CITY OF SENECA

FINANCIAL REPORT

JUNE 30, 2012

City of Seneca

Financial Report
Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the City of Seneca, South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Seneca's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the City of Seneca, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards****, we have also issued our report dated January 17, 2013 on our consideration of the City of Seneca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe*

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seneca's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents and other required information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget's Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations****, and is also not a required part of the financial statements of the City of Seneca. The combining and individual nonmajor fund financial statements and schedules, the victim services supplementary schedule of fines and assessments, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and*

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina

January 17, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Seneca
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of the City of Seneca we offer readers of the City of Seneca's financial statements this narrative overview and analysis of the financial activities of the City of Seneca for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements, additional information furnished in the notes to the financial statements and the supplementary statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Seneca exceeded its liabilities at the close of the most recent fiscal year by $52,253,497 (net assets). Of the amount, $7,352,267 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets decreased by $1,179,415 during the fiscal year.

- At the end of the current fiscal year, unreserved fund balance for the general fund was $2,110,834 or 21.5% of the total general fund expenditures.

- On July 1, 2005 the City issued $12,500,000 of revenue bonds to fund capital acquisition and expansion of their utility systems infrastructures. On March 29, 2012 the City issued $8,350,000 of revenue bonds to provide resources for future debt service payments on the July 1, 2005 bonds. During the current year the city repaid $525,000, the outstanding balance is $10,045,000. For more details see Note number ten in the Notes to Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

facilitate this comparison between governmental funds and governmental activities.

The City of Seneca maintains three governmental type funds - a general fund, special revenue funds, and a capital projects fund. Information is presented separately in the governmental fund balance sheets and in the government fund statement of revenues, expenditures, and changes in fund balances. The general fund is considered to be a major fund.

The City of Seneca adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. There was one budget amendment during the current period to add $20,000 to the police department budget for part-time employment.

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

Supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required information concerning the Victim Services. Other required information can be found on page 59 of this report.

Governmental-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Seneca, assets exceeded liabilities by $52,253,497 at the close of the most recent fiscal year.

By far the largest portion of the City of Seneca's net assets (77.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Seneca uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Current and Other Assets	$2,751,392	$3,433,682	$12,849,005	$13,251,446	$15,600,397	$16,685,128
Net Capital Assets	11,748,523	12,428,056	40,108,026	40,197,269	51,856,549	52,625,325
Total Assets	$14,499,915	$15,861,738	$52,957,031	$53,448,715	$67,456,946	$69,310,453
Long-term Debt Outstanding	$ 409,839	$ 546,111	$10,085,638	$10,906,983	$10,495,477	$11,453,094
Other Liabilities	1,333,353	1,242,453	3,374,619	3,181,994	4,707,972	4,424,447
Total Liabilities	$1,743,192	$1,788,564	$13,460,257	$14,088,977	$15,203,449	$15,877,541
Net Assets						
Investment in Capital Assets, net of related debt	$11,169,695	$11,686,703	$29,299,647	$28,688,736	$40,469,342	$40,375,439
Restricted	-	-	4,431,888	4,256,232	4,431,888	4,256,232
Unrestricted	1,587,028	2,386,471	5,765,239	6,414,770	7,352,267	8,801,241
Total Net Assets	$12,756,723	$14,073,174	$39,496,774	$39,359,738	$52,253,497	$53,432,912

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

Governmental activities

During the current fiscal year, the City of Seneca's governmental activities' net assets decreased by $1,316,451. Key factors in this decrease are as follows:

- Cultural & recreation expenses increased by $433,135 from last year.
- Capital grants & contributions decreased by $211,716 from last year.
- Transfers of capital assets to proprietary fund - $359,748
- Changes in health care cash account recorded in health insurance expense - $236,310
- Changes in compensated absences accrued in salary expense - $69,369

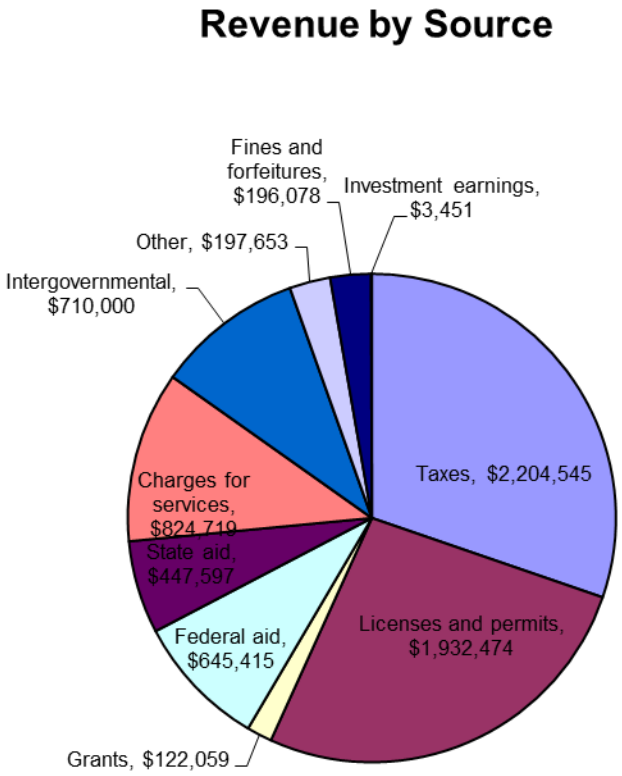
The table below summarizes the changes in net assets for fiscal year 2012

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
REVENUES:						
Program Revenues:						
Charges for sales and services	$824,719	$896,930	$24,955,794	$25,885,867	$25,780,513	$26,782,797
General revenues:						
Property taxes	1,686,662	1,716,224			1,686,662	1,716,224
Hospitality/Accommodation Tax	517,883	419,176			517,883	419,176
Other revenues	1,932,474	2,069,019			1,932,474	2,069,019
Restricted grants	831,488	813,105		1,042,236	831,488	1,855,341
Grants and contributions not restricted to specific programs	1,093,583	1,241,046			1,093,583	1,241,046
Other/Interest/Fines	397,182	496,166	26,443	36,254	423,625	532,420
Total revenues	$7,283,991	$7,651,666	$24,982,237	$26,964,357	$32,266,228	$34,616,023
EXPENSES:						
General government	2,152,929	1,985,921			2,152,929	1,985,921
Public safety	5,024,210	5,079,393			5,024,210	5,079,393
Public Works	1,860,991	1,878,863			1,860,991	1,878,863
Culture and recreation	1,284,594	851,459			1,284,594	851,459
Other	1,380,015	1,492,092	1,683,387	1,551,471	3,063,402	3,043,563
Administration			2,799,618	2,698,173	2,799,618	2,698,173
Electric			11,908,643	12,724,371	11,908,643	12,724,371
Water			2,580,062	2,311,954	2,580,062	2,311,954
Sewer			2,386,367	2,286,734	2,386,367	2,286,734
Interest on Long Term debt	-	-	384,827	497,117	384,827	497,117
Total expenses	11,702,739	11,287,728	21,742,904	22,069,820	33,445,643	33,357,548
Increase in net assets before transfers	(4,418,748)	(3,636,062)	3,239,333	4,894,537	(1,179,415)	1,258,475
Transfer	3,102,297	2,717,100	(3,102,297)	(2,717,100)	-	-
Increase in net assets	(1,316,451)	(918,962)	137,036	2,177,437	(1,179,415)	1,258,475
Total net assets	$12,756,723	$14,073,174	$39,496,774	$39,359,738	$52,253,497	$53,432,912

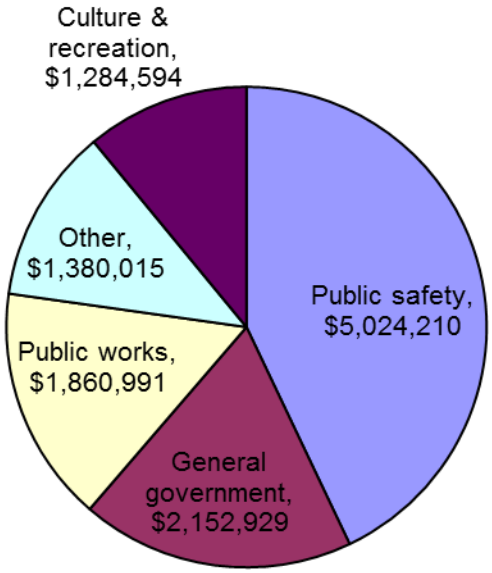
GOVERNMENTAL ACTIVITIES

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



- The figure below represents the expenditures of all governmental activities. The majority of expense comes from the public safety (Police and Fire Departments), the next highest expense is General government (Municipal judge, Mayor & Council, Elections, Finance/Administration, Planning & Development). The City of Seneca ended the year with a decrease in net assets of $1,316,451. The decrease in Capital grants & contributions ($211,716) and the increase in Cultural & recreation expenses ($433,135) are partially responsible for this result. The decrease was also caused by transfers of capital assets to the proprietary fund ($359,748), changes in health care cash account recorded in health insurance expense ($236,310), and changes in compensated absences accrued in salary expense ($69,369).

