

City of Easley, South Carolina

**Annual Financial Statements and Independent Auditors' Report
For the Year Ended June 30, 2006**

City of Easley, South Carolina
Annual Financial Report
For the Year Ended June 30, 2006

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Byerley, Payne & White

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NEIL E. BYERLEY (Deceased)
MARK A. PAYNE, CPA
JASON S. WHITE, CPA

Independent Auditors' Report

To the Honorable Mayor and Council
City of Easley, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (as of and for the year-ended March 31, 2006), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of and for the year ended June 30, 2006 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 Easley's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The basic financial statements of the Combined Utility System of Easley, a discretely presented component unit was audited by other auditors. The Utility had total assets of \$110,530,941 as of March 31, 2006, and total revenues of \$36,316,361 for the year then ended. Our opinion on the basic financial statements, insofar as it relates to the amounts included for the Combined Utility System of Easley in the discretely presented component unit column is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, based on our audit and the report of other auditors on the Combined Utility System of Easley, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit (as of March 31, 2006), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Easley has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Easley, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and other schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and other schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Byerley, Payne & White, CPA, PA

Byerley, Payne & White, CPA, PA

October 10, 2006

GOVERNMENT - WIDE FINANCIAL STATEMENTS

City of Easley, South Carolina
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Combined Utility System of Easley FYE 3/31/06
Assets				
Cash and Other Cash Deposits	\$ 4,939,879	\$ -	\$ 4,939,879	\$ 8,670,273
Accounts Receivable	603,205	1,536	604,741	2,430,932
Rehabilitation Loans Receivable	995,152	-	995,152	-
Other Receivables	-	-	-	289,787
Property Taxes Receivable	49,338	-	49,338	-
Accrued Interest Receivable	50	-	50	-
Interfund Balances	(456,751)	456,751	-	-
Inventories	223,980	-	223,980	793,044
Prepaid Items	238,516	-	238,516	61,840
Restricted Assets:				
Cash and Other Cash Deposits	4,643,742	-	4,643,742	22,087,593
Bond Issue Cost, Net	-	-	-	1,409,189
Capital Assets:				
Non Depreciable	5,984,850	-	5,984,850	3,686,808
Depreciable	17,915,827	209,423	18,125,250	111,978,570
Less Accumulated Depreciation	(6,946,822)	(19,678)	(6,966,500)	(40,877,095)
Total Assets	<u>28,190,966</u>	<u>648,032</u>	<u>28,838,998</u>	<u>110,530,941</u>
Liabilities				
Accounts Payable	-	-	-	1,808,431
Other Payables	13,830	-	13,830	-
Accrued Salaries	69,674	764	70,438	-
Employee Benefits Withheld and Accrued	72,830	99	72,929	56,374
Accrued Interest Payable	116,139	-	116,139	839,225
Deferred Gain on Refunding Bond (Net)	36,364	-	36,364	-
Retainage Payable	-	-	-	346,796
Interest Rate Swap	-	-	-	243,370
Customer Deposits	-	-	-	969,686
Waste Water Contracts Payable	-	-	-	243,254
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	15,397	151	15,548	19,700
Capital Leases Payable	461,336	-	461,336	422,818
Bonds Payable	205,000	-	205,000	1,025,000
Due in More Than One Year:				
Compensated Absences	138,574	1,361	139,935	177,300
Capital Leases Payable	5,965,984	-	5,965,984	872,856
Bonds Payable	4,925,000	-	4,925,000	52,979,523
Total Liabilities	<u>12,020,128</u>	<u>2,375</u>	<u>12,022,503</u>	<u>60,004,333</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,284,203	189,744	9,473,947	38,484,199
Restricted For:				
Capital Projects	-	-	-	3,101,003
Debt Service	465,922	-	465,922	-
Judicial Services	40,491	-	40,491	-
Public Safety	87,809	-	87,809	-
Recreation and Tourism	977,124	-	977,124	-
Community Development	563,679	-	563,679	-
Unrestricted	4,751,610	455,913	5,207,523	8,941,406
Total Net Assets	<u>\$ 16,170,838</u>	<u>\$ 645,657</u>	<u>\$ 16,816,495</u>	<u>\$ 50,526,608</u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Activities
For the Year Ended June 30, 2006

