

## **NOTES TO THE FINANCIAL STATEMENTS**

# GREENVILLE COUNTY, SOUTH CAROLINA

Notes to the Financial Statements  
June 30, 2006

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The County of Greenville, South Carolina was organized in 1786 and is governed by an elected twelve member council. The County operates under a Council/Administrator form of government as provided in Title 14 of the 1962 Code of Laws of South Carolina as amended (Home Rule Act). As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Blended and discretely presented component units are discussed below.

#### **Blended Component Units**

The Greenville County Public Facilities Corporation was established in 1991 for the purpose of holding title, owning, leasing, constructing, acquiring and operating land, buildings, equipment and facilities functionally related thereto and to perform any other lawful purpose related to the furtherance of the governmental powers of Greenville County. Greenville County Economic Development Corporation was established in 1999 for the purpose of owning, leasing, constructing, acquiring and operating buildings, equipment, public utilities, and transportation services and facilities functionally related to the promotion of the economic development of Greenville County and in furtherance of the governmental powers of Greenville County. These Corporations have a December 31 year-end and all of their financial transactions are processed through the County's financial system and are a part of the County's audit. They operate as departments of the County and exist for its benefit.

#### **Discretely Presented Component Units**

The Greenville County Redevelopment Authority (the Authority) was established in 1969 under the provisions of Act 516 of the South Carolina General Assembly. Its mission is to improve the quality of life for low and moderate-income citizens of Greenville County through improved affordable housing. The Authority is also involved in redevelopment work, including public improvements to streets and rights of way throughout Greenville County. The Greenville County Council appoints all board members, approves federal grant requests and is financially accountable for any deficits. The Authority has a June 30 year-end.

The Greenville County Library System (the Library) was created by County Council in 1979 and has a June 30 year-end. The Library is governed by an eleven member board appointed by the Greenville County council. The debt of the Library is carried on the County's books, so exclusion of the Library would cause the financial statements for the County to be misleading. Complete financial statements for each of the individual component units may be obtained at the County's administrative offices.

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<u>Component Unit</u>	<u>Reporting Method</u>	<u>Criteria for Inclusion</u>	<u>Separate Financial Statements</u>
Greenville County Public Facilities Corporation	Blended	The Board of Directors of the Corporation consists of the Greenville County Council members and the Greenville County Administrator.	None issued
Greenville County Economic Development Corporation	Blended	The Corporation is governed by a Board of Directors that consists of three Greenville County Council members and two individuals from the community. They are appointed to staggered terms by the Greenville County Council.	None issued
Greenville County Redevelopment Authority	Discretely Presented	The Redevelopment Authority is governed by a twelve-member board appointed by the Greenville County Council.	Greenville County Administrative Office
Greenville County Library	Discretely Presented	The Library is governed by an eleven-member board appointed by the Greenville County Council.	Greenville County Administrative Office

**B. BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments received from outside the County for participation in the health and dental program and for services of the vehicle service center. The government-wide statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the

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operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund.* This fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund - Federal and State Grants.* This fund is used to account for the proceeds of specific federal and state revenue sources (other than major capital projects) that are legally restricted to specified purposes.

*Special Revenue Fund - Road Maintenance Program.* This is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for road maintenance.

*Capital Projects Fund – Construction Management.* This is used to account for the Detention Center addition project.

*Capital Projects Fund – Agencies.* This is used to account for transactions between the County and various outside agencies.

The County reports the following major enterprise funds:

*Solid Waste Fund.* This fund accounts for the operation, maintenance, and development of various landfills and disposal sites for the citizens on a cost-reimbursement basis.

*Stormwater Fund.* This fund accounts for all storm-water related costs and is funded through a stormwater fee.

Additionally, the County reports the following fund types:

*Internal Service Funds.* The County has a Vehicle Service Fund, Workers' Compensation Fund, and Health and Dental Fund. These funds are used to account for the services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

*Agency Funds.* The County's only Fiduciary Fund type is its Agency Funds. Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets held by the County on behalf of others. The County maintains the following agency funds: the Property Tax Fund, which accounts for tax collections accumulated and distributed for the County schools, tax districts and

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various municipalities; the Special District Debt Service Fund, which accounts for the accumulation of funds (primarily tax receipts to pay principal and interest on bond issues); the Family Court Fund, which accounts for the processing of court settlement claims; the Master in Equity Fund, which accounts for settlement claims due to others; the Clerk of Court Fund, which accounts for bond postings and restitution payments; the Pre-Trial Intervention Fund, which accounts for repayments to victims; and the Special Districts Fund, which accounts for the temporary holding of tax district monies.

## C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$256,983,786 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on governmental activities column).	\$ 597,067,275
Less accumulated depreciation	<u>(215,604,817)</u>
Net capital assets	381,462,458
Internal service funds are used by management to charge the costs of the vehicle service center, worker's compensation, and health and dental costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	10,112,295
Liabilities for earned but deferred tax revenues recorded in the fund statements.	8,140,000
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Long-term debt	(140,916,871)
Deferred charges	4,149,218
Compensated absences	(4,694,977)
Accrued interest payable	<u>(1,268,337)</u>
Sub total	<u>(142,730,967)</u>
Total adjustment	<u>\$ 256,983,786</u>

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## **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. Elements of that total adjustment of \$18,713,611 are as follows:

### **Reconciliation of Government-wide and Fund Financial Statements, continued**

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 20,780,993
Depreciation expense, the allocation of those assets over their useful lives, which is recorded on the statement of activities but not in the fund statements.	(9,327,621)
Gain on disposal of assets	47,988
Sub total	<u>11,501,360</u>
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	572,070
Difference in long-term debt and related items.	3,340,199
The internal service fund is used by management to charge the cost of the vehicle service center, worker's compensation, and health and dental cost.	3,024,982
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Decrease in accrued taxes receivable for year ended 6/30/05	275,000
Total adjustment	<u>\$ 18,713,611</u>

### **Measurement Focus and Basis of Accounting**

In accordance with South Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The agency funds, which are fiduciary funds, have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without

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directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 the County enterprise funds are fees to customers for services. Expenses for enterprise funds include the cost of goods to provide services, administrative expenses, operating expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recorded when due, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property tax revenue is recognized in compliance with the National Council on Governmental Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. "Available" means when due, or past due and receivable within the current period or expected to be collected soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period. Net receivables estimated to be collectible in more than 60 days subsequent to June 30, 2006 are reported as deferred revenues.

Intergovernmental revenues and fees are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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## D. BUDGETARY DATA

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

Greenville County's biennium budget provides the financial framework for the programs and services that the government will be undertaking over the next two years. Approximately 60 days prior to June 30, the County Administrator submits to County Council a proposed detailed, line-item operating budget for the General, Special Revenue (Accommodations Tax, E-911, Home Incarceration, Infrastructure Bank, Medical Charities, Road Program and Victim's Rights) and Debt Service Funds for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them by function and activity. A public hearing is conducted to obtain citizen comments on the proposed budget, which is later legally adopted through passage of an appropriation ordinance by County Council. The legal level of budgetary control is at the department level. The County Administrator is authorized to transfer budgeted amounts within a department, except for the purchase of non-budgeted equipment and hiring of personnel. County Council must approve any revisions, which alter the total expenditures of any department. Unencumbered budget amounts lapse at the end of each year.