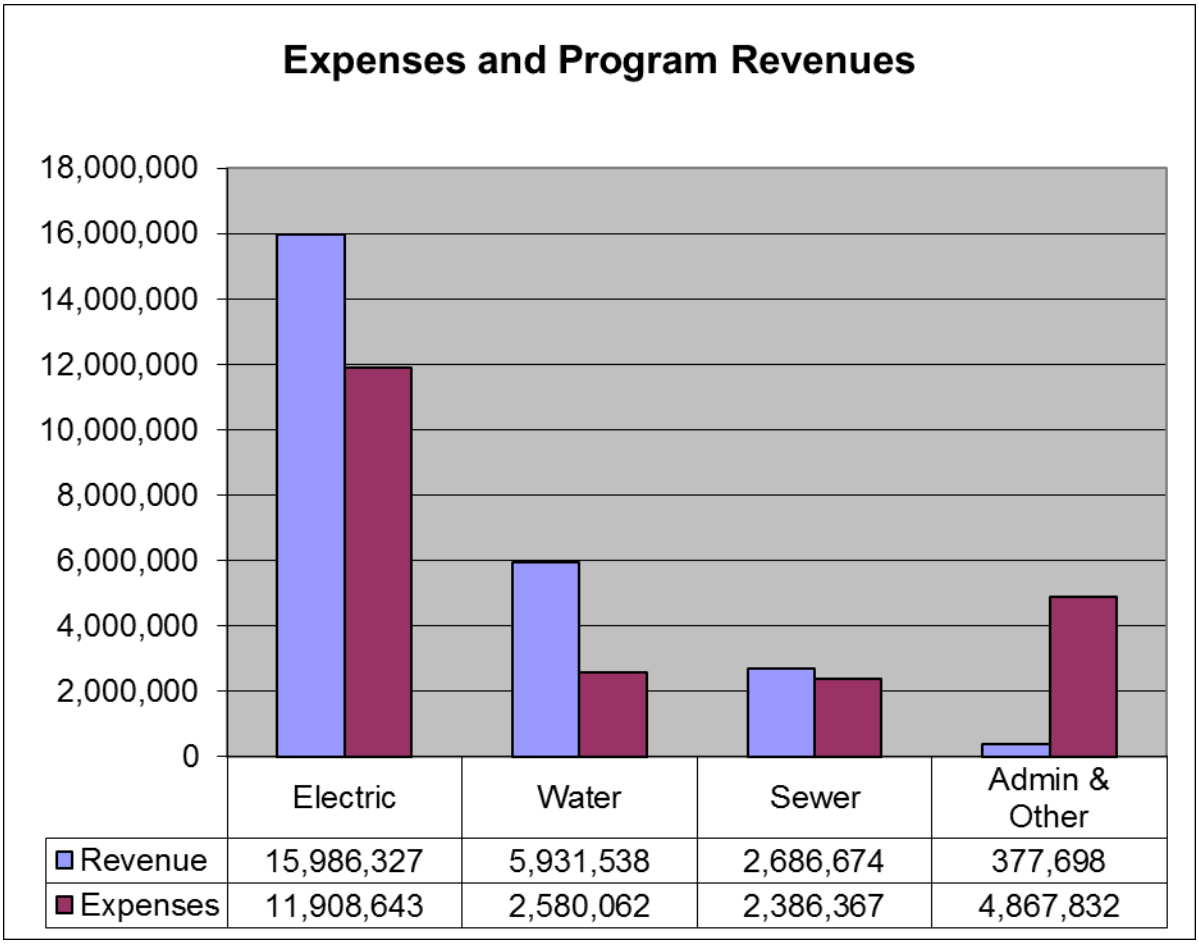
Expenditures by Function



Business-type activities

Business-type activities increased the City of Seneca's net assets by $137,036. Key element of the increase is as follows:

- Total budgeted revenues include amounts for capital outlay. Capital outlay of $1,573,661 was capitalized as Fixed Assets and not expensed.
- Operating Income of $1,438,461.
- Decrease in contributions and donations of $1,281,255.



	Electric	Water	Sewer	Admin & Other
Revenue	15,986,327	5,931,538	2,686,674	377,698
Expenses	11,908,643	2,580,062	2,386,367	4,867,832

Financial Analysis of the Government's Funds

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

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

Government wide approximately 14.1% of the $52,253,497 of net assets ($7,352,267) constitutes unrestricted net assets, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is comprised of investments in capital assets, restrictions for debt service and capital construction.

The general fund is the chief operating fund of the City of Seneca. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,110,834, while total assets were $2,826,467. In addition, the city has $11,748,523 in general fixed assets net of depreciation. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Proprietary funds

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

Unrestricted Net Assets of the Light and Water Fund at year end was $5,765,239.

General Fund Budgetary Highlights

The actual expenditures exceed the budgeted expenditures by $868,119. The following is a brief summary of some of the variances.

- The Finance Department expenditures exceeded budget by $41,755.
- The Police Department expenditures exceeded budget by $212,771.
- The Fire Department expenditures exceeded budget by $34,819.
- The Recreation Department expenditures exceeded budget by $106,664.

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

Capital Assets

The City of Seneca's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to $51,856,549 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture and fixtures, equipment and vehicles, electrical system, water system, sewer system and construction in progress.

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

- Equipment - Servers $153,278
- Construction in Progress Water Treatment Plant $286,388
- Improvements Other than Building $738,464
- Vehicles $150,348 (includes additions contributed by Army Surplus)
- Water Expansion $444,614
- Sewer Expansion $44,035
- Street Light Expansion $37,984

The total decrease in the City of Seneca's net capital assets for the current fiscal year was $768,776. Decrease of $679,533 for Governmental Activities and decrease of $89,243 for Business-type Activities.

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

	Governmental activities		Business-type activities		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Land	$ 1,035,039	$ 1,035,039	$ 1,019,190	$ 843,897	$2,054,229	$1,878,936
Building and system	4,690,234	4,876,913	151,029	158,396	4,841,263	5,035,309
Improvement other than Building	4,508,279	4,749,290	36,983,526	37,480,530	41,491,805	42,229,820
Machinery and equipment	270,359	294,509	1,370,744	1,465,628	1,641,103	1,760,137
Vehicles	1,178,936	1,472,305	267,315	248,818	1,446,251	1,721,123
Construction in Progress	65,676	-	316,222	-	381,898	-
Total	$11,748,523	$12,428,056	$40,108,026	$40,197,269	$51,856,549	$52,625,325

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

Economic Factors and Next Year's Budgets and Rates

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

In fiscal year 2012, the City of Seneca did not add any acres of residential land into the city. Growth inside the city is also shown by the number of housing starts and building permits issued. The city had 9 single family housing starts. The value of residential permits issued last calendar year was $824,000.

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

Within the City of Seneca, the market value was increased by 6.73% percent from $616,710,273 in 2011 to $658,241,934 in 2012.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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City of Seneca
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	$ 829,789	$ 2,068,481	$ 2,898,270
Investments	1,218,241	5,981,594	7,199,835
Receivables			
Property taxes	100,021	-	100,021
Accounts	350,983	3,082,661	3,433,644
Interest	8	-	8
Notes	41,928	-	41,928
Other	18,475	105,491	123,966
Prepaid expenses	20,760	9,373	30,133
Internal balances	(126,252)	126,252	-
Due from other governmental units	272,435	-	272,435
Inventory	25,004	545,083	570,087
Restricted cash	-	794,131	794,131
Deferred charges	-	135,939	135,939
Capital assets:			
Land	1,035,039	1,019,190	2,054,229
Other capital assets, net of depreciation	10,713,484	39,088,836	49,802,320
Total assets	$ 14,499,915	$ 52,957,031	$ 67,456,946
Liabilities			
Accounts payable	$ 330,950	$ 1,397,962	$ 1,728,912
Accrued expenses	327,911	306,322	634,233
Compensated absences payable	459,080	238,765	697,845
Customer deposits	-	708,831	708,831
Deferred support	46,423	-	46,423
Noncurrent liabilities, net:			
Due within one year	168,989	722,739	891,728
Due in more than one year	409,839	10,085,638	10,495,477
Total liabilities	$ 1,743,192	$ 13,460,257	$ 15,203,449
Net assets			
Invested in capital assets, net of debt	$ 11,169,695	$ 29,299,647	$ 40,469,342
Restricted for debt service	-	794,131	794,131
Restricted for generation savings/investments	-	3,637,757	3,637,757
Unrestricted	1,587,028	5,765,239	7,352,267
Total net assets	$ 12,756,723	$ 39,496,774	$ 52,253,497

