613</u>	<u>\$ 63,170</u>

Note: The City budgeted to use \$1,17,000 in prior year accumulated fund balance for fiscal 2011 for the completion of renovations to City Hall and downtown parking lots.

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

CITY OF WOODRUFF, SOUTH CAROLINA

SEWER - PROPRIETARY (ENTERPRISE) FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES				
Sales to Customers	\$ 443,000	443,000	470,848	\$ 27,848
TOTAL OPERATING REVENUES ALL SOURCES	<u>443,000</u>	<u>443,000</u>	<u>470,848</u>	<u>27,848</u>
OPERATING EXPENSES				
Sewer Department	435,700	470,700	345,276	125,424
Depreciation and Amortization	-	-	117,899	(117,899)
TOTAL OPERATING EXPENSES	<u>435,700</u>	<u>470,700</u>	<u>463,175</u>	<u>7,525</u>
OPERATING LOSS	<u>7,300</u>	<u>(27,700)</u>	<u>7,673</u>	<u>35,373</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	1,000	1,000	627	(373)
Other Income	2,000	2,000	9,681	7,681
Interest Expense	(10,300)	(10,300)	(9,801)	499
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,300)</u>	<u>(7,300)</u>	<u>507</u>	<u>7,807</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(35,000)</u>	<u>8,180</u>	<u>43,180</u>
TOTAL NET ASSETS, Beginning of Year	<u>2,318,377</u>	<u>2,318,377</u>	<u>2,318,377</u>	<u>-</u>
TOTAL NET ASSETS, End of Year	<u>\$ 2,318,377</u>	<u>2,283,377</u>	<u>2,326,557</u>	<u>\$ 43,180</u>

Note: The City prepares budgets for this fund on the modified accrual basis of accounting. Accordingly, there is no budget for depreciation and amortization expenses. However, the City did budget for capital outlay of \$30,000, sludge removal of \$35,000 and principal payments of \$36,200, which are included in the total budgeted amounts above. The City also budgeted to use \$35,000 in prior year accumulated fund balance for fiscal 2011.

CITY OF WOODRUFF, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2011

Court Fines and Assessments

Court Fines Collected	\$	126,320
Court Fines and Assessments Retained by the City		(74,021)
Total Court Fines and Assessments Remitted to the State Treasurer	\$	52,299

Court Surcharges

Court Surcharges Collected	\$	31,371
Total Court Surcharges Remitted to State Treasurer	\$	31,371

Victim Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$	5,028
Court Assessments Allocated to Victim Assistance Fund		9,708
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(12,562)
Funds Available for Carryforward, End of Year	\$	2,174

Compliance Section

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Woodruff, South Carolina (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.


Compliance and Other Matters

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

We noted certain matters that we have reported to the management of the City in a separate letter dated August 15, 2011.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 15, 2011

CITY OF WOODRUFF, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

2011-1: INTERNAL CONTROLS OVER THE ANNUAL FINANCIAL REPORTING PROCESS

- Condition:** The City does not have adequate internal controls over its annual financial reporting process that would allow for the City to prevent or detect material misstatements in the basic financial statements. Instead, the City has chosen to use its external independent auditors as its internal control for the annual financial reporting process, from the recording of various receivables on the modified accrual basis to the conversion to the full accrual basis that is used for the government-wide financial statements.
- Criteria:** The City should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements in its annual financial statements.
- Cause:** The limited resources available and lack of training/experience in governmental accounting and financial reporting issues at the City.
- Context and Effect:** There is a higher risk that material misstatements in the basic financial statements will go undetected.
- Recommendation:** The City should consider the cost/benefit factors related to providing adequate internal controls over its annual financial reporting process.
- Response:** The City will continue to evaluate the cost/benefit factors of providing adequate internal controls over its annual financial reporting process. The City would like to provide training to its Clerk/Treasurer in order for him to begin assuming this function. Currently, the City believes it is most cost beneficial to use its external auditors to perform these functions related to its annual financial reporting process and to prepare the annual financial statements.