The County prepares its General Fund budget on a basis of accounting that differs from accounting principles generally accepted in the United States. The actual results of operations are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Governmental Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between budgetary basis of accounting for the funds and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations from the GAAP basis of accounting to the budgetary basis of accounting are as follows:

	Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses
Net change in fund balances – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (GAAP basis)	\$ 2,481,546
Prior period encumbrances paid in FY06	1,034,731
Outstanding FY06 encumbrances	(1,176,564)
Outstanding prior period encumbrances	<u>(599,209)</u>
Net change in fund balances – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Governmental Funds (Budgetary basis)	<u>\$ 1,740,504</u>

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The Federal and State Grant subfunds with legally adopted budgets are also presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Funds with Legally Adopted Budgets. There are additional subfunds within this fund which do not have legally adopted budgets. The reconciliation for the entity difference is as follows:

Fund balance – ending – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Funds with Legally Adopted Budgets – E-911	\$ (384,819)
Fund balance – ending – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Funds with Legally Adopted Budgets – Accommodations Tax	227,502
Fund balance – ending – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Funds with Legally Adopted Budgets – Home Incarceration	12,124
Fund balance – ending – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – Major Funds with Legally Adopted Budgets – Victim’s Bill of Rights	701,933
Fund balance – ending of Federal and State Grants without legally adopted budgets	<u>2,873,414</u>
Fund balance – ending – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Federal and State Grant Fund	<u>\$ 3,430,154</u>

### E. ASSETS, LIABILITIES AND FUND EQUITY

#### 1. Deposits and Investments

The deposits and investments of the County, the Authority and the Library are invested pursuant to statutes established by the State of South Carolina. The statutes allow for the investment of money in the following investments:

- a) Obligations of the United States and its agencies.
- b) General obligations of the State of South Carolina or any of its political units.
- c) Savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation.
- d) Certificates of deposit which are collaterally secured by securities of the type described above held by a third party as escrow agent or custodian, or a market value not less than the amount of 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.
- e) Collateralized repurchase agreements which are collateralized by securities as set forth in (a) and (b) above and held by the County, the Authority, or the Library or a third party as escrow agent or custodian.
- f) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Finally, 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

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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 by the County is limited to obligations of the United States, State of South Carolina, or repurchase agreements collateralized by the aforementioned country or state, and 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. Investments are stated at cost.

## **2. Cash and Cash Equivalents**

The Library and the Authority considers demand deposits and investments purchased with an original maturity of three months or less which are not limited as to use, to be cash and cash equivalents. The County, however, considers investments and demand deposits, regardless of maturity dates, to be cash and cash equivalents.

## **3. Restricted Assets**

A portion of the proceeds of the Certificates of Participation and Special Source Revenue Bonds, plus interest, held by escrow agents are shown as restricted in the Debt Service Fund. These funds are designated for interest payments on the Certificates of Participation and Special Source Revenue bond issues.

## **4. Ad Valorem Taxes Receivable**

The County's property tax is levied each September (except automobiles which are annually assessed on the first day of the month the automobiles were registered) on the assessed value as of the prior December 31 for all real and personal property located in the County. Taxes are due in one payment on or before January 15. A three percent penalty is added on January 16. If taxes remain unpaid on February 2, a seven percent penalty is added to the total of taxes plus penalties. If taxes remain unpaid on the March 17 lien date, an additional five percent penalty is added to the total of taxes and penalties plus a \$15 delinquent execution charge. If taxes are not paid prior to the first Monday in November, the property will be sold, at public auction, for taxes due. The County bills and collects its own property taxes and also those for the County School District, seven municipalities and approximately thirty other special taxing authorities and activities which are accounted for in the Property Tax Agency Fund.

## **5. Rehabilitation Loans and Advances Receivable**

Loans for the Authority are recorded at the principal receivable and are repaid by the recipients in equal monthly installments. Loan terms are for five to thirty years at interest rates ranging from zero to ten percent. Advances do not bear interest and become payable upon the recipients' death or upon the sale or transfer of the property. There is a concentration of credit risk on the rehabilitation loans made by the Authority. The loans have been made primarily to lower and moderate income level individuals in the non-incorporated, economically deprived areas of Greenville County.

## **6. Allowances for Doubtful Accounts**

Management considers all accounts receivable to be fully collectible and accordingly no allowance for doubtful accounts is required.

## **7. Inventories and Prepaid Items**

Inventory is valued at the lower of cost or market (first-in, first-out) and consists of expendable supplies held for consumption. The cost of inventory is recorded as an expense at the time individual inventory items are

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consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements for the County, the Authority, and the Library.

## 8. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories except for infrastructure assets, which has a minimum of \$100,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	50
Infrastructure	50
Furniture and equipment	5

As allowed by GASB 34, retroactive reporting of the Stormwater network infrastructure was delayed until the current year. The Stormwater network infrastructure is included in the capital asset total reported for June 30, 2006.

Any interest incurred during the construction phase of business-type activities capital assets is reflected in the capitalized value of the asset constructed. There was no interest capitalized in 2006.

Capital assets for the Authority are defined as assets with an initial, individual cost of more than \$1,000, and an estimated useful life in excess of two years. Equipment and vehicles of the Authority are depreciated using the straight-line method over their estimated useful lives of five to seven years.

Capital assets of the Library are defined as assets with an initial cost of more than \$5,000 and are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	30-50
Improvements	15-30
Furniture and equipment	2-10
Library materials	5
Signs	7

## 9. Real Property Held for Programs

Real property is stated at the lower of cost or estimated net realizable value and is comprised of properties acquired for the purpose of rehabilitation and subsequent resale or rental at fair market or nominal values.

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## **10. Long-term Obligations**

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

## **11. Compensated Absences**

It is the County's policy to vest unused annual leave with its employees up to a maximum number of hours and recognize compensated absences as expenditures in the period earned rather than the period such benefit is paid. Payments anticipated to be made for the governmental and business type funds in the fiscal year ending June 30, 2007, aggregate \$480,154. The balance of earned, vested compensated absences not taken at June 30, 2006 was \$4,844,328 for the governmental and business type funds.

Library employees earn vacation in varying amounts. In the event of resignation or retirement, an employee is reimbursed for accumulated vacation up to 225 hours. All vacation pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **12. Net Assets and Fund Balances**

### **Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### **Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The governmental fund types classify fund balances as follows:

Reserved

Encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Prepaid items - portion of fund balance not available for expenditure.

Debt Service - portion of fund balance available to pay long-term debt payments.

Unreserved

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Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006 - 2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

## **13. Capital Contributions**

The County received donations of land, rights of way, roads and bridges and other infrastructure from contractors. The County accounts for these contributions under GASB Statement No. 33, *Accounting and Financial Reporting for NonExchange Transactions* (GASB 33). This statement requires that contributions be reported in the statement of revenues, expenditures and changes in net assets.

## **14. Accounting Estimates**

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

## **15. New Pronouncements**

The County has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This new standard provides guidance on the tables and narrative explanations in the statistical section. Also, the County has implemented GASB Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations.

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Greenville County is a phase 1 government, so this Statement is effective for the fiscal year ending June 30, 2008.

## **II. DETAILED NOTES ON ALL FUNDS**

### **A. ASSETS**

#### **1. Deposits**

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the County's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of

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the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agents in the County's name.

At June 30, 2006, the County of Greenville's deposits had a carrying value of \$57,635,565 and a bank balance of \$59,021,842. Of the bank balance, \$4,580,171 was covered by federal depository insurance while \$54,441,671 was covered by collateral held under the Dedicated Method.

### **Deposits for the Authority**

The State of South Carolina General Statutes permit the Authority to invest in certain types of financial instruments. Cash may be maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. As of June 30, 2006, all deposits are either insured or fully collateralized.

### **Deposits for the Library**

At June 30, 2006, the Library's deposits have a carrying value of \$5,529,677 and a bank balance of \$5,835,644. Of the bank balance, \$500,000 was covered by federal depository insurance while the remainder was covered by collateral held by the Library's or County's agents in the Library's or County's name. As of June 30, 2006, cash on hand was \$790.

## **2. Investments**

As of June 30, 2006 the County of Greenville had the following investments and maturities.

