

**City of Easley, South Carolina**

**Annual Financial Statements and Independent Auditors' Report  
For the Year Ended June 30, 2007**

**City of Easley, South Carolina  
Annual Financial Report  
For the Year Ended June 30, 2007**

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# Byerley, Payne & White

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
AND  
SOUTH CAROLINA ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANTS, P.A.  
114 WEST NORTH FIRST STREET  
SENECA, SC 29678  
TELEPHONE: (864) 882-1937 FAX: (864) 882-1938  
E-mail [mpayne@dslx.net](mailto:mpayne@dslx.net)

NEIL E. BYERLEY (Deceased)  
MARK A. PAYNE, CPA  
JASON S. WHITE, CPA  
ANDY SEVIC, 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, 2007), 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, 2007 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 \$112,297,396 as of March 31, 2007, and total revenues of \$39,412,344 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, 2007), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of June 30, 2007, 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.

The budgetary comparison schedules on pages 23-26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 30, 2007

**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

City of Easley, South Carolina  
Statement of Net Assets  
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Combined Utility System of Easley FYE 3/31/07
<b>Assets</b>				
Cash and Other Cash Deposits	\$ 6,175,255	\$ -	\$ 6,175,255	\$ 10,796,974
Accounts Receivable	842,419	1,532	843,951	2,819,588
Rehabilitation Loans Receivable	1,038,286	-	1,038,286	-
Other Receivables	-	-	-	42,815
Property Taxes Receivable	62,309	-	62,309	-
Accrued Interest Receivable	65	-	65	-
Interfund Balances	(569,970)	569,970	-	-
Inventories	108,093	-	108,093	1,244,002
Prepaid Items	87,306	-	87,306	73,220
<b>Restricted Assets:</b>				
Cash and Other Cash Deposits	1,311,031	-	1,311,031	17,963,779
Bond Issue Cost, Net	-	-	-	1,344,662
<b>Capital Assets:</b>				
Non Depreciable	4,354,845	-	4,354,845	7,489,871
Depreciable	23,947,199	221,892	24,169,091	115,042,762
Less Accumulated Depreciation	(7,728,191)	(30,154)	(7,758,345)	(44,520,277)
<b>Total Assets</b>	<u>29,628,647</u>	<u>763,240</u>	<u>30,391,887</u>	<u>112,297,396</u>
<b>Liabilities</b>				
Accounts Payable	-	-	-	2,253,039
Other Payables	12,041	-	12,041	-
Accrued Salaries	81,887	-	81,887	-
Employee Benefits Withheld and Accrued	99,480	-	99,480	134,063
Accrued Interest Payable	134,542	-	134,542	839,223
Deferred Gain on Refunding Bond (Net)	32,728	-	32,728	-
Retainage Payable	-	-	-	312,732
Customer Deposits	-	-	-	1,006,229
Waste Water Contracts Payable	-	-	-	243,254
<b>Non-Current Liabilities:</b>				
<b>Due Within One Year:</b>				
Compensated Absences	20,820	-	20,820	17,081
Capital Leases Payable	531,420	-	531,420	431,684
Bonds Payable	470,500	-	470,500	1,055,000
<b>Due in More Than One Year:</b>				
Compensated Absences	187,375	-	187,375	153,727
Capital Leases Payable	5,928,564	-	5,928,564	440,737
Bonds Payable	5,404,500	-	5,404,500	51,952,282
<b>Total Liabilities</b>	<u>12,903,857</u>	<u>-</u>	<u>12,903,857</u>	<u>58,839,051</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	9,865,197	191,738	10,056,935	39,937,993
<b>Restricted For:</b>				
Capital Projects	-	-	-	2,195,721
Debt Service	396,011	-	396,011	-
Judicial Services	40,779	-	40,779	-
Public Safety	127,721	-	127,721	-
Recreation and Tourism	1,013,052	-	1,013,052	-
Community Development	575,081	-	575,081	-
Unrestricted	4,706,949	571,502	5,278,451	11,324,631
<b>Total Net Assets</b>	<u>\$ 16,724,790</u>	<u>\$ 763,240</u>	<u>\$ 17,488,030</u>	<u>\$ 53,458,345</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, 2007