See Notes to Financial Statements

City of Seneca
Statement of Activities
For the Year Ended June 30, 2012

Functions / programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants & contributions	Program revenues: Capital grants & contributions	Net (expense) revenue & changes in net assets – Primary government: Governmental activities	Primary government: Business-type activities	Primary government: Total
Primary government:							
Governmental activities							
General government	$ 2,152,929	$ -	$ 122,059	$ -	$ (2,030,870)	$ -	$ (2,030,870)
Public safety	5,024,210	-	-	-	(5,024,210)	-	(5,024,210)
Public works	1,860,991	824,719	-	-	(1,036,272)	-	(1,036,272)
Cultural & recreation	1,284,594	-	-	-	(1,284,594)	-	(1,284,594)
Other	1,380,015	-	-	-	(1,380,015)	-	(1,380,015)
Total governmental activities	$ 11,702,739	$ 824,719	$ 122,059	$ -	$ (10,755,961)	$ -	$ (10,755,961)
Business-type activities							
Electric	$ 11,908,643	$ 15,986,327	$ -	$ -	$ -	$ 4,077,684	$ 4,077,684
Water	2,580,062	5,931,538	-	-	-	3,351,476	3,351,476
Sewer	2,386,367	2,686,674	-	-	-	300,307	300,307
Admin	2,799,618	-	-	-	-	(2,799,618)	(2,799,618)
Interest on long-term debt	384,827	-	-	-	-	(384,827)	(384,827)
Other	1,683,387	351,255	-	-	-	(1,332,132)	(1,332,132)
Total business-type activities	$ 21,742,904	$ 24,955,794	$ -	$ -	$ -	$ 3,212,890	$ 3,212,890
Total primary government	$ 33,445,643	$ 25,780,513	$ 122,059	$ -	$ (10,755,961)	$ 3,212,890	$ (7,543,071)
General revenues:							
Property taxes					$ 1,686,662	$ -	$ 1,686,662
Hospitality & accomodation taxes					517,883	-	517,883
Licenses & permits					1,932,474	-	1,932,474
Intergovernmental					710,000	-	710,000
Federal aid					645,415	-	645,415
State aid					447,597	-	447,597
Fines / forfeitures					196,078	-	196,078
Investment earnings					3,451	25,993	29,444
Other					197,653	450	198,103
Transfers					3,102,297	(3,102,297)	-
Total general revenues and transfers					$ 9,439,510	$ (3,075,854)	$ 6,363,656
Change in net assets					$ (1,316,451)	$ 137,036	$ (1,179,415)
Net assets - beginning					14,073,174	39,359,738	53,432,912
Net assets - ending					$ 12,756,723	$ 39,496,774	$ 52,253,497

See Notes to Financial Statements

City of Seneca
Balance Sheet - Governmental Funds
June 30, 2012

	Governmental Fund Types		
	General	Other Governmental Funds	Total
Assets			
Cash	$ 816,550	$ 20,047	$ 836,597
Investments	1,218,241	-	1,218,241
Receivables (net of allowances)			
Property taxes	100,021	-	100,021
Accounts	249,415	-	249,415
Interest	-	8	8
Notes	-	41,928	41,928
Other	114,681	5,362	120,043
Prepaid expenses	20,760	-	20,760
Due from other governmental units	70,493	201,942	272,435
Due from other funds	211,302	-	211,302
Inventory	25,004	-	25,004
Total assets	$ 2,826,467	$ 269,287	$ 3,095,754
Liabilities			
Accounts payable	$ 226,633	$ 104,318	$ 330,951
Accrued expenses	327,911	-	327,911
Due to other funds	-	337,554	337,554
Deferred revenue	68,902	-	68,902
Deferred support	46,423	-	46,423
Total liabilities	$ 669,869	$ 441,872	$ 1,111,741
Fund balances			
Nonspendable:			
Inventory	$ 25,004	$ -	$ 25,004
Prepaid expenses	20,760	-	20,760
Assigned:			
Special projects	-	(172,585)	(172,585)
Unassigned	2,110,834	-	2,110,834
Total fund balances	$ 2,156,598	$ (172,585)	$ 1,984,013
Total liabilities & fund balances	$ 2,826,467	$ 269,287	

Amounts reported for governmental activities in the statement of net assets are different because:	
Property taxes receivable to full assessment value	68,902
Health care account internal service cash balance	(6,807)
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	11,748,523
Long-term liabilities are not due and payable in the current period	
Compensated absences	(459,080)
Capital leases	(578,828)
Net assets of governmental funds	$ 12,756,723

See Notes to Financial Statements

City of Seneca
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2012

	Governmental Fund Types		
	General	Other Governmental Funds	Total
Revenues			
Taxes	$ 1,690,527	$ 517,883	$ 2,208,410
Licenses and permits	1,932,474	-	1,932,474
Federal aid	-	645,415	645,415
State aid	321,524	126,073	447,597
County aid	650,000	60,000	710,000
Charges for services	824,719	-	824,719
Fines and forfeitures	196,078	-	196,078
Investment earnings	3,360	91	3,451
Other revenues	385,913	27,517	413,430
Total revenues	$ 6,004,595	$ 1,376,979	$ 7,381,574
Expenditures			
Current operating			
General government	$ 1,559,011	$ 593,918	$ 2,152,929
Public safety	5,024,210	-	5,024,210
Public works	1,860,991	-	1,860,991
Culture & recreation	950,139	334,455	1,284,594
Debt service - principal	195,242	-	195,242
Capital outlay			
General government	88,643	-	88,643
Public safety	36,200	-	36,200
Public works	73,398	-	73,398
Culture & recreation	46,661	-	46,661
Nonmajor governmental funds	-	597,788	597,788
Intergovernmental grants	-	103,715	103,715
Other expenditures	-	11,739	11,739
Total expenditures	$ 9,834,495	$ 1,641,615	$ 11,476,110
Excess (deficiency) of revenues over (under) expenditures	$ (3,829,900)	$ (264,636)	$ (4,094,536)
Other financing sources			
Contributions & donations	$ 122,059	$ -	$ 122,059
Proceeds from sale of fixed assets	20,533	-	20,533
Interfund transfers	3,425,484	36,561	3,462,045
Total other financing sources	$ 3,568,076	$ 36,561	$ 3,604,637
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ (261,824)	$ (228,075)	$ (489,899)
Fund balances, beginning	2,418,422	55,490	2,473,912
Fund balances, ending	$ 2,156,598	$ (172,585)	$ 1,984,013

See Notes to Financial Statements

City of Seneca
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (489,899)
Property taxes are recorded at assessed values for the government-wide financial statements - the change in the amount to adjust to full assessment.		(3,865)
Changes in health care cash account are recorded in health insurance expense of the various departments, the balance is reflected in the government-wide statement of net assets.		(236,310)
Governmental funds report capital outlays as expenditures...However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the change in capital assets exceeded the change in accumulated depreciation.		
Change in capital assets	$ 842,690	
Depreciation	(1,162,475)	(319,785)
Transfers of capital assets to proprietary fund not recorded in governmental funds.		(359,748)
Repayment of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.		162,525
Changes in compensated absences are accrued in salary expense of the various departments, the change is reflected in the liability section of the government-wide statement of net assets.		(69,369)
Change in net assets of governmental activities		$ (1,316,451)

See Notes to Financial Statements

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2012

Revenues	Original & Final Budget	Actual	Budget Variance
Property taxes			
Real property	$ 1,420,118	$ 1,420,491	$ 373
Vehicles	130,000	146,197	16,197
Other	115,504	123,839	8,335
Total property taxes	$ 1,665,622	$ 1,690,527	$ 24,905
Licenses and permits			
Business licenses	$ 1,739,448	$ 1,685,906	$ (53,542)
Franchise fees	74,000	67,897	(6,103)
Building permits	21,000	30,358	9,358
Miscellaneous permits	12,000	14,428	2,428
Natural gas authority	185,000	133,885	(51,115)
Total licenses and permits	$ 2,031,448	$ 1,932,474	$ (98,974)
Intergovernmental			
County revenue sharing	$ 650,000	$ 650,000	$ -
State government shared revenue	151,251	148,148	(3,103)
SC Housing Authority	12,700	33,916	21,216
State grants	-	10,238	10,238
Intergovernmental revenues	125,000	129,222	4,222
Total intergovernmental	$ 938,951	$ 971,524	$ 32,573