<u>Instrument Type</u>	<u>Fair Value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-3 years</u>	<u>More than 3 years</u>
Money Markets	\$ 13,211,134	13,211,134	-	-	-
US Government Treasuries	7,506,929	-	501,919	3,997,639	3,007,371
US Government Agencies	69,426,703	10,486,379	6,236,747	34,239,407	18,464,170
SC State Investment Pool	44,625,705	44,625,705	-	-	-
Totals	\$ 134,770,471	\$ 68,323,218	\$ 6,738,666	\$ 38,237,046	\$ 21,471,541

The Treasurer/County has implemented investment policies which will be included as a section of the County's Financial Policies. These policies will enhance the guidelines provided by the State of South Carolina and incorporate the Government Finance Officers Association's recommendation on treatment of Collateralized Mortgage Obligations. While operating under our adopted financial policies, Greenville County can, if necessary to prevent a loss, hold all investments until their maturity. The fair value of the South Carolina pooled investment is the same as the value of the pooled shares. Regulatory oversight is provided by the South Carolina State Treasurer.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County of Greenville's investment policies allow for building the investment portfolio so that securities mature to meet on going operations, thereby avoiding the need to sell securities on the open market prior to maturity. Risk is also minimized by investing in shorter-term securities, generally with maturities of less than five years.

*Credit Risk.* In accordance with the investment policies of the County of Greenville, all investment instruments used by the Treasurer are those authorized by current State statute, or any permissible investment as redefined by the State legislature. The County's investments in US Agencies including Federal Home Loan Bank, Federal

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

National Mortgage Association, and Federal Home Loan Mortgage Corporation, are rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The South Carolina Investment Pool is unrated.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral that is in the possession of an outside party. All of the County of Greenville's investments are fully collateralized by securities that are either in the County's name or held by their agent in the County's name.

Following are the components of the County's book and fair values for cash and investments at June 30, 2006:

Cash and Investments	Fair and Carrying Value
Cash	\$ 11,237
Deposit:	
Demand deposits	12,590,322
Certificates of deposits	45,034,006
Investments:	
Government securities	<u>134,770,471</u>
	\$ <u><u>192,406,036</u></u>

A reconciliation of cash and investments for the County of Greenville as shown in the statement of net assets is as follows:

Carrying amount of deposits	\$ 57,635,565
Fair value of investments	<u>134,770,471</u>
	\$ <u><u>192,406,036</u></u>
Statement of Net Assets:	
Cash and cash equivalents (governmental activities)	\$ 113,938,815
Investments (governmental activities)	10,654,932
Restricted assets – Investments (governmental activities)	2,556,204
Cash and cash equivalents (business type activities)	22,013,414
Statement of Fiduciary Net Assets:	
Cash and equivalents (all fiduciary funds)	<u>43,242,671</u>
Total cash and investments	\$ <u><u>192,406,036</u></u>

# GREENVILLE COUNTY, SOUTH CAROLINA

Notes to the Financial Statements  
June 30, 2006

## Investments for the Library

As of June 30, 2006, the Library has the following investments and maturities:

<u>Instrument Type</u>	<u>Fair Value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-3 years</u>
Certificates of deposit	\$ 1,435,709	\$ 1,435,709	\$ -	\$ -
Money Market	<u>1,516,448</u>	<u>1,516,448</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,952,157</u>	<u>\$ 2,952,157</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Library maintains short-term securities with maturities of six months or less.

*Credit Risk:* All investment instruments used are those authorized by the current State statute, or any permissible investment as redefined by the State legislature. The credit quality of the money market fund is unrated.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investment or collateral that is in the possession of an outside party. All of the Library's investments are uninsured and unregistered investments for which the securities were held by the counterparty's trust department or agent in the Library's name.

A reconciliation of cash and investments as shown on the statement of net assets follows:

Carrying amount of deposits	\$ 4,781,045
Fair value of investments	<u>2,952,157</u>
Cash and investments	\$ <u>7,733,202</u>

## 3. Property Tax

Assessed values are established by the County Assessor and the South Carolina Department of Revenue at various rates between 4 and 10.5 percent of the estimated market value. The assessed value as of June 30, 2006 was \$1,570,432,466. The estimated market value was \$27,663,490,329, making the assessed value approximately 5.68 percent of the estimated market value.

The County is permitted under the Home Rule Act to levy taxes without limit. The combined tax rate to finance general government services and principal and interest on long-term debt for the year ended June 30, 2006 was 49.9 mills per \$1,000 of assessed valuation. The combined tax rate to finance general services and principal and interest on long-term debt for the Library for the year ended June 30, 2006 was 7.4 mills per \$1,000 of assessed valuation.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

**4. Receivables**

	Government-wide Financial Statements								
	Fund Financial Statements							Adjustments to Full-Accrual	Total
	General Fund	Federal and State Grants Fund	Construction Management	Road Maintenance	Enterprise Funds	Nonmajor Funds	Total		
Receivables:									
Other	\$ 1,240,980	\$ 429,112	\$ 146,940	\$ 134,857	\$ 459,055	\$ 133,023	\$ 2,543,967	\$ 94,975	\$ 2,638,942
Due from other governments	6,168,582	1,466,016	-	-	-	-	7,634,598	89,426	7,724,024
Due from fiduciary funds	-	-	-	-	-	-	-	10,646,857	10,646,857
Total receivables	\$ <u>7,409,562</u>	\$ <u>1,895,128</u>	\$ <u>146,940</u>	\$ <u>134,857</u>	\$ <u>459,055</u>	\$ <u>133,023</u>	\$ <u>10,178,565</u>	\$ <u>10,831,258</u>	\$ <u>21,009,823</u>

Adjustments to full-accrual include \$184,401 related to amounts recorded for the internal service funds with \$89,426 that was reclassified from due from other governments, and \$10,646,857 which relates to amounts due from fiduciary funds which were reclassified from internal balances. Internal Service funds predominately serve the governmental funds, but are included in both the governmental and business-type activities on the accompanying government-wide financial statements.

Finally, the Fiduciary fund financial statements include \$50,133,785 in taxes receivable recorded in the agency funds. This amount is excluded from the forgoing schedule and represents the amount of receivables held in a custody relationship for other governments and individuals.

Receivables for the Library at the government-wide level at June 30, 2006 were as follows:

	Due from other Governments	Property Taxes	Accrued Fines	Total
Governmental activities				
General	\$ 2,504,048	\$ 955,942	\$ 1,199,678	\$ 4,659,668
Capital Projects	26,136	203,725	-	229,861
Total receivable	2,530,184	1,159,667	1,199,678	4,889,529
Allowance for doubtful accounts	-	(101,934)	(839,775)	(941,709)
Total governmental activities	\$ <u>2,530,184</u>	\$ <u>1,057,733</u>	\$ <u>359,903</u>	\$ <u>3,947,820</u>

The GCRA has \$12,183,944 in rehabilitation loans, \$371,617 in other accounts receivable and \$3,104,813 in grants receivable at June 30, 2006.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

**5. Capital Assets**  
**Primary Government**

Capital asset activity for the governmental activities for the year ended June 30, 2006 was as follows:

	Beginning Balances	Addition of Stormwater Infrastructure	Increases	Decreases and Adjustments	Transfers	Ending Balances
Governmental activities:						
Capital assets not being depreciated:						
Land	\$9,575,362	\$ -	\$ -	\$ -	\$ -	\$9,575,362
Construction in progress	367,917	-	3,232,177	-	-	3,600,094
Total capital assets not being depreciated	9,943,279	-	3,232,177	-	-	13,175,456
Capital assets being depreciated:						
Buildings	76,173,932	-	-	-	(14,983,519)	61,190,413
Improvements	996,874	-	383,662	-	14,983,519	16,364,055
Equipment	29,225,162	-	3,176,030	(1,943,170)	(140,181)	30,317,841
Infrastructure	383,083,685	79,757,494	14,010,881	-	-	476,852,060
Total capital assets being depreciated	489,479,653	79,757,494	17,570,573	(1,943,170)	(140,181)	584,724,369
Less accumulated depreciation for:						
Buildings	23,403,464	-	1,224,653	(786,272)	(5,465,800)	18,376,045
Improvements	534,003	-	540,368	(249,173)	5,465,800	6,290,998
Equipment	20,980,860	-	3,168,850	(5,384,703)	(130,562)	18,634,445
Infrastructure	144,427,625	19,525,438	8,831,706	1,146	-	172,785,915
Total accumulated depreciation	189,345,952	\$19,525,438	\$13,765,577	\$(6,419,002)	\$(130,562)	216,087,403
Total capital assets depreciated, net	300,133,701					368,636,966
Governmental activities Capital assets, net	\$310,076,980					\$381,812,422