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit Combined Utility System of Easley FYE 3/31/07
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,318,900	\$ 2,632,126	\$ -	\$ -	1,313,226	\$ -	\$ 1,313,226	\$ -
Judicial Services	873,045	914,475	-	-	41,430	-	41,430	-
Public Safety	4,743,399	799,682	261,858	-	(3,681,859)	-	(3,681,859)	-
Public Works	3,237,973	5,804	-	372,901	(2,859,268)	-	(2,859,268)	-
Recreation and Tourism	2,604,635	341,019	56,019	11,002	(2,196,595)	-	(2,196,595)	-
Community Development	202,076	-	-	-	(202,076)	-	(202,076)	-
Interest on Long-Term Debt	499,767	-	-	-	(499,767)	-	(499,767)	-
<b>Total Governmental Activities</b>	<u>13,479,795</u>	<u>4,693,106</u>	<u>317,877</u>	<u>383,903</u>	<u>(8,084,909)</u>	<u>-</u>	<u>(8,084,909)</u>	<u>-</u>
<b>Business - Type Activities:</b>								
Storm Water	200,129	317,712	-	-	-	117,583	117,583	-
<b>Total Business - Type Activities</b>	<u>200,129</u>	<u>317,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,583</u>	<u>117,583</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$13,679,924</u>	<u>\$ 5,010,818</u>	<u>\$ 317,877</u>	<u>\$ 383,903</u>	<u>(8,084,909)</u>	<u>117,583</u>	<u>(7,967,326)</u>	<u>-</u>
<b>Component Unit (FYE 3/31/07):</b>								
Combined Utility System of Easley	\$36,480,607	\$ 36,872,821	\$ -	\$ 311,020	-	-	-	703,234
<b>Total Component Units</b>	<u>\$36,480,607</u>	<u>\$ 36,872,821</u>	<u>\$ -</u>	<u>\$ 311,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>703,234</u>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes, Levied for General Purposes					2,624,524	-	2,624,524	-
Local Option Sales Tax					1,754,458	-	1,754,458	-
Hospitality Tax					1,143,736	-	1,143,736	-
State Accommodation Taxes					69,699	-	69,699	-
Payments in Lieu of Taxes and Franchise Fees					1,883,135	-	1,883,135	-
Grants and Contributions not Restricted to Specific Programs					569,288	-	569,288	-
Interest Income					250,500	-	250,500	1,284,384
Miscellaneous					184,998	-	184,998	-
Insurance Settlement					36,497	-	36,497	-
Gain/Loss on Sale of Assets					122,026	-	122,026	-
Capital Contributions					-	-	-	944,119
<b>Total General Revenues and Transfers</b>					<u>8,638,861</u>	<u>-</u>	<u>8,638,861</u>	<u>2,228,503</u>
<b>Change in Net Assets</b>					<u>553,952</u>	<u>117,583</u>	<u>671,535</u>	<u>2,931,737</u>
<b>Net Assets, Beginning</b>					<u>16,170,838</u>	<u>645,657</u>	<u>16,816,495</u>	<u>50,526,608</u>
<b>Net Assets, Ending</b>					<u>\$ 16,724,790</u>	<u>\$ 763,240</u>	<u>\$ 17,488,030</u>	<u>\$ 53,458,345</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, 2007

	General Fund	Community Development Special Revenue Fund	TIF Special Revenue Fund	Recreation Gym Capital Project Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Other Cash Deposits	\$ 5,280,791	\$ 459,604	\$ -	\$ -	\$ -	\$ 434,860	\$ 6,175,255
Restricted Assets - Cash and Other Cash Deposits	265,447	-	1,045,584	-	-	-	1,311,031
Accounts Receivable	627,529	-	-	-	194,758	20,132	842,419
Rehabilitation Loans Receivable	-	1,038,286	-	-	-	-	1,038,286
Property Taxes Receivable	60,979	-	1,330	-	-	-	62,309
Accrued Interest Receivable	65	-	-	-	-	-	65
Interfund Balances	94,405	-	201,134	314,912	795,273	176,429	1,582,153
Inventories	-	108,093	-	-	-	-	108,093
Prepaid Items	87,306	-	-	-	-	-	87,306
<b>Total Assets</b>	<b>\$ 6,416,522</b>	<b>\$ 1,605,983</b>	<b>\$ 1,248,048</b>	<b>\$ 314,912</b>	<b>\$ 990,031</b>	<b>\$ 631,421</b>	<b>\$ 11,206,917</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accrued Salaries	\$ 81,240	\$ -	\$ -	\$ -	\$ -	\$ 647	\$ 81,887
Employee Benefits Withheld and Accrued	99,480	-	-	-	-	-	99,480
Other Payables	1,990	10,051	-	-	-	-	12,041
Interfund Balances	2,057,718	94,405	-	-	-	-	2,152,123
<b>Total Liabilities</b>	<b>2,240,428</b>	<b>104,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>647</b>	<b>2,345,531</b>
<b>Fund Balances:</b>							
<b>Reserves For:</b>							
Capital Assets	137,726	-	-	314,912	-	-	452,638
Public Safety	127,721	-	-	-	-	-	127,721
Prepaid Items	87,306	-	-	-	-	-	87,306
Noncurrent Receivables	-	1,038,286	-	-	-	-	1,038,286
Recreation and Tourism	-	-	-	-	990,031	23,021	1,013,052
Unreserved	3,823,341	-	-	-	-	-	3,823,341
<b>Unreserved Reported in:</b>							
Special Revenue Funds	-	463,241	1,248,048	-	-	137,866	1,849,155
Debt Service Fund	-	-	-	-	-	469,887	469,887
<b>Total Fund Balances</b>	<b>4,176,094</b>	<b>1,501,527</b>	<b>1,248,048</b>	<b>314,912</b>	<b>990,031</b>	<b>630,774</b>	<b>8,861,386</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,416,522</b>	<b>\$ 1,605,983</b>	<b>\$ 1,248,048</b>	<b>\$ 314,912</b>	<b>\$ 990,031</b>	<b>\$ 631,421</b>	<b>\$ 11,206,917</b>