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit Combined Utility System of Easley FYE 3/31/06
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,140,755	\$ 2,586,755	\$ -	\$ -	1,446,000	\$ -	\$ 1,446,000	\$ -
Judicial Services	660,275	654,598	-	-	(5,677)	-	(5,677)	-
Public Safety	4,261,490	731,353	146,888	170,971	(3,212,278)	-	(3,212,278)	-
Public Works	2,872,447	11,266	-	175,782	(2,685,399)	-	(2,685,399)	-
Recreation and Tourism	1,788,462	260,769	-	-	(1,527,693)	-	(1,527,693)	-
Community Development	137,684	-	-	-	(137,684)	-	(137,684)	-
Interest on Long-Term Debt	494,032	-	-	-	(494,032)	-	(494,032)	-
Total Governmental Activities	<u>11,355,145</u>	<u>4,244,741</u>	<u>146,888</u>	<u>346,753</u>	<u>(6,616,763)</u>	<u>-</u>	<u>(6,616,763)</u>	<u>-</u>
Business - Type Activities:								
Storm Water	107,574	309,980	-	-	-	202,406	202,406	-
Total Business - Type Activities	<u>107,574</u>	<u>309,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,406</u>	<u>202,406</u>	<u>-</u>
Total Primary Government	<u>\$11,462,719</u>	<u>\$ 4,554,721</u>	<u>\$ 146,888</u>	<u>\$ 346,753</u>	<u>(6,616,763)</u>	<u>202,406</u>	<u>(6,414,357)</u>	<u>-</u>
Component Unit (FYE 3/31/06):								
Combined Utility System of Easley	\$34,430,107	\$ 34,801,910	\$ -	\$ -	-	-	-	371,803
Total Component Units	<u>\$34,430,107</u>	<u>\$ 34,801,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,803</u>
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					2,748,136	-	2,748,136	-
Local Option Sales Tax					1,731,437	-	1,731,437	-
Hospitality Tax					1,108,045	-	1,108,045	-
State Accommodation Taxes					47,302	-	47,302	-
Payments in Lieu of Taxes and Franchise Fees					1,866,137	-	1,866,137	-
Grants and Contributions not Restricted to Specific Programs					486,618	-	486,618	-
Interest Income					243,759	-	243,759	1,151,388
Miscellaneous					720,187	-	720,187	-
Capital Contributions					70,000	-	70,000	363,063
Total General Revenues and Transfers					<u>9,021,621</u>	<u>-</u>	<u>9,021,621</u>	<u>1,514,451</u>
Change in Net Assets					<u>2,404,858</u>	<u>202,406</u>	<u>2,607,264</u>	<u>1,886,254</u>
Net Assets, Beginning					<u>13,765,980</u>	<u>443,251</u>	<u>14,209,231</u>	<u>48,640,354</u>
Net Assets, Ending					<u>\$ 16,170,838</u>	<u>\$ 645,657</u>	<u>\$ 16,816,495</u>	<u>\$ 50,526,608</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

City of Easley, South Carolina
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Community- Development Special Revenue Fund	TIF Special Revenue Fund	Recreation Gym Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Other Cash Deposits	\$ 4,331,223	\$ 278,522	\$ -	\$ -	\$ 330,134	\$ -	\$ 4,939,879
Restricted Assets - Cash and Other Cash Deposits	234,158	-	190,541	4,219,043	-	-	4,643,742
Accounts Receivable	413,036	-	-	-	-	190,169	603,205
Rehabilitation Loans Receivable	-	995,152	-	-	-	-	995,152
Property Taxes Receivable	49,338	-	-	-	-	-	49,338
Accrued Interest Receivable	50	-	-	-	-	-	50
Interfund Balances	709,577	-	250,764	-	35,027	909,627	1,904,995
Inventories	-	223,980	-	-	-	-	223,980
Prepaid Items	70,216	-	-	-	168,300	-	238,516
Total Assets	<u>\$ 5,807,598</u>	<u>\$ 1,497,654</u>	<u>\$ 441,305</u>	<u>\$ 4,219,043</u>	<u>\$ 533,461</u>	<u>\$ 1,099,796</u>	<u>\$ 13,598,857</u>
Liabilities and Fund Balances							
Liabilities:							
Accrued Salaries	\$ 69,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,674
Employee Benefits Withheld and Accrued	72,830	-	-	-	-	-	72,830
Other Payables	7,026	6,804	-	-	-	-	13,830
Interfund Balances	1,652,169	-	269,120	440,457	-	-	2,361,746
Total Liabilities	<u>1,801,699</u>	<u>6,804</u>	<u>269,120</u>	<u>440,457</u>	<u>-</u>	<u>-</u>	<u>2,518,080</u>
Fund Balances:							
Reserves For:							
Capital Assets	17,126	-	-	3,778,586	-	-	3,795,712
Public Safety	87,809	-	-	-	-	-	87,809
Judicial Services	40,491	-	-	-	-	-	40,491
Prepaid Items	70,216	-	-	-	-	-	70,216
Noncurrent Receivables	-	995,152	-	-	-	-	995,152
Recreation and Tourism	22,190	-	-	-	-	954,934	977,124
Unreserved	3,768,067	-	-	-	-	-	3,768,067
Unreserved Reported in:							
Special Revenue Funds	-	495,698	172,185	-	-	144,862	812,745
Debt Service Fund	-	-	-	-	533,461	-	533,461
Total Fund Balances	<u>4,005,899</u>	<u>1,490,850</u>	<u>172,185</u>	<u>3,778,586</u>	<u>533,461</u>	<u>1,099,796</u>	<u>11,080,777</u>
Total Liabilities and Fund Balances	<u>\$ 5,807,598</u>	<u>\$ 1,497,654</u>	<u>\$ 441,305</u>	<u>\$ 4,219,043</u>	<u>\$ 533,461</u>	<u>\$ 1,099,796</u>	<u>\$ 13,598,857</u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2006