**Primary Government**

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

Administrative Services	\$ 7,558
General Services	323,219
Public Works	11,050,815
Public Safety	663,952
Judicial Services	34,434
Fiscal Services	20,100
Law Enforcement Services	1,587,673
Boards, Commissions, & Others	77,826
Total Depreciation Expense	\$ 13,765,577

The County elected to defer the reporting of the Stormwater network infrastructure until the current year as permitted by GASB 34. As a result of this change in accounting principle, total stormwater infrastructure assets of \$79,757,494 and accumulated depreciation of \$19,525,438 were recorded for the year ending June 30, 2006.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

Capital asset activity for the business-type activities for the year ended June 30, 2006 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases and Adjustments</u>	<u>Transfers</u>	<u>Ending Balances</u>
<u>Solid Waste</u>					
Capital assets not being depreciated:					
Land	\$ 5,880,113	\$ -	\$ -	\$ -	\$ 5,880,113
Total capital assets not being depreciated	<u>5,880,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,880,113</u>
Capital assets being depreciated:					
Buildings	850,431	-	-	-	850,431
Improvements	993,620	-	-	-	993,620
Equipment	<u>6,971,165</u>	<u>232,371</u>	<u>(814,821)</u>	<u>72,766</u>	<u>6,461,481</u>
Total capital assets being depreciated	<u>8,815,216</u>	<u>232,371</u>	<u>(814,821)</u>	<u>72,766</u>	<u>8,305,532</u>
Less accumulated depreciation for:					
Buildings	445,915	25,079	4,955	-	475,949
Improvements	667,914	49,414	(13,692)	-	703,636
Equipment	<u>5,018,217</u>	<u>549,456</u>	<u>(1,244,283)</u>	<u>72,766</u>	<u>4,396,156</u>
Total accumulated depreciation	<u>6,132,046</u>	<u>\$ 623,949</u>	<u>\$ (1,253,020)</u>	<u>\$ 72,766</u>	<u>5,575,741</u>
Total capital assets depreciated, net	<u>2,683,170</u>				<u>2,729,791</u>
Business-type activities capital assets, net	\$ <u>8,563,283</u>				\$ <u>8,609,904</u>
<u>Parking Enterprise Fund</u>					
Capital assets not being depreciated:					
Land	\$ 1,060,000	\$ -	\$ -	\$ -	\$ 1,060,000
Total capital assets not being depreciated	<u>1,060,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,000</u>
Capital assets being depreciated:					
Buildings	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total capital assets being depreciated	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Less accumulated depreciation for:					
Buildings	<u>113,333</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>153,333</u>
Total accumulated depreciation	<u>113,333</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>153,333</u>
Total capital assets depreciated, net	<u>1,886,667</u>				<u>1,846,667</u>
Business-type activities capital assets, net	\$ <u>2,946,667</u>				\$ <u>2,906,667</u>

Construction contracts of approximately \$152,009,230 exist for various renovation and construction projects for the County. At June 30, 2006, the remaining commitment on these contracts approximated \$26,423,516.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases and Adjustments</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b><u>Stormwater Fund</u></b>					
Capital assets being depreciated:					
Equipment	\$ 80,509	\$ -	\$ (11,461)	\$ 67,415	\$ 136,463
Total capital assets being depreciated	<u>80,509</u>	<u>-</u>	<u>(11,461)</u>	<u>67,415</u>	<u>136,463</u>
Less accumulated depreciation for:					
Equipment	9,981	15,180	(11,461)	56,028	69,728
Total accumulated depreciation	<u>9,981</u>	<u>\$ 15,180</u>	<u>\$ (11,461)</u>	<u>\$ 56,028</u>	<u>69,728</u>
Total capital assets depreciated, net	<u>70,528</u>				<u>66,735</u>
Business-type activities capital assets, net	\$ <u>70,528</u>				\$ <u>66,735</u>

**Discretely Presented Component Units**

Capital asset activity for the Greenville County Redevelopment Authority for the year ended June 30, 2006 was as follows:

	<u>Beginnin g Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Equipment and vehicles	\$ 266,738	\$ 20,606	\$ (17,220)	\$ 270,124
Total capital assets being depreciated	<u>266,738</u>	<u>20,606</u>	<u>(17,220)</u>	<u>270,124</u>
Less accumulated depreciation for:				
Equipment and vehicles	236,968	17,496	(17,220)	237,244
Total accumulated depreciation	<u>236,968</u>	<u>\$ 17,496</u>	<u>\$ (17,220)</u>	<u>237,244</u>
Total capital assets being depreciated, net	\$ <u>29,770</u>			\$ <u>32,880</u>

The Authority is committed under various construction contracts for the completion of various ongoing projects in the amount of \$722,009.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

Capital asset activity for the Greenville County Library for the year ended June 30, 2006, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balances</u>
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 2,521,278	\$ -	\$ -	\$ -	\$ 2,521,278
Art collections	231,342	-	-	-	231,342
Construction in progress	-	-	-	-	-
Total capital assets not depreciated	<u>2,752,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,752,620</u>
Capital assets being depreciated:					
Land improvements	516,867	-	-	-	516,867
Buildings	32,385,589	-	-	-	32,385,589
Furniture and equipment	1,037,638	118,786	-	-	1,156,424
Library materials	9,185,866	1,143,921	-	-	10,329,787
Signs	171,796	-	-	-	171,796
Total capital assets being depreciated	<u>43,297,756</u>	<u>1,262,707</u>	<u>-</u>	<u>-</u>	<u>44,560,464</u>
Less accumulated depreciation for:					
Land improvements	153,498	31,959	-	-	185,457
Buildings	2,769,563	752,512	-	-	3,522,075
Furniture and equipment	794,656	108,464	-	-	903,120
Library materials	5,414,786	1,166,232	-	-	6,581,019
Signs	129,837	11,768	-	-	141,605
Total accumulated depreciation	<u>9,262,340</u>	<u>\$ 2,070,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,333,276</u>
Total capital assets being depreciated, net	<u>34,035,416</u>				<u>33,227,188</u>
Capital assets, net	<u>\$ 36,788,036</u>				<u>\$ 35,979,808</u>

Depreciation expense for the Library for the year ended June 30, 2006 was \$2,070,935.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

**B. LIABILITIES**

**1. Payables**

Payables at the government-wide level at June 30, 2006 were as follows:

	Governmental-wide Financial Statements									
	Fund Financial Statements					Nonmajor Governmental Funds	Total Enterprise Funds	Total	Adjustments to Full- Accrual	Total
	General Fund	Federal and State Grants	Construction Management	Road Maintenance	Agencies					
Payables:										
Accounts and vouchers	\$ 1,559,138	\$ 605,541	\$ 524,094	\$ 1,137,877	\$ -	\$ 211,146	\$ 380,764	\$ 4,418,560	\$ 192,890	\$ 4,611,450
Due to others	-	-	-	-	10,706,852	-	40,923	10,747,775	-	10,747,775
Accrued payroll and related liabilities	3,163,279	171,102	-	-	-	65,135	42,790	3,442,306	28,364	3,470,670
Accrued Liabilities	1,197,182	34,431	-	-	-	-	-	1,231,613	-	1,231,613
Assessments	105,215	-	-	-	-	-	-	105,215	-	105,215
Accrued interest	-	-	-	-	-	-	-	-	1,268,337	1,268,337
Other	96,078	-	-	-	-	-	16,222	112,300	2,917,062	3,029,362
Total accounts payable and accrued liabilities	<u>\$ 6,120,892</u>	<u>\$ 811,074</u>	<u>\$ 524,094</u>	<u>\$ 1,137,877</u>	<u>\$ 10,706,852</u>	<u>\$ 276,281</u>	<u>\$ 480,699</u>	<u>\$ 20,057,769</u>	<u>\$ 4,406,653</u>	<u>\$ 24,464,422</u>

Adjustments to Full-Accrual include \$3,138,316 related to recording internal service funds and \$1,268,337 related to recording accrued interest on long-term debt. Internal service funds predominately serve the governmental funds, but are included in both the governmental and business-type activities on the accompanying government-wide financial statements.