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, 2007**

Fund balances - total governmental funds		\$ 8,861,386
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 28,302,044	
Less accumulated depreciation	<u>(7,728,191)</u>	20,573,853
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.		
Governmental bonds payable	(5,875,000)	
Capital leases payable	(6,459,984)	
Interest payable	(134,542)	
Compensated absences	<u>(208,195)</u>	<u>(12,677,721)</u>
Deferred Gain on refinancing of bonds is not a financial resource and therefore is not reported in the governmental funds.		
Deferred gain	(40,000)	
Amortization	<u>7,272</u>	<u>(32,728)</u>
Net assets of governmental activities		<u><u>\$ 16,724,790</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, 2007

	General Fund	Community Development Special Revenue Fund	TIF Special Revenue Fund	Recreation Gym Capital Projects Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$ 2,412,146	\$ -	\$ 229,521	\$ -	\$ -	\$ -	\$ 2,641,667
Intergovernmental Revenues	3,007,964	-	-	-	-	177,227	3,185,191
Licenses, Permits and Fees	3,213,005	-	-	-	-	400,532	3,613,537
Hospitality Tax	-	-	-	-	1,143,736	-	1,143,736
Fines and Forfeitures	926,547	-	-	-	-	-	926,547
Miscellaneous and Other	129,126	141,582	-	-	-	-	270,708
Payments in Lieu of Taxes and Franchise Fees	1,894,835	-	-	-	-	-	1,894,835
Interest Income	105,755	29,546	29,007	86,194	-	-	250,502
<b>Total Revenues</b>	<u>11,689,378</u>	<u>171,128</u>	<u>258,528</u>	<u>86,194</u>	<u>1,143,736</u>	<u>577,759</u>	<u>13,926,723</u>
<b>Expenditures</b>							
<b>Current Operating:</b>							
General Government	1,251,561	-	-	-	-	-	1,251,561
Judicial Services	787,433	-	-	-	-	59,225	846,658
Public Safety	4,321,313	-	-	-	-	70,107	4,391,420
Public Works	3,022,415	-	31,853	-	-	-	3,054,268
Recreation and Tourism	1,317,437	-	-	146,612	382,847	446,809	2,293,705
Community Development	-	160,451	-	-	-	-	160,451
Capital Expenditures	638,440	-	193,711	2,803,256	960,108	-	4,595,515
<b>Debt Service:</b>							
Principal Retirement	161,336	-	140,000	-	135,000	345,000	781,336
Interest and Fiscal Charges	24,476	-	36,901	-	230,684	192,939	485,000
<b>Total Expenditures</b>	<u>11,524,411</u>	<u>160,451</u>	<u>402,465</u>	<u>2,949,868</u>	<u>1,708,639</u>	<u>1,114,080</u>	<u>17,859,914</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	164,967	10,677	(143,937)	(2,863,674)	(564,903)	(536,321)	(3,933,191)
<b>Other Financing Sources and (Uses)</b>							
Interfund Transfers In	26,084	-	-	-	600,000	514,856	1,140,940
Interfund Transfers (Out)	(514,856)	-	-	(600,000)	-	(26,084)	(1,140,940)
Face Amount of Bond	-	-	1,050,000	-	-	-	1,050,000
Sale of Fixed Assets	-	-	169,800	-	-	-	169,800
Face Amount of Capital Lease	494,000	-	-	-	-	-	494,000
<b>Net Change in Fund Balances</b>	<u>170,195</u>	<u>10,677</u>	<u>1,075,863</u>	<u>(3,463,674)</u>	<u>35,097</u>	<u>(47,549)</u>	<u>(2,219,391)</u>
<b>Fund Balances, Beginning</b>	<u>4,005,899</u>	<u>1,490,850</u>	<u>172,185</u>	<u>3,778,586</u>	<u>954,934</u>	<u>678,323</u>	<u>11,080,777</u>
<b>Fund Balances, Ending</b>	<u>\$ 4,176,094</u>	<u>\$ 1,501,527</u>	<u>\$ 1,248,048</u>	<u>\$ 314,912</u>	<u>\$ 990,031</u>	<u>\$ 630,774</u>	<u>\$ 8,861,386</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, 2007**