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2012

continued

Revenues	Original & Final Budget	Actual	Budget Variance
Charges for services			
Garbage fees	$ 815,815	$ 824,719	$ 8,904
Fines and forfeitures			
Municipal court fines	$ 90,000	$ 164,798	$ 74,798
Victims assistance fines	15,000	31,280	16,280
Total fines and forfeitures	$ 105,000	$ 196,078	$ 91,078
Investment earnings	$ 9,000	$ 3,360	$ (5,640)
Other			
Recreation fees / sports	$ 65,000	$ 80,787	$ 15,787
Miscellaneous	84,315	305,126	220,811
Total other	$ 149,315	$ 385,913	$ 236,598
Total revenues	$ 5,715,151	$ 6,004,595	$ 289,444

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2012

continued

Expenditures	Original & Final Budget	Actual	Budget Variance
Current operating			
General government			
Municipal judge	$ 211,733	$ 228,265	$ (16,532)
Mayor and council	78,496	85,194	(6,698)
Elections	4,000	891	3,109
Finance / administration	779,819	821,574	(41,755)
Planning and development	409,871	423,087	(13,216)
Total general government	$ 1,483,919	$ 1,559,011	$ (75,092)
Public safety			
Police department	$ 2,917,937	$ 3,130,708	$ (212,771)
Fire department	1,858,683	1,893,502	(34,819)
Total public safety	$ 4,776,620	$ 5,024,210	$ (247,590)
Public works			
Street department	$ 887,281	$ 886,792	$ 489
Sanitation department	658,146	655,246	2,900
Motor pool	316,935	318,953	(2,018)
Total public works	$ 1,862,362	$ 1,860,991	$ 1,371
Culture and recreation	$ 843,475	$ 950,139	$ (106,664)

continued

City of Seneca
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2012

continued

Expenditures	Original & Final Budget	Actual	Budget Variance
Debt service - principal	$ -	$ 195,242	$ (195,242)
Capital outlay			
General government	$ -	$ 88,643	$ (88,643)
Public safety	-	36,200	(36,200)
Public works	-	73,398	(73,398)
Culture and recreation	-	46,661	(46,661)
Total capital outlay	$ -	$ 244,902	$ (244,902)
Total expenditures	$ 8,966,376	$ 9,834,495	$ (868,119)
Excess (deficiency) of revenues over (under) expenditures	$ (3,251,225)	$ (3,829,900)	$ (578,675)
Other financing sources			
Proceeds from sale of fixed assets	$ -	$ 20,533	$ 20,533
Contributions & donations	-	122,059	122,059
Interfund transfers, net	3,251,225	3,425,484	174,259
Total other financing sources	$ 3,251,225	$ 3,568,076	$ 316,851
Excess (deficiency) of revenues over (under) expenditures and other financing sources	$ -	$ (261,824)	$ (261,824)
Fund balance, beginning	2,418,422	2,418,422	-
Fund balance, ending	$ 2,418,422	$ 2,156,598	$ (261,824)

See Notes to Financial Statements

City of Seneca
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Business-type Activities	
	Light & Water Fund	
Assets		
Current assets		
Cash	$	2,068,481
Restricted cash, debt service		794,131
Investments		5,981,594
Receivables:		
Accounts receivable		3,082,661
Other receivables		105,491
Prepaid expenses		9,373
Due from other funds		136,704
Inventory		545,083
Total current assets	$	12,723,518
Noncurrent assets		
Deferred charges, net	$	135,939
Land		1,019,190
Buildings		294,687
Improvements		61,444,014
Equipment		5,895,505
Vehicles		1,932,036
Construction in progress		316,222
Less, accumulated depreciation		(30,793,628)
Total noncurrent assets	$	40,243,965
Total assets	$	52,967,483

continued

City of Seneca
Statement of Net Assets
Proprietary Fund
June 30, 2012

continued

	Business-type Activities	
	Light & Water Fund	
Liabilities		
Current liabilities		
Accounts payable	$	1,397,962
Accrued expenses		306,322
Compensated absences		238,765
State revolving fund loan, current		87,739
Bonds payable, current		635,000
Customer deposits		708,831
Due to other funds		10,452
Total current liabilities	$	3,385,071
Long-term liabilities		
State revolving fund loan, non-current	$	1,644,716
Bonds payable, non-current, net		8,440,922
Total long-term liabilities	$	10,085,638
Total liabilities	$	13,470,709
Net assets		
Invested in capital assets, net of related debt	$	29,299,647
Restricted for debt service		794,131
Restricted for generation savings/investments		3,637,757
Unrestricted		5,765,239
Total net assets	$	39,496,774

See Notes to Financial Statements

City of Seneca
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Business - type Activities	
	Light & Water Fund	
Operating revenues		
Charges for services		
Electric	$	15,986,327
Water		5,931,538
Sewer		2,686,674
Other		351,255
Total operating revenues	$	24,955,794
Operating expenses		
Light & Water administration	$	1,735,371
I & I department		55,637
Billing department		824,446
Engineering department		383,623
Electrical department		1,672,221
Water department		2,053,056
Sewer department		2,821,672
Water plant		1,621,092
Electrical generation / purchase		10,687,311
Depreciation		1,662,904
Total operating expenses	$	23,517,333
Operating income (loss)	$	1,438,461
Non-operating revenues (expenses)		
Investment earnings	$	25,993
Amortization of bond issuance costs		(20,483)
Interest expense		(384,827)
Proceeds from sale of capital assets		450
Other financing sources (uses)		
Contributions & donations		359,748
Interfund transfers		(3,462,045)
Net income (loss) - budgetary basis	$	(2,042,703)
Adjustment to convert to GAAP basis		
Principal payments on debt		606,078
Capital outlay		1,573,661
Change in net assets	$	137,036
Net assets, beginning		39,359,738
Net assets, ending	$	39,496,774

See Notes to Financial Statements

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City of Seneca
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

	Business-type Activities	
		Light & Water Fund
Cash flows from operating activities:		
Receipts from customers and users	$	24,795,284
Payments to suppliers / goods and services		(15,325,718)
Payments to / for employees		(4,303,300)
Net cash provided (used) by operating activities	$	5,166,266
Cash flows from non-capital financing activities:		
Interfund transfers	$	(3,462,045)
Advances to other funds		(83,152)
Total cash flows from non-capital financing activities	$	(3,545,197)
Cash flows from capital and related financing activities:		
Captial assets purchased	$	(1,213,913)
Proceeds from sale of capital assets		450
Principal paid on capital debt		(606,078)
Interest paid on capital debt		(384,827)
Issue costs on refunding bonds		(100,670)
Proceeds from refunding bonds - net of deferral and fees		95,451
Total cash flows from capital activities	$	(2,209,587)
Cash flows from investing activities:		
Proceeds from investments	$	3,408,204
Purchases of investments		(2,444,549)
Investment income received		25,993
Total cash flows from investing activities	$	989,648
Net increase (decrease) in cash	$	401,130
Cash, beginning		2,461,482
Cash, ending	$	2,862,612

continued

City of Seneca
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

continued

	Business-type Activities	
	Light & Water Fund	
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$	1,438,461
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		1,662,904
Capital outlay / GAAP adjustment		1,573,661
Principal payments on debt / GAAP adjustment		606,078
Changes in assets (increase), decrease:		
Accounts receivable		(106,881)
Other receivables		(85,230)
Prepaid expenses		(712)
Inventory		6,549
Changes in liabilities increase,(decrease):		
Accounts payable		78,914
Accrued expenses		(51,082)
Compensated absences		12,003
Customer deposits		31,601
Total adjustments	$	3,727,805
Net cash provided by operating activities	$	5,166,266
Noncash investing, capital, and financing activities:		
Contributions of capital assets from government	$	359,748

See Notes to Financial Statements

City of Seneca
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2012

	Firemens Fund
Assets	
Cash / investments	$ 11,182
Liabilities	-
Net assets	
Held in trust for firemen	$ 11,182

See Notes to Financial Statements

City of Seneca
Statement of Changes in Fiduciary Net Assets
Agency Fund
For the Year Ended June 30, 2012

	Firemens Fund
Additions	
Contributions	$ 49,316
Investment earnings	61
Total additions	$ 49,377
Reductions	
Benefits	43,202
Change in net assets	$ 6,175
Net assets, beginning	5,007
Net assets, ending	$ 11,182

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

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1. Summary of significant accounting policies

A. Reporting entity

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within 60 days of the fiscal year end. Expenditures are recorded when a liability is incurred.