Finally, the Fiduciary fund financial statements include \$9,516 in matured interest payable. This amount is excluded from the foregoing schedule.

# GREENVILLE COUNTY, SOUTH CAROLINA

Notes to the Financial Statements  
June 30, 2006

## 2. Pension Plan Obligations

### a. Local Governmental Employees' Retirement System

All full-time Greenville County employees participate in the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS), both of which are cost-sharing multiple employer public employee retirement systems. Both retirement systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960.

The payroll for employees covered by the SCRS totaled \$39,436,225 for the year ended June 30, 2006, while the payroll for PORS covered employees totaled \$25,827,654. The County's total payroll, which includes some part-time employees not covered under either retirement system, was \$67,238,991. Total employee salaries for the Library for the period ended June 30, 2006 were \$5,215,232 of which \$4,866,581 was for employees covered by SCRS.

All full-time employees are required to participate in the SCRS or PORS and make contributions as a condition of employment. For SCRS participants, a monthly pension benefit is payable to eligible employees at age 65 or upon attaining 28 years of credited service regardless of age, with reduced pension benefits payable as early as age 55. For PORS participants, monthly pension benefits are payable at age 55 with a minimum 5 years service or 25 years credited service regardless of age, with reduced pension benefits payable as early as age 50. Both SCRS and PORS participants are vested for a deferred annuity after 5 years of service.

Employees and the County, the Authority, and the Library are required to contribute to the plans at rates established under authority of Title 9 of the Code of Laws. Employee required contributions to the SCRS are 6.25% of salary. The employee required contributions to PORS Class I is \$21.00 per month of salary and PORS Class II is 6.5% of salary. Greenville County is required to contribute to the SCRS at the rate of 7.55% of salaries and the PORS Class I at the rate of 7.8% and Class II at the rate of 10.3%. In addition to the above rates, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants. Participating employers under the PORS also contribute 0.2% of payroll to provide a group life insurance benefit and 0.2% of payroll to provide an accidental death benefit for their participants. The above percentages apply to the three years discussed below.

The County's contributions to SCRS and PORS are summarized as follows:

Year ended	Employer		Employee	
	SCRS	PORS	SCRS	PORS
June 30, 2006	\$ 3,036,588	\$ 2,763,559	\$ 2,457,553	\$ 1,672,532
June 30, 2005	2,580,688	2,596,984	2,159,920	1,420,368
June 30, 2004	2,515,717	2,543,407	2,101,182	1,389,461

# GREENVILLE COUNTY, SOUTH CAROLINA

## Notes to the Financial Statements June 30, 2006

The Authority's contributions to SCRS are summarized as follows:

	SCRS	
	Employer	Employee
June 30, 2006	\$ 50,498	40,989
June 30, 2005	43,984	37,111
June 30, 2004	56,890	47,969

The Library's contributions to the SCRS for employer, employee, and PORS portions expressed as a dollar amount and as a percentage of covered payroll in 2006 were \$391,733 and 7.55% and 10.30%, \$318,248 and 6.25%, and \$3,774 and 6.50%, respectively.

The Library's contributions to SCRS are summarized as follows:

	SCRS	
	Employer	Employee
June 30, 2006	\$ 391,733	318,248
June 30, 2005	336,870	283,076
June 30, 2004	325,054	272,664

The Library's contributions to the SCRS provide a group life insurance benefit for their participants expressed as a dollar amount and as a percentage of covered payroll were \$7,773 and .15% of annual earnings.

The State of South Carolina also provides an optional retirement plan (State ORP). It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the Internal Revenue Code. The State ORP is a defined contribution plan that provides retirement and survivor benefits for newly hired teachers and certain administrative positions which allows them to participate. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP and the SCRS.

Employees of the County, the Authority, and the Library who retire with 20 years or more of County service are eligible to receive \$75 per month of medical insurance coverage paid by the County. At June 30, 2006, 66 retirees were eligible and the County paid \$59,025 for this coverage during the year then ended. This post-retirement benefit is funded entirely by the County and is paid pursuant to the policy adopted by County Council. The County, the Authority, and the Library fund their benefits on a pay-as-you-go basis.

### **3. Closure and Postclosure Care Costs – Solid Waste Landfills**

On October 9, 1991, Federal regulations issued by the Environmental Protection Agency (EPA) placed specific requirements pertaining to the closing of municipal solid waste landfills as well as postclosure maintenance for a period of thirty years after closure. The \$18.7 million liability reported as landfill closure and postclosure represents total costs to date, as of June 30, 2006, based on 100 percent use of all landfills. The following table shows the landfills, which Greenville County owns, and the remaining number of years, out of 30, each has to be maintained in accordance with the 1991 EPA ruling.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

Landfill	Postclosure Years Remaining	% Used	Open/ Close Year	Closure/ Postclosure Costs
Enoree Phase I	18	100	1994	\$ 1,192,000
Enoree Phase II	30	95	1995	12,953,687
Enoree C & D	30	96	1991	830,000
Blackberry Valley	11	100	1987	421,600
Piedmont I & II	3	100	1979	777,000
Piedmont III	15	100	1991	270,000
Simpsonville	1	100	1976	2,273,000
				\$ 18,717,287

Enoree Phase II opened on July 1, 1995 with an expected life of 11 years and an estimated closing cost of \$7.365 million. The estimated remaining liability to be recognized for the Enoree Phase II landfill is \$681,773. Actual cost for closure and postclosure care may vary due to inflation, developments in technology, or changes in laws and regulations.

**4. Deferred / Unearned Revenues**

The balance in deferred revenue on the governmental fund financial statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes receivable, net (General)	\$ 6,917,000	\$ -
Taxes receivable, net (Special Revenue)	462,000	-
Taxes receivable, net (Debt Service)	761,000	-
Grants received, unspent (Special Revenue)	132,405	132,405
Greenville County Redevelopment Authority	-	372,872
Total	\$ 8,272,405	\$ 505,277

**5. Risk Management**

The County operates as two separate Internal Service Funds self-insurance programs for health and workers' compensation. Funds are appropriated in the General Fund, the Vehicle Service Fund, the Solid Waste Fund and certain Special Revenue Funds to cover claims, administrative costs and other liabilities. The County's health insurance program is to provide medical and dental coverage to its full-time employees. Full-time employees can select from three self-insured medical plans. Ninety-nine percent of County employees participate in these self-insured medical plans, making them the predominant participants in the plans. Revenues and expenditures for the self-insured program for health are accounted for in the Internal Service Fund within the Proprietary Fund types. Coverage in the medical self-insurance program is extended to include various other Greenville County agencies including the Art Museum, County Library, Greenville Transit Authority and several fire districts.

The County expended \$14,675,888 for medical and dental claims in fiscal year 2006. The basis for estimating claims not reported at year-end is the monthly average paid in claims. The self-insurance fund collects interfund premiums from insured funds and departments and pays claim settlements. Premiums for employees are based on maximum claim level activity and all other premiums in the fund are based on the expected claim level as provided by the actuarial estimate by the reinsurer. Medical claims exceeding \$200,000 per insured are covered through a private insurance carrier.

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The self-insurance program for workers' compensation is also accounted for within the activity of the Internal Service Fund. In contrast to the medical self-insurance program, the Workers' Compensation program serves personnel of Greenville County and the Greenville County Redevelopment Authority. The County has contracted with a professional firm to administer this fund. Claims paid during fiscal year 2006 totaled \$911,278. IBNR (Incurred But Not Reported) at year-end was shown to be \$1,517,062, according to an actuarial analysis of the fund. Premium increases and decreases for both programs are reviewed and recommended annually by the County's contract administrators. The retained deficit at year-end of \$668,514 will be eliminated by premium increases.