Net change in fund balances - total governmental funds		\$ (2,219,391)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 4,595,515	
Less current year depreciation	<u>(927,741)</u>	3,667,774
<p>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.</p>		
Face amount of bonds and capital leases	(1,559,000)	
Principal payments	<u>781,336</u>	(777,664)
The undepreciated basis on the sale of capital assets decrease net assets		(47,776)
<p>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.</p>		
Amortization of gain on 2005 refunding bond	3,636	
Change in long-term compensated absences	(54,224)	
Change in accrued interest on bonds and capital leases payable	<u>(18,403)</u>	<u>(68,991)</u>
Change in net assets of governmental activities		<u>\$ 553,952</u>

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

City of Easley, South Carolina  
Statement of Net Assets  
Proprietary Fund  
June 30, 2007

	<b>Storm Water Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Accounts Receivable	\$ 1,532
Interfund Balance	569,970
<b>Total Current Assets</b>	571,502
<b>Non-Current Assets:</b>	
<b>Capital Assets:</b>	
Buildings and Improvements	12,469
Equipment and Vehicles	20,463
Infrastructure	188,960
Less Accumulated Depreciation	(30,154)
<b>Total Non-Current Assets</b>	191,738
<b>Total Assets</b>	763,240
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	191,738
Unrestricted	571,502
<b>Total Net Assets</b>	\$ 763,240

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, 2007**

	<b>Storm Water Fund</b>
<b>Operating Revenues</b>	
Stormwater Fees	\$ 317,712
<b>Total Operating Revenues</b>	317,712
<b>Operating Expenses</b>	
Salaries, Wages and Employee Benefits	46,566
Contractual Services, Materials, Supplies and Other Expenses	143,089
Depreciation Expense	10,474
<b>Total Operating Expenses</b>	200,129
<b>Change in Net Assets</b>	117,583
<b>Net Assets, Beginning</b>	645,657
<b>Net Assets, Ending</b>	\$ 763,240

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, 2007

	<b>Storm Water Fund</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operations:</b>	
Receipts from Customers	\$ 204,499
Payments to Employees and Related Benefits	(48,941)
Payments to Suppliers	(143,089)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>12,469</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(12,469)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b>(12,469)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-
<b>Cash and Cash Equivalents at Beginning of Year</b>	-
<b>Cash and Cash Equivalents at End of Year</b>	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
<b>Change in Net Assets</b>	\$ 117,583
<b>Adjustments Not Affecting Cash:</b>	
Depreciation	10,474
<b>Change in Assets and Liabilities:</b>	
(Increase) Decrease in Accounts Receivable	6
(Increase) Decrease in Interfund Balances	(113,219)
Increase (Decrease) in Accrued Liabilities	(863)
Increase (Decrease) in Compensated Absences	(1,512)
<b>Total Adjustments</b>	<b>12,469</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ -

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, 2007**

**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, 2007 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, 2007**

**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.

**Hospitality Tax Fund.** This fund accounts for the collection and disbursement of Hospitality Tax funds.

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, 2007**

**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, 2007**

**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, 2007, \$7,570,429 of the City's bank balances of \$8,082,253 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,570,429
<b>Total</b>	<u>\$ 7,570,429</u>