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

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

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

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

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

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

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

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

2. Budgetary information

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

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

3. Compensated absences

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

4. Inventories

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

5. Cash and investments

Cash includes demand deposits and sweep accounts. Cash deposits in excess of amounts insured by Federal Deposit Insurance are collateralized by U.S. Government securities held by the counterparty in the counterparty's name. The carrying amount of all fund's deposits at June 30, 2012 is $3,695,872. The bank balance of the funds at June 30, 2012 is $3,657,282, of which $2,169,943 is category 1 (insured by Federal Deposit Insurance), and $1,487,339 is category 3 (Uncollateralized...collateralized with securities held by the pledging institution not in the City's name).

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

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

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

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

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

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

The following is a summary by classification of credit risk of significant investments held by the City at June 30, 2012.

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

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

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

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

Custodial credit risk, deposits – In the case of deposits, there is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, $1,487,339 of the City's bank balance of $2,169,943 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Custodial credit risk, investments – For investments, there is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securtities that are in the possession of an outside party. Of the investments of $4,755,286, the City has no custodial credit risk exposure because investments in the State Investment Pool are exempt from risk categorization.

The City minimizes its exposure to custodial credit risk for deposits by review of financial statements issued by the financial institutions holding municipal deposits. Investments are recorded at cost or fair value depending on the nature and term of the investment. The following is an analysis of investments held at June 30, 2012:

Investment	***Carrying amount***	***Market value***
State Investment Pool	*$ 4,755,286*	*$ 4,755,286*
Investment in Building	*2,444,549*	*2,444,549*
	$ 7,199,835	*$ 7,199,835*

6. Capital assets

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

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

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

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

Capital asset activity for the current year ended June 30, 2012 was as follows:

Governmental Activities

Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	$ 1,035,039	$ -	$ -	$ 1,035,039
Construction in progress	-	65,676	-	65,676
Total not depreciated	$ 1,035,039	$ 65,676	$ -	$ 1,100,715
Capital assets, depreciated				
Buildings	$ 7,709,973	$ -	$ -	$ 7,709,973
Improvements	6,926,521	651,672	359,748	7,218,445
Equipment	911,471	88,642	-	1,000,113
Vehicles	4,939,340	36,700	-	4,976,040
Total depreciated	$ 20,487,305	$ 777,014	$ 359,748	$ 20,904,571
Less accumulated depreciation for:	**Beginning**	**Increases**	**Decreases**	**Ending**
Buildings	$ 2,833,060	$ 186,679	$ -	$ 3,019,739
Improvements	2,177,231	532,935	-	2,710,166
Equipment	616,962	112,792	-	729,754
Vehicles	3,467,035	330,069	-	3,797,104
Total depreciation	$ 9,094,288	$ 1,162,475	$ -	$ 10,256,763
Total depreciable assets, net	$ 11,393,017	$ (385,461)	359,748	$ 10,647,808
Total governmental activities capital assets, net	**$ 12,428,056**	**$ (319,785)**	**$ 359,748**	**$ 11,748,523**

Business-Type Activities

Capital assets, not depreciated	Beginning	Increases	Decreases	Ending
Land	$ 843,897	$ 175,293	$ -	$ 1,019,190
Construction in progress	-	316,222	-	316,222
Total not depreciated	$ 843,897	$ 491,515	$ -	$ 1,335,412
Capital assets, depreciated				
Buildings	$ 294,687	$ -	$ -	$ 294,687
Improvements	60,568,814	1,050,493	175,293	61,444,014
Equipment	5,802,208	93,297	-	5,895,505
Vehicles	1,818,387	113,649	-	1,932,036
Total depreciated	$ 68,484,096	$ 1,257,439	$ 175,293	$ 69,566,242
Less accumulated depreciation for:	**Beginning**	**Increases**	**Decreases**	**Ending**
Buildings	$ 136,291	$ 7,367	$ -	$ 143,658
Improvements	23,088,284	1,372,204	-	24,460,488
Equipment	4,336,580	188,181	-	4,524,761
Vehicles	1,569,569	95,152	-	1,664,721

Total depreciation	*$ 29,130,724*	*$ 1,662,904*	*$ -*	*$ 30,793,628*
Total depreciable assets, net	*$ 39,353,372*	*$ (405,465)*	*$ 175,293*	*$ 38,772,614*
Total business-type activities capital assets, net	***$ 40,197,269***	***$ 86,050***	***$ 175,293***	***$ 40,108,026***

7. Property taxes

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

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

Taxes receivable in the general fund at June 30, 2012 represent uncollected tax levies less allowance for doubtful accounts as follows:

	Receivable	***Allowance***
General fund	*$ 103,114*	*$ 3,093*

8. Receivables

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

Receivable	General	Light & water	Nonmajor	Total
Taxes	$ 103,114	$ -	$ -	$ 103,114
Accounts / notes	249,415	3,082,661	41,928	3,374,004
Intergovernmental	70,493	-	201,942	272,435
Other	114,681	105,491	5,362	225,534
Gross receivables	$ 537,703	$ 3,188,152	$ 249,232	$ 3,975,087
Less, allowance	3,093	-	-	3,093
Net receivables	$ 534,610	$ 3,188,152	$ 249,232	$ 3,971,994

9. Interfund transactions

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

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

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

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

Fund	Transfers in	Transfers out	Transfers - net
General fund	$ 3,425,484	$ -	$ 3,425,484
Light & water fund	-	3,462,045	(3,462,045)
Nonmajor governmental funds	122,177	85,616	36,561
Total transfers	$ 3,547,661	$ 3,547,661	$ -

As of June 30, 2012, interfund receivables and payables that resulted from interfund transactions were as follows:

Fund	Due from other funds	Due to other funds
General fund	$ 211,302	$ -
Light & water fund	136,704	10,452
Nonmajor governmental funds	-	337,554
Totals	$ 348,006	$ 348,006

10. Long-term obligations

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

Revenue Bonds

The City issued revenue bonds in its business-type activities where the City pledges income derived from the acquired or contructed assets to pay debt service. Revenue bonds (gross) outstanding at June 30, 2012 are as follows:

Purpose	Interest Rate	Balance	Current Portion
2004 Combined Utility System	3.75% - 4.00%	$ 1,695,000	$ 545,000
2012 Combined Utility System	2.28%	8,350,000	90,000
Total		$ 10,045,000	$ 635,000

Advance Refunding

The City issued $8,350,000 of Combined Utility System Refunding Revenue Bonds, Series 2012, to provide resources to purchase U.S Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of $7,475,000 of the Series 2004 Combined Utility System Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the proprietary fund statement of net assets. The refunding was undertaken to reduce total future debt service payments. The reaquisition price exceeded the net carrying amount of the old debt by $988,992. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The transaction also resulted in an ecomonic gain of $482,967 and a reduction of $581,775 in future debt service payments.

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

Date	Principal	Rate	Interest	Debt svc	Calendar yr debt svc
08/01/12	$ 545,000	3.75	$ 33,219	$ 578,219	578,219
02/01/13			23,000	23,000	
08/01/13	565,000	3.75	23,000	588,000	611,000
02/01/14			11,700	11,700	
08/01/14	585,000	4.00	11,700	596,700	608,400
Totals	$ 1,695,000		$ 102,619	$ 1,797,619	

The following table provides the Series 2012 bond debt service for future periods.

Date	Principal	Rate	Interest	Debt svc	Calendar yr debt svc
08/01/12	$ 90,000	2.28	$ 64,518	$ 154,518	154,518
02/01/13			94,164	94,164	
08/01/13	110,000	2.28	94,164	204,164	298,328
02/01/14			92,910	92,910	
08/01/14	110,000	2.28	92,910	202,910	295,820
02/01/15			91,656	91,656	
08/01/15	725,000	2.28	91,656	816,656	908,312
02/01/16			83,391	83,391	
08/01/16	740,000	2.28	83,391	823,391	906,782
02/01/17			74,955	74,955	
08/01/17	760,000	2.28	74,955	834,955	909,910
02/01/18			66,291	66,291	
08/01/18	775,000	2.28	66,291	841,291	907,582
02/01/19			57,456	57,456	
08/01/19	790,000	2.28	57,456	847,456	904,912
02/01/20			48,450	48,450	
08/01/20	810,000	2.28	48,450	858,450	906,900
02/01/21			39,216	39,216	
08/01/21	830,000	2.28	39,216	869,216	908,432
02/01/22			29,754	29,754	
08/01/22	850,000	2.28	29,754	879,754	909,508
02/01/23			20,064	20,064	
08/01/23	870,000	2.28	20,064	890,064	910,128
02/01/24			10,146	10,146	
08/01/24	890,000	2.28	10,146	900,146	910,292
Totals	$ 8,350,000		$ 1,481,424	$ 9,831,424	

State Revolving Fund Loan

The City authorized the issuance of a utility system revenue bond from the South Carolina Drinking Water Revolving Loan Fund (SRF) for the construction of a 1,000,000 gallon storage tank and associated line work and appurtenances. The promissory note is for $1,993,633 and bears interest at 3.5% annum for the first twelve payments, then 2.25% thereafter. Payments began February 1, 2009 and

continue for 20 years. Quarterly principal and interest payments in the amount of $31,495.56 are due February 1st, May 1st, August 1st and November 1st of each year.

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

Fiscal year ending June 30,	Principal	Interest	Debt svc	Calendar yr debt svc
2013	$ 87,739	$ 38,243	$ 125,982	125,982
2014	89,729	36,253	125,982	125,982
2015	91,765	34,217	125,982	125,982
2016	93,848	32,134	125,982	125,982
2017	95,977	30,005	125,982	125,982
2018	98,155	27,827	125,982	125,982
2019	100,382	25,600	125,982	125,982
2020	102,660	23,322	125,982	125,982
2021	104,989	20,993	125,982	125,982
2022	107,372	18,610	125,982	125,982
2023	109,808	16,174	125,982	125,982
2024	112,299	13,683	125,982	125,982
2025	114,848	11,134	125,982	125,982
2026	117,454	8,528	125,982	125,982
2027	120,119	5,863	125,982	125,982
2028	122,844	3,138	125,982	125,982
2029	62,467	528	62,995	-
Totals	$ 1,732,455	$ 346,252	$ 2,078,707	

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Capital leases:					
Fire truck	$ 542,853	$ -	$ (97,656)	$ 445,197	$ 102,831
Garbage truck	198,500	-	(64,869)	133,631	66,158
Governmental activity long-term liabilities	$ 741,353	$ -	$ (162,525)	578,828	$ 168,989
Business-type activities:					
Revenue bonds payable	$ 9,695,000	$ 8,350,000	$ (8,000,000)	$ 10,045,000	$ 635,000
Deferred amount on refunding	-	(988,992)	19,914	(969,078)	-
Total bonds payable	$ 9,695,000	$ 7,361,008	$ (7,980,086)	$ 9,075,922	$ 635,000
SRF Loan	1,813,533	-	(81,078)	1,732,455	87,739
Business-type activity long-term liabilities	$ 11,508,533	$ 7,361,008	$ (8,061,164)	$ 10,808,377	$ 722,739

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

11. Segment information

The City of Seneca maintains one enterprise fund (light and water fund) providing electricity, water and sewer services to users. Segment information for the year ended June 30, 2012 is as follows:

Operating revenues	*$ 24,955,794*
Depreciation	*1,662,904*
Operating income	*1,438,461*
Net income / GAAP	*137,036*
Fixed asset additions	*1,573,661*
Net assets	*39,496,774*

12. Fund Balance

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

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

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

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

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

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

13. Employees' retirement system

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

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

Employee required contributions to the plan are as follows:	
South Carolina Retirement System	*6.5 % of salary*
Police Officers Retirement System	
Class I	*$ 21 per month*
Class II	*6.5 % of salary*
Employers are required to contribute to the plan as follows:	
South Carolina Retirement System	*9.385 % of salary*
Police Officers Retirement System	
Class I	*7.8 % of salary*
Class II	*11.363 % of salary*

In addition to the above rates, participating employers of the South Carolina Retirement System contribute 0.15% of payroll to provide a group life insurance benefit to their participants. Participating employers of the Police Officers Retirement System also contribute 0.2% of payroll for group life insurance and 0.2% for accidental death benefits. All employers contribute at the actuarially required contribution rates. Three-year trend information is as follows:

Year Ending	South Carolina Retirement System Required Contribution	South Carolina Retirement System Percentage Contributed	Police Officers Retirement System Required Contribution	Police Officers Retirement System Percentage Contributed
06/30/12	$ 526,989	100%	$ 284,793	100%
06/30/11	482,185	100%	276,422	100%
06/30/10	484,624	100%	279,252	100%

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

14. Excess of expenditures over appropriations

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

General fund	Expenditures	Appropriations	Variance
Municipal judge	$ 228,265	$ 211,733	$ 16,532
Mayor & council	85,194	78,496	6,698
Finance / administration	821,574	779,819	41,755
Planning & development	423,087	409,871	13,216
Police department	3,130,708	2,917,937	212,771
Fire department	1,893,502	1,858,683	34,819
Motor pool	318,953	316,935	2,018
Culture & recreation	950,139	843,475	106,664
Debt service – principal	195,242	-	195,242

15. Restricted assets

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

The bond principal and interest accounts are escrow accounts for current maturities of bond principal and interest. The peak generation savings account represents funds set aside for future capital expansion and for defeasance of bond debt. Account balances at June 30, 2012 are as follows:

Principal and interest funds	$ 634,049
Debt service / SRF	160,082
Peak generation savings fund/investments	3,637,757
Total restricted assets	$ 4,431,888

16. Deficit fund balance

Included in the deficit fund balance of the other governmental funds on the Balance Sheet – Governmental Funds and on the Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds (pages 5-6) is a fund balance deficit of the Hospitality Tax Fund in the amount of ($ 229,226). The fund incurred expenditures for capital outlay related to Ram Cat Alley improvements. The deficit will be funded by future hospitality taxes.

17. Public transit

The City began operations of a City-wide public transit service affiliated with the City of Clemson and the Clemson Area Transit (CAT) in 2007. The City acquired 3 buses to service predetermined routes within the city and to the City of Clemson and Clemson University. The Clemson Area Transit provides bus service to citizens without charge. Funding for the operations of the transit system was through a grant agreement with the South Carolina Department of Transportation (SCDOT).

In accordance with the grant agreement, funding consisted of the following for fiscal year ending June 30, 2012:

Funding		***Operations***
Federal (FTA)	*$*	*337,481*
State (SCDOT)		*126,073*
Local match (as needed)		*130,364*
Total funding	*$*	*593,918*

18. Risk Management

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

19. Capital leases

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

Equipment		
2006 Pierce custom aerial platform fire truck	*$*	*747,207*
2006 Pierce custom contender pumper fire truck		*265,955*
Total	*$*	*1,013,162*

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2012.

Fiscal year ending		***Lease payments***
06/30/2013	*$*	*126,427*
06/30/2014		*126,427*
06/30/2015		*126,427*
06/30/2016		*126,427*
Total minimum lease payments	*$*	*505,708*
Less interest portion		*(60,511)*
Present value of future minimum lease payments	*$*	*445,197*

On June 6, 2012, the City entered into a capital lease agreement with TD Equipment Finance, Inc. for the purchase of a garbage truck in the amount of $198,500.

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2012.

Fiscal year ending		***Lease payments***
06/30/2013	*$*	*68,815*
06/30/2014		*68,814*
Total minimum lease payments	*$*	*137,629*
Less interest portion		*(3,998)*
Present value of future minimum lease payments	*$*	*133,631*

20. Pending Contingent Liability

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), was issued by GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state a local governments for pensions and pension plans. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered. This Statement will require the City to report a net pension liability for its participation in the South Carolina Retirement System on the Statement of Net Assets for the government-wide statements and present more extensive note

disclosures. In general, it should not have a significant impact on the City's governmental funds. The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City's net assets. GASB 68 is required to be implemented by the City no later than fiscal year ending June 30, 2015.

21. Self-Insured Health Insurance

On July 1, 2010, the City established a self insured comprehensive group health care plan for its employees. A third party administrator has been retained to process and pay health claims incurred by employees and/or their dependents, if they are enrolled in the plan. The plan establishes a "Stop Loss" of $50,000 per person per contract year. Claims that exceed the $50,000 "Stop Loss" threshold are covered under an excess loss insurance policy. At year-end, claims due and payable equal approximately $174,701 and are recorded as a liability and expense within the General Fund and Proprietary Fund. The following indicates claims versus premiums for the past fiscal year:

Fiscal year ending June 30,	Beginning Liability	Current Year Claims and Changes in Estimate	Claim Payments	Ending Liability
2012	$ 211,316	$ 1,189,850	$ 1,226,465	$ 174,701

22. Subsequent events

Sale of Investment in Building/Seneca Facilities Corporation

The City sold it's Investment in Building recorded in the Light & Water Fund on August 30, 2012 to Seneca Facilities Coporation for $2,423,202, less closing fees of $184,743, for a net amount of $2,238,459.