The table below shows the reconciliation of unpaid claims for fiscal year ended June 30, 2006:

	Workers' Compensation		Health and Dental	
	Year Ended June 30, 2006	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2005
Unpaid claims, beginning of year	\$ 1,166,205	\$ 1,280,170	\$ 1,372,530	\$ 1,121,212
Claim payments	(911,278)	(1,412,716)	(14,675,888)	(13,938,604)
Incurred claims (including IBNR)	1,262,135	1,298,751	14,703,358	14,189,922
Unpaid claims, end of year	\$ 1,517,062	\$ 1,166,205	\$ 1,400,000	\$ 1,372,530
Current Portion	\$ 980,000		\$ 1,372,000	

The Authority participates in the self-insurance fund of Greenville County for health insurance and workers' compensation. The health insurance program provides medical and dental coverage to full-time employees who can select from these medical plans: a self-insured medical plan, Blue Cross Premium Plan, Blue Cross Plus Plan or Blue Cross Standard Plan.

Revenues and expenditures for the self-insured plan are accounted for in the internal service fund of Greenville County. The basis for estimating claims not reported at year-end is twice the monthly average paid in claims. The self-insurance fund collects a monthly premium for the Authority and pays claim settlements. Premiums for employees are based on maximum claim level activity and all other premiums in the fund are based on the historical claim level as provided by the actuarial estimate by the reinsurer. Medical claims exceeding \$100,000 per insured are covered through a private insurance carrier.

The Library participates in the County's health insurance program to provide medical and dental coverage to its full-time employees. Payments are remitted to the County on a monthly basis based on the number of employees participating. In 2006, \$1,090,070 was remitted to the County. The Library also has a purchased workers' compensation policy that is handled by a third-party administrator for a fee based on the salaries of employees employed during the year.

**6. Contingent Liabilities**

There are many tort claims against the County that are insured by the Insurance Trust Fund. None of the cases are expected to exceed the limits of the fund. The cases for which the Insurance Trust Fund has denied coverage will have little impact on the County financially.

The Authority must apply for renewals of contracts and grants. Funding is subject to both increases and reductions at the discretion of the contractors and some agreements call for termination by either party contingent

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Notes to the Financial Statements  
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upon certain conditions. Expenditures recorded under various contracts and grants are subject to further examination by the contractors, with reimbursements being requested for questioned costs.

The Authority has guaranteed an \$800,000 line of credit borrowed by a related party. In the event the party should default, the Authority will receive all of the assets of the related entity.

**7. Long-Term Obligations**

**a. Changes in Long-term Obligations**

The following is a summary of the changes in the County's long-term obligations as of June 30, 2006:

<b>Governmental Activities:</b>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Special Source Revenue Bonds</u>	<u>Debt Security Deposit Agreement</u>	<u>Capital Lease Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance at June 30, 2005	\$ 55,855,000	\$ 52,415,000	\$ 31,215,000	\$ 746,460	\$ 4,625,489	\$ 4,709,523	\$ 149,566,472
Adjustments	-	-	-	-	(548,909)	-	(548,909)
Additions	12,495,000	-	-	-	1,514,500	3,411,595	17,421,095
Retirements	<u>(9,965,000)</u>	<u>(3,680,000)</u>	<u>(1,590,000)</u>	<u>(57,420)</u>	<u>(1,777,446)</u>	<u>(3,353,819)</u>	<u>(20,423,685)</u>
Balance at June 30, 2006	\$ <u>58,385,000</u>	\$ <u>48,735,000</u>	\$ <u>29,625,000</u>	\$ <u>689,040</u>	\$ <u>3,813,634</u>	\$ <u>4,767,299</u>	\$ <u>146,014,973</u>
Current Portion of Long-term Obligations	\$ <u>3,035,000</u>	\$ <u>3,975,000</u>	\$ <u>1,675,000</u>	\$ <u>57,420</u>	\$ <u>1,653,187</u>	\$ <u>403,125</u>	\$ <u>10,798,732</u>

The general fund and special revenue fund have typically been used in prior periods to liquidate compensated absences.

<b>Business-type activities:</b>	<u>Accrued Closure and Postclosure Costs</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance at June 30, 2005	\$ 18,241,469	\$ 86,138	\$ 18,327,607
Additions	545,418	67,756	613,174
Retirements	<u>(69,600)</u>	<u>(76,865)</u>	<u>(146,465)</u>
Balance at June 30, 2006	\$ <u>18,717,287</u>	\$ <u>77,029</u>	\$ <u>18,794,316</u>
Current portion of Long-term Obligations	\$ <u>147,782</u>	\$ <u>77,029</u>	\$ <u>224,811</u>

In past years, the County defeased several outstanding debt issues by issuing new debt and depositing the proceeds in an irrevocable trust to provide for all future debt service payments of the old debt. Thus, the defeased debt and the irrevocable trusts are not a part of the financial statements.

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## Notes to the Financial Statements June 30, 2006

### b. General Obligation Bonds

In August 2005, Greenville County issued \$7,430,000 of general obligation refunding bonds, series 2005A to refund a portion of the \$5 million general obligation bonds, series 1998 and a portion of the \$7,935,000 general obligation bonds, series 2002. The reacquisition price exceeded the net carrying amount of the old debt by \$345,285. This amount is being netted against the new debt and amortized over the old debt's life, which is shorter than the refunding debt. The transaction also resulted in an economic gain of \$143,377.

In October 2005, Greenville County issued \$5,065,000 of general obligation bonds, series 2005B to fund road improvement projects.

General obligation bonds payable at June 30, 2006 are comprised of the following individual issues:

	<u>Balance at June 30, 2006</u>
\$1,150,000 (1995 General Purpose refunding bonds due in annual installments of \$60,000 to \$155,000 through October 1, 2007; interest at 4.2% to 6.2%)	\$ 275,000
\$5,000,000 (1998 General Purpose serial bonds partially refunded with 2005A GOB; payments due through April 1, 2008)	480,000
\$6,915,000 (1999 General Purpose serial bonds due in annual installments of \$425,000 to \$515,000 through April 1, 2011; interest at 4.8% to 5.00%)	2,340,000
\$6,100,000 (2001 General Purpose serial bonds due in annual installments of \$205,000 to \$285,000 through April 1, 2011; interest at 4.5% to 4.7%, partially refunded with GOB, Series 2004A)	1,325,000
\$7,935,000 (2002 General Purpose serial bonds partially refunded with 2005A GOB; payments due through April 1, 2012)	1,330,000
\$7,570,000 (2003 General Purpose serial bonds due in annual installments of \$320,000 to \$480,000 through April 1, 2022; interest at 3.00% to 4.63%)	6,260,000
\$16,660,000 (2004 General Purpose serial bonds due in annual installments of \$275,000 to \$1,350,000 through April 1, 2025; interest at 2.75% to 4.5%)	16,100,000
\$19,620,000 (2002 General Purpose serial bonds partially refunded)	2,405,000
\$4,000,000 (2004A General Obligation Refunding Bonds due in annual installments of \$10,000 to \$445,000 through April 1, 2021; interest at 3% to 4%.)	3,960,000
\$11,565,000 (2005 General Obligation Bonds due in annual installments of \$425,000 to \$805,000 through April 1, 2026; interest at 4% to 4.4%)	11,565,000
\$7,430,000 (2005A General Obligation Bonds due in annual installments of \$150,000 to \$410,000 through April 1, 2024; interest at 3% to 4.125%)	7,280,000
\$5,065,000 (2005B General Obligation Bonds due in annual installments of \$270,000 to \$425,000 through April 1, 2021; interest at 3.75% to 4.125%)	<u>5,065,000</u>
	\$ <u>58,385,000</u>

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The total of all General Obligation Bonds is summarized as follows:

Year ending June 30,	Principal	Interest	Totals
2007	\$ 3,035,000	\$ 2,394,498	\$ 5,429,498
2008	3,170,000	2,266,803	5,436,803
2009	3,105,000	2,137,055	5,242,055
2010	3,225,000	2,008,544	5,233,544
2011	3,330,000	1,871,256	5,201,256
2012-2016	15,170,000	7,628,110	22,798,110
2017-2021	16,910,000	4,446,119	21,356,119
2022-2026	10,440,000	1,193,027	11,633,027
	<u>\$ 58,385,000</u>	<u>\$ 23,945,412</u>	<u>\$ 82,330,412</u>

At June 30, 2006, the County was permitted by the South Carolina Constitution to incur general obligation bonded indebtedness in an amount not exceeding 8% of the assessed value of all taxable property of the County. At June 30, 2006, the County was within the limits of this requirement. (Refer to the statistical section.)