**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, 2007**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<b>Primary Government</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	
<b>Governmental Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 2,803,076	\$ 879,600	\$ (10,000)	\$ 3,672,676
Infrastructure Land Rights and Other Cost	682,169	-	-	682,169
Construction in Progress	2,499,605	-	(2,499,605)	-
<b>Total Capital Assets not being Depreciated</b>	<u>5,984,850</u>	<u>879,600</u>	<u>(2,509,605)</u>	<u>4,354,845</u>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements	10,658,702	5,417,299	(184,148)	15,891,853
Equipment and Vehicles	6,423,363	798,221	-	7,221,584
Infrastructure - Roads	833,762	-	-	833,762
<b>Total Capital Assets being Depreciated</b>	<u>17,915,827</u>	<u>6,215,520</u>	<u>(184,148)</u>	<u>23,947,199</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(3,201,196)	(377,561)	146,374	(3,432,383)
Equipment and Vehicles	(3,679,292)	(516,832)	-	(4,196,124)
Infrastructure - Roads	(66,334)	(33,350)	-	(99,684)
<b>Total Accumulated Depreciation</b>	<u>(6,946,822)</u>	<u>(927,743)</u>	<u>146,374</u>	<u>(7,728,191)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>10,969,005</u>	<u>5,287,777</u>	<u>(37,774)</u>	<u>16,219,008</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$16,953,855</u>	<u>\$ 6,167,377</u>	<u>\$ (2,547,379)</u>	<u>\$ 20,573,853</u>

City of Easley, South Carolina  
Notes to Financial Statements  
For the Year Ended June 30, 2007

Capital Assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
<b>Business-Type Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
<b>Total Capital Assets not being Depreciated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements	-	12,469	-	12,469
Equipment and Vehicles	20,463	-	-	20,463
Infrastructure - Storm Water	188,960	-	-	188,960
<b>Total Capital Assets being Depreciated</b>	<b>209,423</b>	<b>12,469</b>	<b>-</b>	<b>221,892</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	-	(86)	-	(86)
Equipment and Vehicles	(8,186)	(4,093)	-	(12,279)
Infrastructure - Storm Water	(11,492)	(6,297)	-	(17,789)
<b>Total Accumulated Depreciation</b>	<b>(19,678)</b>	<b>(10,476)</b>	<b>-</b>	<b>(30,154)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>189,745</b>	<b>1,993</b>	<b>-</b>	<b>191,738</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 189,745</b>	<b>\$ 1,993</b>	<b>\$ -</b>	<b>\$ 191,738</b>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 67,918
Judicial Services	25,665
Public Safety	310,250
Public Works	175,652
Recreation and Tourism	306,631
Community Development	41,625
<b>Total Depreciation Expense</b>	<b>\$ 927,741</b>

**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, 2007**

**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 6.50% 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 8.20% 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, 2007, \$4,483,547 of wages were subject to retirement, which is 98.01% of total salaries of \$4,574,812. 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, 2007, 2006, 2005 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2007	\$ 205,439	\$ 234,516
2006	\$ 176,852	\$ 207,786
2005	\$ 145,238	\$ 192,340

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, 2007**

**Long-Term Obligations (continued)**

Summarized below are the City's individual bond and capital lease issues which are outstanding at June 30, 2007:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>Governmental Activities:</b>					
General Obligation Refunding Bonds, Series 2005	Finance Construction of Recreation Complex	\$ 2,135,000	\$ 2,070,000	3.698%	\$ 286,000
General Obligation Bonds, Series 2000	Finance Construction of Law Enforcement Center	3,000,000	2,250,000	4.125 - 6.125%	287,119
Tax Increment Bond, Series 2004	Finance Construction of Downtown Improvements	650,000	605,000	3.440%	77,580
Capital Lease Payable	Acquire Fire Truck	549,865	462,250	3.660%	48,287
Capital Lease Payable	Acquire Vehicles/Equipment	494,000	494,000	3.940%	110,800
Capital Lease Payable	Acquire Vehicles/Equipment	273,040	93,734	3.020%	96,565
Capital Lease Payable	Construct Recreation Complex	6,000,000	5,410,000	4.040%	556,614
Tax Increment Bond, Series 2006	Finance Construction of Downtown Improvements	1,065,000	950,000	4.380%	112,867
<b>Total Governmental Activities</b>		<u>\$ 14,166,905</u>	<u>\$12,334,984</u>		