Seneca Facilities Corporation is a nonprofit public benefit corporation formed on August 3, 2012 for the purpose of assisting the City in promoting and encouraging the retention of existing businesses and industries and the establishment of new businesses and industries in eoncomically distressed areas of the City. Seneca Facilities Corporation secured a New Markets Tax Credit Loan with TD Community Development Corporation in the amount of $5,220,000 for the purchase of the property on Shiloh Road and future construction and improvements projects for the property.

Economic Development Grant

On September 27, 2012, the City granted $1,000,000 from the Light & Water Fund to Serence Hospitality, LLC for the purpose of building a Hampton Inn & Suites in the City. Oconee County also granted $1,000,000 for the same purpose. The funds are being held in the City's name at a financial institution until construction costs are incurred beyond the LLC's investment of $2,000,000. The total project cost is approximately $10,000,000 and is expected to be completed in early fall of 2013.

TIGGER Grant/Electric Transit Buses Project

On July 1, 2012, the City entered into a subrecipient grant agreement with the South Carolina Department of Transportaion in the amount of $4,118,000 to deploy the nation's first complete fleet of zero-emission, all electric transit buses. The project will replace five diesel transit buses with five 35 foot fast charge battery electric buses. The duration of the project is through June 30, 2014. The City entered into a contract with Proterra, Inc. dated June 18, 2012 in the amount of $5,468,000 for the purchase of four of the electric buses and two fast charging stations.

Capital Leases

On August 24, 2012 the City entered into a capital lease agreement in the amount of $85,225 with First Citizens Bank and Trust Company, Inc. for the purchase of a hook truck to be used by the sanitation department. The lease is for five years with annual payments of $17,846 and an interest rate of 1.55%.

On August 24, 2012 the City entered into a capital lease agreement in the amount of $265,000 with First Citizens Bank and Trust Company, Inc. for the purchase of a vacuum truck to be used by the light and water department. The lease is for five years with annual payments of $55,425 and an interest rate of 1.51%.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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City of Seneca
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue	Capital Projects	Total
Assets			
Cash	$ 20,047	$ -	$ 20,047
Receivables			
Notes	41,928	-	41,928
Interest	8	-	8
Other	5,362	-	5,362
Due from other governmental units	167,379	34,563	201,942
Total assets	$ 234,724	$ 34,563	$ 269,287
Liabilities and fund balances			
Liabilities			
Accounts payable	$ 69,755	$ 34,563	$ 104,318
Due to other funds	337,554	-	337,554
Total liabilities	$ 407,309	$ 34,563	$ 441,872
Fund balances			
Unreserved	(172,585)	-	(172,585)
Total liabilities and fund balances	$ 234,724	$ 34,563	$ 269,287

See Notes to Financial Statements

City of Seneca
Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2012

	Special Revenue	Capital Projects	Totals
Revenues			
Taxes	$ 517,883	$ -	$ 517,883
Federal aid	337,481	307,934	645,415
State aid	126,073	-	126,073
County aid	60,000	-	60,000
Other revenue	27,517	-	27,517
Investment earnings	91	-	91
Total revenues	$ 1,069,045	$ 307,934	$ 1,376,979
Expenditures			
Current operating			
General government			
Project administration	$ 593,918	$ -	$ 593,918
Culture and recreation	334,455	-	334,455
Capital outlay	238,041	359,747	597,788
Intergovernmental grants	103,715	-	103,715
Other	11,739	-	11,739
Total expenditures	$ 1,281,868	$ 359,747	$ 1,641,615
Excess (deficiency) of revenues over (under) expenditures	$ (212,823)	$ (51,813)	$ (264,636)
Other financing sources (uses)			
Transfers in (out)	$ (15,252)	$ 51,813	$ 36,561
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ (228,075)	$ -	$ (228,075)
Fund balances, beginning	55,490	-	55,490
Fund balances, ending	$ (172,585)	$ -	$ (172,585)

See Notes to Financial Statements

City of Seneca
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012

	Community Development	Hospitality Tax	Accomodations Tax	CAT Grant PT-2N711-83	Total
Assets					
Cash	$ 9,441	$ 10,606	$ -	$ -	$ 20,047
Receivables					
Notes	41,928	-	-	-	41,928
Interest	8	-	-	-	8
Other	5,264	98	-	-	5,362
Due from other governmental units	-	-	15,835	151,544	167,379
Total assets	$ 56,641	$ 10,704	$ 15,835	$ 151,544	$ 234,724
Liabilities and fund balances					
Liabilities					
Accounts payable	$ -	$ 20,372	$ -	$ 49,383	$ 69,755
Due to other funds	-	219,558	15,835	102,161	337,554
Total liabilities	$ -	$ 239,930	$ 15,835	$ 151,544	$ 407,309
Fund balances	$ 56,641	$ (229,226)	$ -	$ -	$ (172,585)
Total liabilities and fund balances	$ 56,641	$ 10,704	$ 15,835	$ 151,544	$ 234,724

See Notes to Financial Statements

City of Seneca
Nonmajor Special Revenue Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Fiscal Year Ended June 30, 2012

	Community Development	Hospitality Tax	Accomodations Tax	CAT Grant PT-2N711-83	Total
Revenues					
Taxes	$ -	$ 480,565	$ 37,318	$ -	$ 517,883
Federal aid	-	-	-	337,481	337,481
State aid	-	-	-	126,073	126,073
County aid	-	-	-	60,000	60,000
Other revenue	-	27,517	-	-	27,517
Investment earnings	47	44	-	-	91
Total revenues	$ 47	$ 508,126	$ 37,318	$ 523,554	$ 1,069,045
Expenditures					
Current operating					
General government					
Project administration	$ -	$ -	$ -	$ 593,918	$ 593,918
Culture and recreation	-	334,455	-	-	334,455
Capital outlay	-	238,041	-	-	238,041
Intergovernmental grants	-	103,715	-	-	103,715
Other	37	-	11,702	-	11,739
Total expenditures	$ 37	$ 676,211	$ 11,702	$ 593,918	$ 1,281,868
Excess (deficiency) of revenues over (under) expenditures	$ 10	$ (168,085)	$ 25,616	$ (70,364)	$ (212,823)
Other financing sources (uses)					
Transfers in (out)	$ -	$ (60,000)	$ (25,616)	$ 70,364	$ (15,252)
Net change in fund balances	$ 10	$ (228,085)	$ -	$ -	$ (228,075)
Fund balances, beginning	56,631	(1,141)	-	-	55,490
Fund balances, ending	$ 56,641	$ (229,226)	$ -	$ -	$ (172,585)

See Notes to Financial Statements

City of Seneca
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Revenues			
Investment earnings	$ -	$ 47	$ 47
Expenditures			
Other	$ -	$ 37	$ (37)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 10	$ 10
Fund balance, beginning	56,631	56,631	-
Fund balance, ending	$ 56,631	$ 56,641	$ 10

See Notes to Financial Statements

City of Seneca
C" Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Revenues			
State aid	$ 600,000	$ -	$ (600,000)
Expenditures			
Public works / paving	$ 600,000	$ -	$ 600,000
Excess of revenues over (under) expenditures	$ -	$ -	$ -
Fund balance, beginning	-	-	-
Fund balance, ending	$ -	$ -	$ -

See Notes to Financial Statements

City of Seneca
Hospitality Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Revenues			
Taxes	$ 405,700	$ 480,565	$ 74,865
Investment earnings	560	44	(516)
Other revenue	-	27,517	27,517
Total revenues	$ 406,260	$ 508,126	$ 101,866
Expenditures			
Current operating			
Culture and recreation	$ 700	$ 334,455	$ (333,755)
Capital outlay	-	238,041	(238,041)
Debt service - principal	80,000	-	80,000
Intergovernmental grants	265,560	103,715	161,845
Total expenditures	$ 346,260	$ 676,211	$ (329,951)
Excess (deficiency) of revenues over (under) expenditures	$ 60,000	$ (168,085)	$ (228,085)
Other financing sources (uses)			
Transfer to other funds	(60,000)	(60,000)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ -	$ (228,085)	$ (228,085)
Fund balance, beginning	(1,141)	(1,141)	-
Fund balance, ending	$ (1,141)	$ (229,226)	$ (228,085)

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

See Notes to Financial Statements

City of Seneca
Accomodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Revenues			
Taxes	$ -	$ 37,318	$ 37,318
Expenditures			
Other	$ -	$ 11,702	$ (11,702)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 25,616	$ 25,616
Other financing sources (uses)			
Transfer to other funds	-	(25,616)	(25,616)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ -	$ -	$ -
Fund balance, beginning	-	-	-
Fund balance, ending	$ -	$ -	$ -