**c. Certificates of Participation**

The total of all Certificates of Participation is summarized as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Totals
2007	\$ 3,975,000	\$ 2,066,922	\$ 6,041,922
2008	4,120,000	1,916,567	6,036,567
2009	4,260,000	1,776,023	6,036,023
2010	4,415,000	1,618,478	6,033,478
2011	4,585,000	1,431,333	6,016,333
2012-2016	18,730,000	4,542,008	23,272,008
2017-2019	8,650,000	746,026	9,396,026
	<u>\$ 48,735,000</u>	<u>\$ 14,097,357</u>	<u>\$ 62,832,357</u>

**Individual Issuances**

The annual requirements to amortize the County's 1999B Taxable Certificates of Participation are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 230,000	\$ 16,675	\$ 246,675
	<u>\$ 230,000</u>	<u>\$ 16,675</u>	<u>\$ 246,675</u>

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Notes to the Financial Statements  
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The annual requirements to amortize the County's 1999A Non-Taxable Certificates of Participation are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 450,000	\$ 66,310	\$ 516,310
2008	470,000	45,610	515,610
2009	490,000	23,520	513,520
	<u>\$ 1,410,000</u>	<u>\$ 135,440</u>	<u>\$ 1,545,440</u>

In February 1999, the County issued \$12,575,000 in Certificates of Participation to partially refund 1995 Certificates of Participation. The interest rates on the bonds are 3.1% to 4.75%. The annual requirements to amortize the County's series 1999 Certificates of Participation are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 670,000	\$ 523,742	\$ 1,193,742
2008	695,000	496,607	1,191,607
2009	725,000	467,765	1,192,765
2010	755,000	437,315	1,192,315
2011	785,000	404,850	1,189,850
2012	820,000	370,310	1,190,310
2013	860,000	333,410	1,193,410
2014	895,000	293,850	1,188,850
2015	940,000	251,337	1,191,337
2016	985,000	206,688	1,191,688
2017	1,035,000	157,438	1,192,438
2018	1,085,000	105,688	1,190,688
2019	1,140,000	54,150	1,194,150
	<u>\$ 11,390,000</u>	<u>\$ 4,103,150</u>	<u>\$ 15,493,150</u>

The annual requirements to amortize the County's 2001 refunding series COPS are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 90,000	\$ 598,040	\$ 688,040
2008	95,000	593,540	688,540
2009	1,200,000	588,790	1,788,790
2010	1,240,000	539,590	1,779,590
2011	1,290,000	487,510	1,777,510
2012	1,345,000	432,040	1,777,040
2013	1,405,000	371,515	1,776,515
2014	1,475,000	306,885	1,781,885
2015	1,540,000	237,560	1,777,560
2016	1,610,000	163,640	1,773,640
2017	1,695,000	84,750	1,779,750
	<u>\$ 12,985,000</u>	<u>\$ 4,403,860</u>	<u>\$ 17,388,860</u>

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Notes to the Financial Statements  
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The annual requirements to amortize the County's 2005 refunding series COPS are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 2,405,000	\$ 406,430	\$ 2,811,430
2008	2,485,000	328,335	2,813,335
2009	1,455,000	253,785	1,708,785
2010	1,500,000	210,135	1,710,135
2011	1,565,000	135,135	1,700,135
2012	1,650,000	56,885	1,706,885
	<u>\$ 11,060,000</u>	<u>\$ 1,390,705</u>	<u>\$ 12,450,705</u>

The annual requirements to amortize the County's 2005 University Center refunding series COPS are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 130,000	\$ 455,725	\$ 585,725
2008	375,000	452,475	827,475
2009	390,000	442,163	832,163
2010	920,000	431,438	1,351,438
2011	945,000	403,838	1,348,838
2012	970,000	375,488	1,345,488
2013	1,000,000	345,175	1,345,175
2014	1,040,000	303,475	1,343,475
2015	1,075,000	268,375	1,343,375
2016	1,120,000	225,375	1,345,375
2017	1,180,000	169,375	1,349,375
2018	1,230,000	110,375	1,340,375
2019	1,285,000	64,250	1,349,250
	<u>\$ 11,660,000</u>	<u>\$ 4,047,527</u>	<u>\$ 15,707,527</u>

**d. Special Source Revenue Bonds**

The annual requirements to amortize the County's Special Source Revenue Bonds are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2007	\$ 1,675,000	\$ 1,402,138	\$ 3,077,138
2008	1,760,000	1,329,349	3,089,349
2009	1,855,000	1,251,018	3,106,018
2010	1,945,000	1,167,319	3,112,319
2011	2,030,000	1,076,605	3,106,605
2012-2016	9,170,000	4,007,460	13,177,460
2017-2021	8,980,000	1,701,535	10,681,535
2022-2023	2,210,000	150,300	2,360,300
	<u>\$ 29,625,000</u>	<u>\$ 12,085,724</u>	<u>\$ 41,710,724</u>

**GREENVILLE COUNTY, SOUTH CAROLINA**

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**Individual Issuances**

The annual requirements to amortize the 2003 Special Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 130,000	\$ 353,135	\$ 483,135
2008	150,000	350,535	500,535
2009	160,000	347,160	507,160
2010	170,000	343,160	513,160
2011	175,000	338,060	513,060
2012	195,000	332,460	527,460
2013	250,000	325,830	575,830
2014	300,000	317,080	617,080
2015	350,000	306,205	656,205
2016	400,000	292,905	692,905
2017	450,000	276,905	726,905
2018	700,000	258,905	958,905
2019	1,000,000	230,205	1,230,205
2020	1,005,000	188,205	1,193,205
2021	1,035,000	144,990	1,179,990
2022	1,080,000	99,450	1,179,450
2023	1,130,000	50,850	1,180,850
	\$ 8,680,000	\$ 4,556,040	\$ 13,236,040

The annual requirements to amortize the 2001 Special Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 255,000	\$ 259,401	\$ 514,401
2008	260,000	250,221	510,221
2009	270,000	240,341	510,341
2010	285,000	229,541	514,541
2011	295,000	217,785	512,785
2012	305,000	205,395	510,395
2013	320,000	192,280	512,280
2014	335,000	178,200	513,200
2015	350,000	159,775	509,775
2016	370,000	140,525	510,525
2017	390,000	120,175	510,175
2018	415,000	98,725	513,725
2019	435,000	75,900	510,900
2020	460,000	51,975	511,975
2021	485,000	26,675	511,675
	\$ 5,230,000	\$ 2,446,914	\$ 7,676,914

## GREENVILLE COUNTY, SOUTH CAROLINA

Notes to the Financial Statements  
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The annual requirements to amortize the County's 1999 Special Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 205,000	\$ 198,425	\$ 403,425
2008	215,000	188,585	403,585
2009	230,000	177,835	407,835
2010	240,000	166,335	406,335
2011	250,000	154,095	404,095
2012	265,000	141,095	406,095
2013	280,000	127,050	407,050
2014	295,000	111,650	406,650
2015	310,000	95,425	405,425
2016	330,000	78,375	408,375
2017	345,000	60,225	405,225
2018	365,000	41,250	406,250
2019	385,000	21,175	406,175
	<u>\$ 3,715,000</u>	<u>\$ 1,561,520</u>	<u>\$ 5,276,520</u>