**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2007**

**Long-Term Obligations (continued)**

Long-term activity for the year ended June 30, 2007 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and Capital Leases Payable:</b>					
General Obligation and Other Bonds	\$ 5,130,000	\$ 1,065,000	\$ 320,000	\$ 5,875,000	\$ 470,500
Capital Leases Payable	6,427,320	494,000	461,336	6,459,984	531,420
<b>Total Bonds and Capital Leases Payable</b>	<u>11,557,320</u>	<u>1,559,000</u>	<u>781,336</u>	<u>12,334,984</u>	<u>1,001,920</u>
Other Liabilities - Compensated Absences	153,971	54,803	579	208,195	20,820
<b>Governmental Activities Long-term Liabilities</b>	<u>\$ 11,711,291</u>	<u>\$ 1,613,803</u>	<u>\$ 781,915</u>	<u>\$ 12,543,179</u>	<u>\$ 1,022,740</u>
<b>Business - Type Activities:</b>					
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Bonds Payable</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Liabilities:					
Compensated Absences	1,512	-	1,512	-	-
<b>Total Other Liabilities</b>	<u>1,512</u>	<u>-</u>	<u>1,512</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities Long-term Liabilities</b>	<u>\$ 1,512</u>	<u>\$ -</u>	<u>\$ 1,512</u>	<u>\$ -</u>	<u>\$ -</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:

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total Primary Government</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2008	\$ 1,001,920	\$ 501,003	\$ 1,502,923	\$ -	\$ -	\$ -	\$ 1,502,923
2009	960,892	458,773	1,419,665	-	-	-	1,419,665
2010	1,003,867	417,062	1,420,929	-	-	-	1,420,929
2011	1,052,492	373,501	1,425,993	-	-	-	1,425,993
2012	1,091,315	329,648	1,420,963	-	-	-	1,420,963
2013-2017	5,432,478	992,189	6,424,667	-	-	-	6,424,667
2018-2020	1,792,020	147,685	1,939,705	-	-	-	1,939,705
<b>Total</b>	<u>\$ 12,334,984</u>	<u>\$ 3,219,861</u>	<u>\$ 15,554,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,554,845</u>

**City of Easley, South Carolina  
Notes to Financial Statements  
For the Year Ended June 30, 2007**

**F. Interfund Balances and Activity**

The following schedule represents interfund receivables and payables at June 30, 2007:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
<b>Primary Government:</b>		
<b>By Fund:</b>		
General	\$ 94,405	\$ 2,057,718
Community Development Fund	-	94,405
TIF Special Revenue Fund	201,134	-
Capital Project Fund	314,912	-
Recreation Fund	70,799	-
Storm Water Fund	569,970	-
Debt Service Fund	35,027	-
Accommodations Tax Fund	2,889	-
Victims Rights Fund	41,426	-
Hospitality Tax Fund	795,273	-
Firemen's Fund	26,288	-
<b>Total Primary Government</b>	<b>\$ 2,152,123</b>	<b>\$ 2,152,123</b>

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, 2007 consisted of the following:

- \$ 474,365      From the general fund to the debt service fund to pay current year debt service obligations.
  
- \$ 600,000      From the capital projects fund to the hospitality tax fund to pay for land acquisitions.
  
- \$ 26,084      From the general fund to the accommodations tax fund for initial setup.
  
- \$ 40,491      From the general fund to the victims rights fund for initial setup.

**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, 2007 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, 2007, will not have a material effect on the net assets of the City.

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2007**

**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.

**I. Rehabilitation Loans**

The City has \$1,038,286 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 83 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. 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, 2007 there were seven retirees who were covered under the City's group insurance plan at a cost of \$30,073.