See Notes to Financial Statements

City of Seneca
CAT Operating Grant...PT-2N711-83
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Revenues			
Federal aid	$ 397,156	$ 337,481	$ (59,675)
State aid	124,511	126,073	1,562
County aid	55,000	60,000	5,000
Investment earnings	200	-	(200)
Total revenues	$ 576,867	$ 523,554	$ (53,313)
Expenditures			
General government			
Project administration	$ 651,867	$ 593,918	$ 57,949
Excess (deficiency) of revenues over (under) expenditures	$ (75,000)	$ (70,364)	$ 4,636
Other financing sources			
Contributions and donations	$ 25,000	$ -	$ (25,000)
Transfer from other funds	50,000	70,364	20,364
Total other financing sources	$ 75,000	$ 70,364	$ (4,636)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ -	$ -	$ -
Fund balance, beginning	-	-	-
Fund balance, ending	$ -	$ -	$ -

See Notes to Financial Statements

City of Seneca
Capital Projects Fund
Utica Sewer…4-A-10-11
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual
From Inception and for the Fiscal Year Ended June 30, 2012

	Current Year	Total to Date	Project Authorization
Revenues			
Federal aid	$ 307,934	$ 307,934	$ 380,195
Expenditures			
Capital outlay	$ 359,747	$ 359,747	$ 449,876
Excess (deficiency) of revenues over (under) expenditures	$ (51,813)	$ (51,813)	$ (69,681)
Other financing sources			
Transfers in	$ 51,813	$ 51,813	$ 69,681
Net change in fund balance	$ -	$ -	$ -
Fund balance, beginning	-	-	
Fund balance, ending	$ -	$ -	

Note:

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

See Notes to Financial Statements

City of Seneca
Enterprise Fund
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Budget to Actual
Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance
Operating revenues			
Charges for services			
Electric receipts	$ 17,962,500	$ 15,986,327	$ (1,976,173)
Water receipts	6,045,000	5,931,538	(113,462)
Sewer receipts	2,966,000	2,686,674	(279,326)
Other revenues	159,478	351,255	191,777
Total operating revenues	$ 27,132,978	$ 24,955,794	$ (2,177,184)
Operating expenses			
Light & water administration (505)	$ 1,553,400	$ 1,735,371	$ (181,971)
I & I department (506)	93,986	55,637	38,349
Billing department (507)	806,617	824,446	(17,829)
Engineering department (508)	320,327	383,623	(63,296)
Electrical department (509)	2,060,109	1,672,221	387,888
Water department (510)	1,711,284	2,053,056	(341,772)
Sewer department (511)	2,701,104	2,821,672	(120,568)
Water plant (512)	1,306,589	1,621,092	(314,503)
Electrical generation / purchase (513)	11,538,573	10,687,311	851,262
Depreciation	1,306,423	1,662,904	(356,481)
Total operating expenses	$ 23,398,412	$ 23,517,333	$ (118,921)
Operating income (loss)	$ 3,734,566	$ 1,438,461	$ (2,296,105)
Non-operating transactions			
Investment earnings	$ 123,463	$ 25,993	$ (97,470)
Interest expense	(606,908)	(384,827)	222,081
Amortization of bond issuance costs	-	(20,483)	(20,483)
Proceeds from sale of capital assets	104	450	346
Other financing sources (uses)			
Contributions and donations	-	359,748	359,748
Interfund transfers in (out)	(3,251,225)	(3,462,045)	(210,820)
Net income (loss) - budgetary basis	$ -	$ (2,042,703)	$ (2,042,703)
Adjustment to convert to GAAP basis			
Principal payments on debt	-	606,078	606,078
Capital outlay	-	1,573,661	1,573,661
Net income (loss) - GAAP basis	$ -	$ 137,036	$ 137,036
Net assets, beginning	39,359,738	39,359,738	-
Net assets, ending	$ 39,359,738	$ 39,496,774	$ 137,036

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation
of Governmental Funds
Schedule by Type
June 30, 2012

Governmental funds capital assets		
Land	***$***	***1,035,039***
Buildings		***7,709,973***
Improvements		***7,218,445***
Equipment		***1,000,113***
Vehicles		***4,976,040***
Construction in progress		***65,676***
Total	***$***	***22,005,286***
Less, accumulated depreciation		***(10,256,763)***
Investment in capital assets	***$***	***11,748,523***

See Notes to Financial Statements

City of Seneca
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function & Activity
June 30, 2012

Function & activity	Land	Buildings	Improvements	Machinery & equipment	Vehicles	Construction in progress	Total
General government							
Municipal judge	$ -	$ -	$ -	$ 5,601	$ -	$ -	$ 5,601
Finance / administration	173,787	1,797,412	480,639	318,306	19,847	-	2,789,991
Planning & development	37,497	-	-	-	827,750	-	865,247
Total general government	$ 211,284	$ 1,797,412	$ 480,639	$ 323,907	$ 847,597	$ -	$ 3,660,839
Public safety							
Police department	$ 20,000	$ 602,387	$ 254,385	$ 96,342	$ 561,969	$ -	$ 1,535,083
Fire department	16,709	1,430,900	-	205,438	1,754,885	-	3,407,932
Total public safety	$ 36,709	$ 2,033,287	$ 254,385	$ 301,780	$ 2,316,854	$ -	$ 4,943,015
Public works							
Street department	$ 2,000	$ 50,000	$ 4,600,579	$ 253,513	$ 400,103	$ 64,898	$ 5,371,093
Sanitation department	1,000	232,460	-	-	1,279,102	-	1,512,562
Motor pool	2,000	-	-	-	53,070	-	55,070
Total public works	$ 5,000	$ 282,460	$ 4,600,579	$ 253,513	$ 1,732,275	$ 64,898	$ 6,938,725
Recreation	$ 633,885	$ 3,596,814	$ 758,675	$ 120,913	$ 75,814	$ -	$ 5,186,101
Other	$ 148,161	$ -	$ 1,124,167	$ -	$ 3,500	$ 778	$ 1,276,606
Total governmental funds capital assets	$ 1,035,039	$ 7,709,973	$ 7,218,445	$ 1,000,113	$ 4,976,040	$ 65,676	$ 22,005,286
Less accumulated depreciation							(10,256,763)
Net governmental funds capital assets							$ 11,748,523

See Notes to Financial Statements

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OTHER REQUIRED INFORMATION

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City of Seneca
Victim Services
Supplementary Schedule of Fines and Assessments
Fiscal Year Ended June 30, 2012

Collections: (municipal court)		
Fines	***$***	***165,225***
Assessments		***171,448***
Surcharges		***85,007***
Total collections	***$***	***421,680***
Retainage: (municipal treasurer)		
Fines	***$***	***165,225***
Assessments		***19,011***
Surcharges		***12,269***
Total retainage	***$***	***196,505***
Amounts remitted:		
State treasurer - assessments	***$***	***225,175***
Amount of expenditures allocated to Victim services by fund source:		
From assessments & surcharges	***$***	***31,280***
Funds carried forward designated as Victim right's funds	***$***	***-***

See Notes to Financial Statements

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FEDERAL FINANCIAL ASSISTANCE SECTION

City of Seneca
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass Through Grantor's Number	Total Expenditures
US Department of Transportation			
Passed Through SC Dept. of Transportation			
Transit Operating Grant	20.509	PT-2N711-83	$ 337,481
Department of Housing and Urban Development			
Passed Through SC Community Development Block Grant Program			
Utica Mill Village Phase IV Sewer Upgrade	14.228	4-A-10-011	307,934
Total Federal Assistance Expended			$ 645,415

Note 1. Basis of Presentation

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seneca, as of and for the year ended June 30, 2012, which collectively comprise the City of Seneca's basic financial statements and have issued our report thereon dated January 17, 2013. 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Seneca's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina
January 17, 2013

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

Compliance

We have audited the City of Seneca's compliance, with the types of compliance requirements described in the ***U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** *that could have a direct and material effect on each of the City of Seneca's major federal programs for the year ended June 30, 2012. The City of Seneca's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Seneca's management. Our responsibility is to express an opinion on the City of Seneca's compliance based on our audit.*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards****, issued by the Comptroller General of the United States; and OMB Circular A-133,* ***Audits of States, Local Governments, and Non-Profit Organizations.*** *Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Seneca's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Seneca's compliance with those requirements.*

In our opinion, the City of Seneca complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

Stancil Cooley Estep & Stamey, LLP

Seneca, South Carolina
January 17, 2013

CITY OF SENECA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

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

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

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

No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133".

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

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

The following programs were tested as major programs:

- *Transit Operating Grant, Grant # PT-2N711-83, CFDA # 20.509.*

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

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

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

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

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