Fund balances - total governmental funds		\$ 11,080,777
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 23,900,677	
Less accumulated depreciation	<u>(6,946,822)</u>	16,953,855
<p>Long-term and other liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable	(5,130,000)	
Capital leases payable	(6,427,320)	
Interest payable	(116,139)	
Compensated absences	<u>(153,971)</u>	<u>(11,827,430)</u>
<p>Deferred Gain on refinancing of bonds is not a financial resource and therefore is not reported in the governmental funds.</p>		
Deferred gain	(40,000)	
Amortization	<u>3,636</u>	<u>(36,364)</u>
Net assets of governmental activities		<u><u>\$ 16,170,838</u></u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Community Development Special Revenue Fund	TIF Special Revenue Fund	Recreation Gym Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 2,542,408	\$ -	\$ 205,728	\$ -	\$ -	\$ -	\$ 2,748,136
Intergovernmental Revenues	2,749,392	-	307,906	-	-	383,660	3,440,958
Licenses, Permits and Fees	3,204,043	-	-	-	-	260,769	3,464,812
Hospitality Tax	-	-	-	-	-	1,108,045	1,108,045
Fines and Forfeitures	682,024	-	-	-	-	-	682,024
Miscellaneous and Other	70,799	9,737	-	-	43,300	6,496	130,332
Payments in Lieu of Taxes and Franchise Fees	1,871,937	-	-	-	-	-	1,871,937
Interest Income	9,128	26,889	4,809	202,329	-	604	243,759
Total Revenues	<u>11,129,731</u>	<u>36,626</u>	<u>518,443</u>	<u>202,329</u>	<u>43,300</u>	<u>1,759,574</u>	<u>13,690,003</u>
Expenditures							
Current Operating:							
General Government	1,085,751	-	-	-	-	-	1,085,751
Judicial Services	634,296	-	-	-	-	-	634,296
Public Safety	3,912,192	-	-	-	-	68,113	3,980,305
Public Works	2,660,844	-	53,276	-	-	-	2,714,120
Recreation and Tourism	1,152,460	-	-	-	-	407,681	1,560,141
Community Development	-	96,059	-	-	-	-	96,059
Capital Expenditures	206,807	-	433,857	2,409,194	-	729,638	3,779,496
Debt Service:							
Principal Retirement	284,013	-	20,000	-	370,000	290,000	964,013
Interest and Fiscal Charges	33,031	-	22,670	-	218,406	203,550	477,657
Total Expenditures	<u>9,969,394</u>	<u>96,059</u>	<u>529,803</u>	<u>2,409,194</u>	<u>588,406</u>	<u>1,698,982</u>	<u>15,291,838</u>
Excess (Deficiency) of Revenues Over Expenditures	1,160,337	(59,433)	(11,360)	(2,206,865)	(545,106)	60,592	(1,601,835)
Other Financing Sources and (Uses)							
Capital Contribution	-	-	70,000	-	-	-	70,000
Interfund Transfers In	-	-	-	-	486,468	-	486,468
Interfund Transfers (Out)	(486,468)	-	-	-	-	-	(486,468)
Proceeds of Refunding Bonds	-	-	-	-	2,135,000	-	2,135,000
Payments to Refunded Bond Escrow Agent	-	-	-	-	(2,135,000)	-	(2,135,000)
Net Change in Fund Balances	673,869	(59,433)	58,640	(2,206,865)	(58,638)	60,592	(1,531,835)
Fund Balances, Beginning	<u>3,332,030</u>	<u>1,550,283</u>	<u>113,545</u>	<u>5,985,451</u>	<u>592,099</u>	<u>1,039,204</u>	<u>12,612,612</u>
Fund Balances, Ending	<u>\$ 4,005,899</u>	<u>\$ 1,490,850</u>	<u>\$ 172,185</u>	<u>\$ 3,778,586</u>	<u>\$ 533,461</u>	<u>\$ 1,099,796</u>	<u>\$ 11,080,777</u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (1,531,835)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 3,779,496	
Less current year depreciation	<u>(813,110)</u>	2,966,386

Face amount of bonds and capital leases payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeds repayments.

Face amount of bonds and capital leases	(2,135,000)	
Principal payments	<u>3,099,013</u>	964,013

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

Amortization of gain on 2005 refunding bond	3,636	
Change in long-term compensated absences	22,669	
Change in accrued interest on bonds and capital leases payable	<u>(20,011)</u>	<u>6,294</u>

Change in net assets of governmental activities		<u>\$ 2,404,858</u>
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The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Storm Water Fund
Assets	
Current Assets:	
Accounts Receivable	\$ 1,536
Interfund Balance	456,751
Total Current Assets	458,287
Non-Current Assets:	
Capital Assets:	
Equipment and Vehicles	20,463
Infrastructure	188,960
Less Accumulated Depreciation	(19,678)
Total Non-Current Assets	189,745
Total Assets	648,032
Liabilities	
Current Liabilities:	
Accrued Salaries	764
Employee Benefits Withheld and Accrued	99
Compensated Absences	151
Total Current Liabilities	1,014
Non-Current Liabilities:	
Compensated Absences	1,361
Total Non-Current Liabilities	1,361
Total Liabilities	2,375
Net Assets	
Invested in Capital Assets, Net of Related Debt	189,744
Unrestricted	455,913
Total Net Assets	\$ 645,657

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Storm Water Fund
Operating Revenues	
Stormwater Fees	\$ 309,980
Total Operating Revenues	309,980
Operating Expenses	
Salaries, Wages and Employee Benefits	45,827
Contractual Services, Materials, Supplies and Other Expenses	51,356
Depreciation Expense	10,391
Total Operating Expenses	107,574
Change in Net Assets	202,406
Net Assets, Beginning	443,251
Net Assets, Ending	\$ 645,657

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Storm Water Fund
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operations:	
Receipts from Customers	\$ 96,136
Payments to Employees and Related Benefits	(44,780)
Payments to Suppliers	(51,356)
Net Cash Provided by (Used in) Operating Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Change in Net Assets	\$ 202,406
Adjustments Not Affecting Cash:	
Depreciation	10,391
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(360)
(Increase) Decrease in Interfund Balances	(213,484)
Increase (Decrease) in Accrued Liabilities	(329)
Increase (Decrease) in Compensated Absences	1,376
Total Adjustments	(202,406)
Net Cash Provided by (Used in) Operating Activities	\$ -

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The City of Easley operates under a mayor-council form of government. For financial statement reporting purposes, the City has divided its operations into the functions of general government, judicial services, public safety, public works, recreation and tourism, and community development.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The definition of a reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. Based upon the application of these criteria, the following is considered a component unit for financial reporting purposes.

Included in the reporting entity:

Combined Utility System of Easley

The Combined Utility System of Easley is fiscally dependent upon the City. It is governed by a separately elected commission and provides utility services to the residents of the City of Easley. Per Title 5 of the South Carolina Codes of Laws, all debt of the Utility must be approved by City Council before being issued. It is audited annually by other auditors and a copy of its financial statements for the year ended March 31, 2006 can be obtained from the Utility's office.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TIF Special Revenue Fund. This fund accounts for the resources accumulated and payments made for principal and interest on the City's downtown renovation bonds as well as all the activities related to the project.

Community Development Special Revenue Fund. This fund accounts for the lending and collecting activity related to various community development projects within the City.

Recreation Gym Capital Projects Fund. This fund accounts for the construction costs related to the Recreation Gym project.

Debt Service Fund. This fund accounts for debt principal and interest payments on General Obligation Bonds.

The City reports the following major enterprise fund:

Storm Water Fund. This fund accounts for the City's storm water operations.

C. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property, sales, franchise, and hospitality taxes, licenses, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Governmental Fund Financial Statements (continued)

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

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

D. Receivables

All accounts receivable and property tax receivables are shown net of an allowance for uncollectibles.

E. Inventories

Lots held for resale are reported at cost in the community development special revenue fund.

F. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

G. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Level</u>
Buildings and Improvements	10-39	\$ 15,000
Equipment and Vehicles	5-15	\$ 5,000
Road Infrastructure	25	\$ 25,000
Storm Water Infrastructure	30	\$ 25,000

H. Compensated Absences

The City accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

I. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

J. Use of Estimates

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

Note 2 – Detail Notes – All Funds

A. Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial credit risk. As of June 30, 2006, \$9,498,870 of the City's bank balances of \$9,980,738 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 9,498,870
Total	\$ 9,498,870

B. Property Taxes

Property taxes attach as an enforceable lien on real property as of January 1, and on motor vehicles during the month of the annual renewal. Real property taxes are levied on October 1 and are due and payable by January 15 of the following year. All unpaid taxes become delinquent March 15 of the following year. The County bills and collects the taxes for the City.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets not being				
 Depreciated:				
Land	\$ 2,803,076	\$ -	\$ -	\$ 2,803,076
Infrastructure Land Rights and Other Cost	682,169	-	-	682,169
Construction in Progress	90,411	2,409,194	-	2,499,605
 Total Capital Assets not being Depreciated	<u>3,575,656</u>	<u>2,409,194</u>	<u>-</u>	<u>5,984,850</u>
Capital Assets being Depreciated:				
Buildings and Improvements	9,802,768	855,934	-	10,658,702
Equipment and Vehicles	5,908,995	514,368	-	6,423,363
Infrastructure - Roads	833,762	-	-	833,762
 Total Capital Assets being Depreciated	<u>16,545,525</u>	<u>1,370,302</u>	<u>-</u>	<u>17,915,827</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,906,874)	(294,322)	-	(3,201,196)
Equipment and Vehicles	(3,193,854)	(485,438)	-	(3,679,292)
Infrastructure - Roads	(32,984)	(33,350)	-	(66,334)
 Total Accumulated Depreciation	<u>(6,133,712)</u>	<u>(813,110)</u>	<u>-</u>	<u>(6,946,822)</u>
 Total Capital Assets being Depreciated, Net	<u>10,411,813</u>	<u>557,192</u>	<u>-</u>	<u>10,969,005</u>
Governmental Activities Capital Assets, Net	<u>\$13,987,469</u>	<u>\$ 2,966,386</u>	<u>\$ -</u>	<u>\$ 16,953,855</u>

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Capital Assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets being Depreciated:				
Buildings and Improvements	-	-	-	-
Equipment and Vehicles	20,463	-	-	20,463
Infrastructure - Storm Water	188,960	-	-	188,960
Total Capital Assets being Depreciated	<u>209,423</u>	<u>-</u>	<u>-</u>	<u>209,423</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	-	-	-	-
Equipment and Vehicles	(4,093)	(4,093)	-	(8,186)
Infrastructure - Storm Water	(5,195)	(6,297)	-	(11,492)
Total Accumulated Depreciation	<u>(9,288)</u>	<u>(10,390)</u>	<u>-</u>	<u>(19,678)</u>
Total Capital Assets being Depreciated, Net	<u>200,135</u>	<u>(10,390)</u>	<u>-</u>	<u>189,745</u>
Business-Type Activities Capital Assets, Net	<u>\$ 200,135</u>	<u>\$ (10,390)</u>	<u>\$ -</u>	<u>\$ 189,745</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 56,172
Judicial Services	25,665
Public Safety	298,122
Health and Welfare	163,464
Highways and Streets	228,062
Culture and Recreation	<u>41,625</u>
Total Depreciation Expenses	<u>\$ 813,110</u>

D. Retirement Plans

The City of Easley contributes to the South Carolina Retirement System (SCRS) and to the Police Officers Retirement System (PORS), cost-sharing multiple-employer defined benefit pension plans administered by the State Budget and Control Board of South Carolina. SCRS and PORS provide retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions are established under the authority of Title 9 of the SC Code of Laws. The SCRS and PORS

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Retirement Plans (continued)

issue a publicly available financial report that includes financial statements and required supplementary information for the retirement systems. These reports may be obtained by writing to South Carolina Retirement System, Post Office Box 11960, Capitol Station, Columbia, South Carolina 29211-1960.

SCRS and PORS members are required to contribute 6.25% and 6.50% respectively of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rates for SCRS and PORS are 7.70% and 10.70% respectively of annual covered payroll. These percentages include amounts for group life and accidental death coverage. For the year ended June 30, 2006, \$4,044,121 of wages were subject to retirement, which is 97.8% of total salaries of \$4,136,527. The contribution requirements of plan members and the City are established and may be amended by the SCRS and PORS. The City's contributions to SCRS and PORS for the years ended June 30, 2006, 2005, 2004 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2006	\$ 176,852	\$ 207,786
2005	\$ 145,238	\$ 192,340
2004	\$ 145,205	\$ 189,503

The above contributions are equal to the required contributions for each year.

E. Long-Term Obligations

Revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. All other long-term indebtedness of the primary government is accounted for in the governmental column of the government-wide statement of net assets.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Long-Term Obligations (continued)

Summarized below are the City's individual bond and capital lease issues which are outstanding at June 30, 2006:

Governmental Activities:

General Obligation Refunding Bonds, Series 2005	Finance Construction of Recreation Complex	\$ 2,135,000	\$ 2,085,000	3.698%	\$ 286,000
General Obligation Bonds, Series 2000	Finance Construction of Law Enforcement Center	3,000,000	2,415,000	4.125 - 6.125%	287,119
Tax Increment Bond, Series 2004	Finance Construction of Downtown Improvements	650,000	630,000	3.440%	77,580
Capital Lease Payable	Acquire Fire Truck	549,865	492,510	3.660%	48,287
Capital Lease Payable	Acquire Police Vehicles	117,255	40,089	2.590%	41,127
Capital Lease Payable	Acquire Vehicles/Equipment	273,040	184,721	3.020%	96,565
Capital Lease Payable	Construct Recreation Complex	<u>6,000,000</u>	<u>5,710,000</u>	4.040%	556,614
Total Governmental Activities		<u>\$ 12,725,160</u>	<u>\$11,557,320</u>		

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

Long-Term Obligations (continued)

Long-term activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation and Other Bonds	\$ 5,560,000	\$ 2,135,000	\$ 2,565,000	\$ 5,130,000	\$ 205,000
Capital Leases Payable	7,001,500	-	574,180	6,427,320	461,336
Total Bonds and Capital Leases Payable	<u>12,561,500</u>	<u>2,135,000</u>	<u>3,139,180</u>	<u>11,557,320</u>	<u>666,336</u>
Other Liabilities - Compensated Absences	176,640	573	23,242	153,971	15,397
Governmental Activities Long-term Liabilities	<u>\$ 12,738,140</u>	<u>\$ 2,135,573</u>	<u>\$ 3,162,422</u>	<u>\$ 11,711,291</u>	<u>\$ 681,733</u>
Business - Type Activities:					
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Liabilities:					
Compensated Absences	136	1,376	-	1,512	151
Total Other Liabilities	<u>136</u>	<u>1,376</u>	<u>-</u>	<u>1,512</u>	<u>151</u>
Business-Type Activities Long-term Liabilities	<u>\$ 136</u>	<u>\$ 1,376</u>	<u>\$ -</u>	<u>\$ 1,512</u>	<u>\$ 151</u>

The City's general and debt service funds are used to liquidate the governmental activities long-term liabilities. Debt service requirements in future years for bonds and capital leases payable are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Principal	Interest	Total	Principal	Interest	Total	
2007	\$ 666,336	\$ 467,963	\$ 1,134,299	\$ -	\$ -	\$ -	\$ 1,134,299
2008	840,103	439,152	1,279,255	-	-	-	1,279,255
2009	792,517	403,568	1,196,085	-	-	-	1,196,085
2010	828,707	368,861	1,197,568	-	-	-	1,197,568
2011	869,940	332,541	1,202,481	-	-	-	1,202,481
2012-2016	4,994,847	1,103,816	6,098,663	-	-	-	6,098,663
2017-2020	2,564,870	230,182	2,795,052	-	-	-	2,795,052
Total	<u>\$ 11,557,320</u>	<u>\$ 3,346,083</u>	<u>\$ 14,903,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,903,403</u>

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

F. Interfund Balances and Activity

The following schedule represents interfund receivables and payables at June 30, 2006:

	Interfund Receivable	Interfund Payable
Primary Government:		
By Major Fund:		
General	\$ 709,577	\$ 1,652,169
TIF Special Revenue Fund	250,764	269,120
Recreation Fund	105,995	440,457
Storm Water Fund	456,751	-
Debt Service Fund	35,027	-
Hospitality Tax Fund	764,765	-
Firemen's Fund	38,867	-
Total Primary Government	\$ 2,361,746	\$ 2,361,746

All of the above amounts will be liquidated within one year and represent short-term loans between funds to provide needed cash flow to the various funds.

Transfers to/from other funds for the year ended June 30, 2006 consisted of the following:

<u>\$ 486,468</u>	From the general fund to the debt service fund to pay current year debt service obligations.
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G. Contingent Liabilities

The City participates in a few federal grant programs. These programs are subject to compliance audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2006 have not yet been conducted; therefore, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Effective January 1, 1978, the State of South Carolina extended unemployment insurance coverage to municipalities. The City elected to reimburse the unemployment fund for only those benefits actually paid rather than make contributions to the unemployment fund. The amount of any benefits that would become due in the future and, therefore, be required to be reimbursed by the City is not determinable. The City is of the opinion that the ultimate liability, if any, at June 30, 2006, will not have a material effect on the net assets of the City.

H. 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. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2006

I. Rehabilitation Loans

The City has \$995,152 outstanding in rehabilitation loans. These loans were funded by grants from the Federal Government, and the repayment of these loans by the borrowers belongs to the City for use to further develop and improve Easley. The City currently has 79 individual loans outstanding. These loans are for a period of twenty years, at an annual interest rate of three percent (3%). The City also has 3 business loans outstanding. These loans were for the purpose of improving the beautification of downtown by providing three percent (3%) interest loans to remodel the storefronts, and to provide money for facades. All loans are secured by real estate.

J. Refinancing of General Obligation Bonds, Series 1996

During the year, the City refinanced the General Obligation Bonds, Series 1996 with General Obligation Refunding Bonds, Series 2005. The General Obligation Bonds, Series 1996 amount outstanding at the time of refinancing was \$2,185,000 and the amount refinanced totaled \$2,135,000. A \$40,000 deferred gain was recognized in the financial statements.

K. Post-Employment Employee Benefits

The City provides group health, dental, and vision insurance benefits for retirees per the terms of an approved policy. The City pays 20% to 100% of the monthly premiums for employees, depending upon an employee's length of service. Retirees may, at their option, include dependent coverage. The City's regular health and dental care benefit providers underwrite the retiree's policies.

Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. This plan is funded on a pay-as-you-go basis. As of June 30, 2006 there were six retirees who were covered under the City's group insurance plan at a cost of \$28,258.

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A**

City of Easley, South Carolina
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 2,379,678	\$ 2,379,678	\$ 2,542,408	\$ 162,730
Intergovernmental Revenues	2,950,412	2,950,412	2,749,392	(201,020)
Licenses, Permits and Fees	2,947,200	2,947,200	3,204,043	256,843
Fines and Forfeitures	693,600	693,600	682,024	(11,576)
Miscellaneous and Other	91,000	91,000	70,799	(20,201)
Payments in Lieu of Taxes and Franchise Fees	1,655,400	1,655,400	1,871,937	216,537
Interest Income	10,000	10,000	9,128	(872)
Total Revenues	<u>10,727,290</u>	<u>10,727,290</u>	<u>11,129,731</u>	<u>402,441</u>
Expenditures				
Current Operating:				
General Government:				
General Government	420,447	420,447	266,102	154,345
Council	83,430	83,430	79,306	4,124
Finance	418,059	418,059	497,552	(79,493)
Building Official	233,678	233,678	242,791	(9,113)
Judicial Services:				
Court	647,997	647,997	586,678	61,319
Victim's Rights	54,051	54,051	47,618	6,433
Public Safety:				
Police	2,279,725	2,279,725	2,259,452	20,273
Fire	1,416,232	1,416,232	1,652,740	(236,508)
Public Works:				
Streets	2,206,803	2,206,803	1,540,134	666,669
Sanitation	1,149,922	1,149,922	1,090,180	59,742
Cemetery	31,650	31,650	30,530	1,120
Recreation and Tourism:				
Recreation	967,608	967,608	1,152,460	(184,852)
Capital Expenditures	-	-	206,807	(206,807)
Debt Service:				
Principal Retirement	284,013	284,013	284,013	-
Interest and Fiscal Charges	31,712	31,712	33,031	(1,319)
Total Expenditures	<u>10,225,327</u>	<u>10,225,327</u>	<u>9,969,394</u>	<u>255,933</u>
Excess (Deficiency) of Revenues Over Expenditures	501,963	501,963	1,160,337	658,374
Other Financing Sources (Uses)				
Face Amount of Bonds and Capital Leases	(501,963)	(501,963)	(486,468)	15,495
Net Change in Fund Balances	-	-	673,869	673,869
Fund Balances, Beginning	<u>3,332,030</u>	<u>3,332,030</u>	<u>3,332,030</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 3,332,030</u>	<u>\$ 3,332,030</u>	<u>\$ 4,005,899</u>	<u>\$ 673,869</u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
 Budgetary Comparison Schedule
 Community Development Special Revenue Fund
 For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous and Other	\$ -	\$ -	\$ 9,737	\$ 9,737
Interest Income	31,089	31,089	26,889	(4,200)
Total Revenues	<u>31,089</u>	<u>31,089</u>	<u>36,626</u>	<u>5,537</u>
Expenditures				
Current Operating:				
Community Development	39,000	39,000	96,059	(57,059)
Total Expenditures	<u>39,000</u>	<u>39,000</u>	<u>96,059</u>	<u>(57,059)</u>
 Net Change in Fund Balances	 (7,911)	 (7,911)	 (59,433)	 (51,522)
 Fund Balances, Beginning	 <u>1,550,283</u>	 <u>1,550,283</u>	 <u>1,550,283</u>	 <u>-</u>
 Fund Balances, Ending	 <u><u>\$ 1,542,372</u></u>	 <u><u>\$ 1,542,372</u></u>	 <u><u>\$ 1,490,850</u></u>	 <u><u>\$ (51,522)</u></u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
 Budgetary Comparison Schedule
 TIF Special Revenue Fund
 For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Tax Increment Revenue	\$ 50,000	\$ 50,000	\$ 205,728	\$ 155,728
Intergovernmental Revenue	-	-	307,906	307,906
Interest Income	100	100	4,809	4,709
Total Revenues	<u>50,100</u>	<u>50,100</u>	<u>518,443</u>	<u>468,343</u>
Expenditures				
Current Operating:				
Public Works	43,900	43,900	529,803	(485,903)
Total Expenditures	<u>43,900</u>	<u>43,900</u>	<u>529,803</u>	<u>(485,903)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,200</u>	<u>6,200</u>	<u>(11,360)</u>	<u>(17,560)</u>
Other Financing Sources and (Uses)				
Capital Contribution	-	-	70,000	70,000
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Net Change in Fund Balances	6,200	6,200	58,640	52,440
Fund Balances, Beginning	<u>113,545</u>	<u>113,545</u>	<u>113,545</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 119,745</u>	<u>\$ 119,745</u>	<u>\$ 172,185</u>	<u>\$ 52,440</u>

The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Notes to Required Supplemental Information
For the Year Ended June 30, 2006

Note 1 – Budgetary Process and Basis of Accounting

The Mayor and Council approve an annual budget by ordinance before the beginning of each fiscal year. The City follows this basic process:

- a. Prior to July 1, the City Administrator submits to the Mayor and Council a recommended budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
- b. The recommended budget is discussed at budget work sessions.
- c. After a public reading and two (2) readings, the budget ordinance is legally enacted.

The City uses the modified accrual basis of accounting for its general and special revenue funds which is in accordance with generally accepted accounting principles for these funds. The City adopts the annual budget for these funds on this basis.

Note 2 – Excess of Expenditures Over Appropriations

The City's budgetary level of control is at the department level. The following is a summary of excess expenditures over appropriations at the department level for the general fund:

<u>Department</u>	<u>Final Budgeted Expenditures</u>	<u>Expenditures</u>	<u>Difference</u>
Finance	418,059	497,552	(79,493)
Building Official	233,678	242,791	(9,113)
Police	2,279,725	2,323,219	(43,494)
Fire	1,416,232	1,684,240	(268,008)
Sanitation	1,149,922	1,201,720	(51,798)
Recreation	967,608	1,152,460	(184,852)

Traditionally, the City has not amended the original budget during the year.

SUPPLEMENTAL INFORMATION

City of Easley, South Carolina
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Hospitality Tax	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
Assets				
Accounts Receivable	\$ 190,169	\$ -	\$ -	\$ 190,169
Interfund Balances	764,765	38,867	105,995	909,627
Total Assets	\$ 954,934	\$ 38,867	\$ 105,995	\$ 1,099,796
Liabilities and Fund Balances				
Liabilities:				
Total Liabilities	-	-	-	-
Fund Balances:				
Reserved for Recreation and Tourism	954,934	-	-	954,934
Unreserved	-	38,867	105,995	144,862
Total Fund Balances	954,934	38,867	105,995	1,099,796
Total Liabilities and Fund Balances	\$ 954,934	\$ 38,867	\$ 105,995	\$ 1,099,796

See independent auditors' report.

City of Easley, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Hospitality Tax	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
Revenues				
Intergovernmental Revenues	\$ 326,286	\$ 57,374	\$ -	\$ 383,660
Licenses, Permits and Fees	-	-	260,769	260,769
Hospitality Tax	1,108,045	-	-	1,108,045
Miscellaneous and Other	6,052	444	-	6,496
Interest Income	252	352	-	604
Total Revenues	<u>1,440,635</u>	<u>58,170</u>	<u>260,769</u>	<u>1,759,574</u>
Expenditures				
Current Operating:				
Public Safety	-	68,113	-	68,113
Recreation and Tourism	170,306	-	237,375	407,681
Capital Expenditures	729,638	-	-	729,638
Debt Service:				
Principal Retirement	290,000	-	-	290,000
Interest and Fiscal Charges	203,550	-	-	203,550
Total Expenditures	<u>1,393,494</u>	<u>68,113</u>	<u>237,375</u>	<u>1,698,982</u>
Net Change in Fund Balances	47,141	(9,943)	23,394	60,592
Fund Balances, Beginning	<u>907,793</u>	<u>48,810</u>	<u>82,601</u>	<u>1,039,204</u>
Fund Balances, Ending	<u>\$ 954,934</u>	<u>\$ 38,867</u>	<u>\$ 105,995</u>	<u>\$ 1,099,796</u>

See independent auditors' report.

City of Easley, South Carolina
Schedule of Fines, Assessments, Surcharges and Other Fees
(For State Treasurer Requirements)
For the Year Ended June 30, 2006

	<u>Municipal Court</u>
Total Fines Collected and Retained by City	\$ 266,569
Total Assessments, Surcharges, and Other Fees Collected and Remitted to State	\$ 345,904
Total Assessments and Surcharges Collected and Retained by City (Victim Assistance)	\$ 42,126
Total Victim Assistance Fund Balance Available for Appropriation	\$ 40,491

See independent auditors' report.