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

**City of Easley, South Carolina**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property Taxes	\$ 2,788,078	\$ 2,788,078	\$ 2,412,146	\$ (375,932)
Intergovernmental Revenues	3,389,210	3,389,210	3,007,964	(381,246)
Licenses, Permits and Fees	3,454,700	3,454,700	3,213,005	(241,695)
Fines and Forfeitures	642,000	642,000	926,547	284,547
Miscellaneous and Other	115,000	115,000	129,126	14,126
Payments in Lieu of Taxes and Franchise Fees	1,790,900	1,790,900	1,894,835	103,935
Interest Income	10,000	10,000	105,755	95,755
<b>Total Revenues</b>	<u>12,189,888</u>	<u>12,189,888</u>	<u>11,689,378</u>	<u>(500,510)</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
<b>General Government:</b>				
General Government	230,511	230,511	235,452	(4,941)
Council	77,400	77,400	69,034	8,366
Finance	533,723	533,723	524,558	9,165
Building Official	247,330	247,330	422,517	(175,187)
<b>Judicial Services:</b>				
Court	616,961	616,961	787,433	(170,472)
<b>Public Safety:</b>				
Police	2,678,540	2,678,540	2,674,954	3,586
Fire	1,567,000	1,567,000	1,646,359	(79,359)
<b>Public Works:</b>				
Streets	2,185,763	2,185,763	1,852,306	333,457
Sanitation	1,205,346	1,205,346	1,137,060	68,286
Cemetery	32,656	32,656	33,049	(393)
<b>Recreation and Tourism:</b>				
Recreation	1,156,589	1,156,589	1,317,437	(160,848)
Capital Expenditures	1,207,000	1,207,000	638,440	568,560
<b>Debt Service:</b>				
Principal Retirement	135,541	135,541	161,336	(25,795)
Interest and Fiscal Charges	48,952	48,952	24,476	24,476
<b>Total Expenditures</b>	<u>11,923,312</u>	<u>11,923,312</u>	<u>11,524,411</u>	<u>398,901</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	266,576	266,576	164,967	(101,609)
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In	50,000	50,000	26,084	(23,916)
Interfund Transfers (Out)	(551,963)	(551,963)	(514,856)	37,107
Face Amount of Capital Lease	494,000	494,000	494,000	-
<b>Net Change in Fund Balances</b>	258,613	258,613	170,195	(88,418)
<b>Fund Balances, Beginning</b>	<u>4,005,899</u>	<u>4,005,899</u>	<u>4,005,899</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 4,264,512</u>	<u>\$ 4,264,512</u>	<u>\$ 4,176,094</u>	<u>\$ (88,418)</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, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Miscellaneous and Other	\$ 19,900	\$ 19,900	\$ 141,582	\$ 121,682
Interest Income	96,400	96,400	29,546	(66,854)
<b>Total Revenues</b>	<u>116,300</u>	<u>116,300</u>	<u>171,128</u>	<u>54,828</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Community Development	29,400	29,400	160,451	(131,051)
<b>Total Expenditures</b>	<u>29,400</u>	<u>29,400</u>	<u>160,451</u>	<u>(131,051)</u>
 <b>Net Change in Fund Balances</b>	 86,900	 86,900	 10,677	 (76,223)
 <b>Fund Balances, Beginning</b>	 <u>1,490,850</u>	 <u>1,490,850</u>	 <u>1,490,850</u>	 <u>-</u>
 <b>Fund Balances, Ending</b>	 <u><u>\$ 1,577,750</u></u>	 <u><u>\$ 1,577,750</u></u>	 <u><u>\$ 1,501,527</u></u>	 <u><u>\$ (76,223)</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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Tax Increment Revenue	\$ 200,000	\$ 200,000	\$ 229,521	\$ 29,521
Interest Income	100	100	29,007	28,907
<b>Total Revenues</b>	<u>200,100</u>	<u>200,100</u>	<u>258,528</u>	<u>58,428</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Public Works	287,672	287,672	402,465	(114,793)
<b>Total Expenditures</b>	<u>287,672</u>	<u>287,672</u>	<u>402,465</u>	<u>(114,793)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(87,572)</u>	<u>(87,572)</u>	<u>(143,937)</u>	<u>(56,365)</u>
<b>Other Financing Sources and (Uses)</b>				
Face Amount of Bond	-	-	1,050,000	1,050,000
Sale of Fixed Assets	-	-	169,800	169,800
<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>-</u>	<u>1,219,800</u>	<u>1,219,800</u>
<b>Net Change in Fund Balances</b>	<u>(87,572)</u>	<u>(87,572)</u>	<u>1,075,863</u>	<u>1,163,435</u>
<b>Fund Balances, Beginning</b>	<u>172,185</u>	<u>172,185</u>	<u>172,185</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 84,613</u>	<u>\$ 84,613</u>	<u>\$ 1,248,048</u>	<u>\$ 1,163,435</u>

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

City of Easley, South Carolina  
 Budgetary Comparison Schedule  
 Hospitality Tax Fund  
 For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Hospitality Tax	\$ 1,148,373	\$ 1,148,373	\$ 1,143,736	\$ (4,637)
Interest Income	300	300	-	(300)
<b>Total Revenues</b>	<u>1,148,673</u>	<u>1,148,673</u>	<u>1,143,736</u>	<u>(4,937)</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Recreation and Tourism	<u>402,000</u>	<u>402,000</u>	1,708,639	<u>(1,306,639)</u>
<b>Total Expenditures</b>	<u>402,000</u>	<u>402,000</u>	<u>1,708,639</u>	<u>(1,306,639)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>746,673</u>	<u>746,673</u>	<u>(564,903)</u>	<u>(1,311,576)</u>
<b>Other Financing Sources and (Uses)</b>				
Interfund Transfers In	-	-	600,000	600,000
Interfund Transfers (Out)	<u>(530,684)</u>	<u>(530,684)</u>	-	<u>530,684</u>
<b>Total Other Financing Sources and (Uses)</b>	<u>(530,684)</u>	<u>(530,684)</u>	<u>600,000</u>	<u>1,130,684</u>
<b>Net Change in Fund Balances</b>	215,989	215,989	35,097	(180,892)
<b>Fund Balances, Beginning</b>	<u>954,934</u>	<u>954,934</u>	<u>954,934</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,170,923</u>	<u>\$ 1,170,923</u>	<u>\$ 990,031</u>	<u>\$ (180,892)</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, 2007**

**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>
General Government	230,511	235,452	(4,941)
Building Official	414,330	445,012	(30,682)
Court	616,961	787,433	(170,472)
Police	2,878,540	2,900,455	(21,915)
Fire	1,567,000	1,703,692	(136,692)
Cemetery	32,656	33,049	(393)
Recreation	1,272,589	1,422,634	(150,045)

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, 2007

	<u>Debt Service</u>	<u>Accommodations Tax</u>	<u>Victims Rights</u>	<u>Firemen's Fund</u>	<u>Recreation Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Assets</b>						
Cash and Other Cash Deposits	\$ 434,860	\$ -	\$ -	\$ -	\$ -	\$ 434,860
Accounts Receivable	-	20,132	-	-	-	20,132
Interfund Balances	35,027	2,889	41,426	26,288	70,799	176,429
<b>Total Assets</b>	<u>\$ 469,887</u>	<u>\$ 23,021</u>	<u>\$ 41,426</u>	<u>\$ 26,288</u>	<u>\$ 70,799</u>	<u>\$ 631,421</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accrued Salaries	-	-	647	-	-	647
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>647</u>	<u>-</u>	<u>-</u>	<u>647</u>
<b>Fund Balances:</b>						
Reserved for Recreation and Tourism	-	23,021	-	-	-	23,021
Unreserved	469,887	-	40,779	26,288	70,799	607,753
<b>Total Fund Balances</b>	<u>469,887</u>	<u>23,021</u>	<u>40,779</u>	<u>26,288</u>	<u>70,799</u>	<u>630,774</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 469,887</u>	<u>\$ 23,021</u>	<u>\$ 41,426</u>	<u>\$ 26,288</u>	<u>\$ 70,799</u>	<u>\$ 631,421</u>

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, 2007

	Debt Service	Accommodations Tax	Victims Rights	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
<b>Revenues</b>						
Intergovernmental Revenues	\$ -	\$ 69,699	\$ -	\$ 57,528	\$ 50,000	\$ 177,227
Licenses, Permits and Fees	-	-	59,513	-	341,019	400,532
<b>Total Revenues</b>	<u>-</u>	<u>69,699</u>	<u>59,513</u>	<u>57,528</u>	<u>391,019</u>	<u>577,759</u>
<b>Expenditures</b>						
<b>Current Operating:</b>						
Judicial Services	-	-	59,225	-	-	59,225
Public Safety	-	-	-	70,107	-	70,107
Recreation and Tourism	-	20,594	-	-	426,215	446,809
<b>Debt Service:</b>						
Principal Retirement	345,000	-	-	-	-	345,000
Interest and Fiscal Charges	192,939	-	-	-	-	192,939
<b>Total Expenditures</b>	<u>537,939</u>	<u>20,594</u>	<u>59,225</u>	<u>70,107</u>	<u>426,215</u>	<u>1,114,080</u>
<b>Excess Deficiency of (Revenues) Over Expenditures</b>	(537,939)	49,105	288	(12,579)	(35,196)	(536,321)
<b>Other Financing Sources and (Uses)</b>						
Interfund Transfers In	474,365	-	40,491	-	-	514,856
Interfund Transfers (Out)	-	(26,084)	-	-	-	(26,084)
<b>Net Change in Fund Balances</b>	(63,574)	23,021	40,779	(12,579)	(35,196)	(47,549)
<b>Fund Balances, Beginning</b>	<u>533,461</u>	<u>-</u>	<u>-</u>	<u>38,867</u>	<u>105,995</u>	<u>678,323</u>
<b>Fund Balances, Ending</b>	<u>\$ 469,887</u>	<u>\$ 23,021</u>	<u>\$ 40,779</u>	<u>\$ 26,288</u>	<u>\$ 70,799</u>	<u>\$ 630,774</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, 2007**

	<u>Municipal Court</u>
Total Fines Collected and Retained by City	\$ 355,904
Total Assessments, Surcharges, and Other Fees Collected and Remitted to State	\$ 499,096
Total Assessments and Surcharges Collected and Retained by City (Victim Assistance)	\$ 59,513
Total Victim Assistance Fund Balance Available for Appropriation	\$ 40,779

See independent auditors' report.