The annual requirements to amortize the County's series 1998 Special Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 375,000	\$ 279,920	\$ 654,920
2008	390,000	263,045	653,045
2009	410,000	245,495	655,495
2010	425,000	227,045	652,045
2011	445,000	207,495	652,495
2012	465,000	186,580	651,580
2013	490,000	164,260	654,260
2014	510,000	140,740	650,740
2015	535,000	115,750	650,750
2016	565,000	89,000	654,000
2017	595,000	60,750	655,750
2018	620,000	31,000	651,000
	<u>\$ 5,825,000</u>	<u>\$ 2,011,080</u>	<u>\$ 7,836,080</u>

## GREENVILLE COUNTY, SOUTH CAROLINA

### Notes to the Financial Statements June 30, 2006

The annual requirements to amortize the County's series 1997 Special Source Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 180,000	\$ 126,695	\$ 306,695
2008	190,000	118,370	308,370
2009	200,000	109,345	309,345
2010	210,000	99,645	309,645
2011	220,000	89,250	309,250
2012	230,000	78,250	308,250
2013	240,000	66,750	306,750
2014	255,000	54,750	309,750
2015	265,000	42,000	307,000
2016	280,000	28,750	308,750
2017	295,000	14,475	309,475
	<u>\$ 2,565,000</u>	<u>\$ 828,280</u>	<u>\$ 3,393,280</u>

The annual requirements to amortize the County's series 1996 Special Source Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 530,000	\$ 184,562	\$ 714,562
2008	555,000	158,593	713,593
2009	585,000	130,842	715,842
2010	615,000	101,593	716,593
2011	645,000	69,920	714,920
2012	680,000	36,380	716,380
	<u>\$ 3,610,000</u>	<u>\$ 681,890</u>	<u>\$ 4,291,890</u>

e. **Capital Lease Payable**

Greenville County's capital leases payable are a culmination of various contracts with a broad range of terms for machinery and equipment. The County's capital lease arrangement with a commercial bank was initiated in fiscal year 1993. Agreements for fiscal years 1993, 1994 and 1995 have been retired. On April 17, 1997, the County adopted a Master Lease Agreement. A total of nine leases have been issued under the Master Lease Agreement, eight of which are for the acquisition of vehicles and equipment. Five of these nine leases have been paid off as of July 2003. One master lease (#6) is for E-911 related equipment. The annual requirements to amortize capital lease agreements outstanding as of June 30, 2006 are as follows:

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Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2007	\$ 1,653,187	\$ 107,735	\$ 1,760,922
2008	801,094	57,028	858,122
2009	606,839	34,238	641,077
2010	373,947	17,502	391,449
2011	234,766	8,539	243,305
2012 - 2014	143,801	4,065	147,866
	\$ 3,813,634	\$ 229,107	\$ 4,042,741

Assets under capital leases recorded in the accompanying government-wide statement of net assets at June 30, 2006 were as follows: Furniture and Equipment \$9,915,872.

**f. Debt Security Deposit Agreement**

In July 1998, the County entered into a Debt Security Deposit Agreement with a financial institution which provides for the County to receive \$1,148,400 from the institution. In return, the County agrees to deposit, with a trustee, its Special Revenue Bond principal and interest payments earlier than the normal due dates over a twenty year period beginning in fiscal year 1999 and ending in 2018. The normal due date for principal is April 1. Interest payments are due April 1 and October 1. According to the agreement, the principal and both interest payments will be made to the trustee on February 1 of each year. In the event the agreement is terminated early, a pro-rated termination amount is to be returned to the institution based upon market rates at that time. The income from this agreement will be recognized using the interest method over the life of the agreement.

**g. Industrial Revenue Bonds**

Greenville County issues limited-obligation revenue bonds (Industrial Revenue Bonds) to private sector entities for the purpose of providing financing assistance for acquisitions and construction of industrial and/or commercial facilities. The County only extends Industrial Revenue Bonds to private sector entities that are public interest driven. Upon full repayment of the bonds, Greenville County transfers ownership of the facilities to the designated private sector entity. Under no circumstances would Greenville County, the state, or any subdivision be obligated to repay the bonds. All Industrial Revenue Bonds are omitted from the accompanying financial statements. As of June 30, 2006, there were 19 Industrial Revenue Bonds outstanding, with an estimated principal payable of \$400,685,000.

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
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**h. Long-term Obligations (The Library)**

The following is a summary of changes in long-term obligations at the government-wide level for the year ended June 30, 2006:

<u>Long-term Obligations</u>	<u>Accrued General Leave</u>
Balance, July 1, 2005	\$ 163,543
Additions to general leave	318,642
Retirements	(180,730)
	<u>\$ 301,455</u>
Less: current portion	<u>(126,660)</u>
Balance, June 30, 2006	<u><u>\$ 174,795</u></u>

**i. Long-Term Obligations ( The Authority)**

The following is a summary of the changes in long-term obligations at the government-wide level for the year ended June 30, 2006:

	<u>Accrued General Leave</u>	<u>Lease Obligations</u>	<u>Total</u>
Balance July 1, 2005	\$ 47,552	\$ 3,465	\$ 51,017
Net change in compensated absences	5,293	-	5,293
Change in lease obligations	-	(3,465)	(3,465)
Balance June 30, 2006	<u>\$ 52,845</u>	<u>\$ -</u>	<u>\$ 52,845</u>
Current portion of long-term obligation	<u>\$ 30,798</u>	<u>\$ -</u>	<u>\$ 30,798</u>

**GREENVILLE COUNTY, SOUTH CAROLINA**

Notes to the Financial Statements  
June 30, 2006

**C. Interfund Balances and Activity**

	Payable Fund				Total
	Nonmajor Governmental	Capital Projects (Agencies)	Federal and State Grants	Nonmajor Enterprise	
<u>Receivable Fund</u>					
General fund	\$ 1,177,690	\$ 249,971	\$ 348,344	\$ 116,078	\$ 1,892,083

All balances result from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

	Transfers In:			Total
	Federal and State Grants Fund	Nonmajor Governmental Funds	Solid Waste Fund	
<u>Transfers out:</u>				
General fund	\$ 314,647	\$ 4,197,702	\$ 377,000	\$ 4,889,349
Federal and state grants	-	-	-	-
Road maintenance program	-	165,000	-	165,000
Solid waste	-	-	-	-
Nonmajor governmental	-	3,064,622	-	3,064,622
	\$ <u>314,647</u>	\$ <u>7,427,324</u>	\$ <u>377,000</u>	\$ <u>8,118,971</u>

Interfund transfers are used to properly allocate costs and revenue for services to the various funds.

**D. Fund Deficits**

The deficit of \$668,514 in the Workers' Compensation (Internal Service fund) will be eliminated by premium increases.

**E. Commitments Under Operating Leases**

The County has commitments for periodic payments under various equipment and office space leases, various landfill leases, equipment maintenance agreements and data processing service contracts. All the agreements are cancelable or have remaining terms of less than one year. During the year ended June 30, 2006, total expenditures under these agreements amounted to \$9,446,247.

The Authority leases office space and certain equipment under noncancelable operating leases. The Authority is currently renegotiating the lease for its office space. Lease expense under noncancelable leases for the year ended June 30, 2006 was \$74,003.

**F. Designation of Fund Balance**

Financial policy - These funds are set aside, in the general fund, as a contingency to utilize during short periods of economic decline and to meet emergency conditions and to secure and maintain the "AAA" County credit rating

# GREENVILLE COUNTY, SOUTH CAROLINA

Notes to the Financial Statements  
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and to meet seasonal cash flow shortfalls. The County's financial policy sets the designated funds to be 7% of the general fund current revenues.

## **G. Subsequent Events**

In October 2006, the County issued \$10,085,000 in general obligation bonds, Series 2006 to provide funding for road improvements throughout the County.

## **H. Economic Dependency**

Greenville County Redevelopment Authority's revenues are derived primarily from various federal, state and local governmental agencies.

## **I. Contingent Liabilities**

### **Federal and State Assisted Programs**

The County and the Authority have received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial.