



**CITY OF EASLEY, SOUTH CAROLINA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
For the Year Ended June 30, 2011**

**City of Easley, South Carolina  
Annual Financial Report  
For the Year Ended June 30, 2011**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1-2
 <b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Statement of Net Assets - Proprietary Fund	9
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Notes to Financial Statements	12-23
 <b>Required Supplemental Information Other than Management's Discussion and Analysis</b>	
Budgetary Comparison Schedule - General Fund	24
Budgetary Comparison Schedule - Community Development Special Revenue Fund	25
Budgetary Comparison Schedule - Hospitality Tax Fund	26
Notes to Required Supplemental Information	27-28
 <b>Supplemental Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	29
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	30
Combining Balance Sheet - Nonmajor Special Revenue Funds	31-32
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	33-34
Schedule of Fines, Assessments, Surcharges and Other Fees - For State Treasurer Requirements	35

## Independent Auditors' Report

To the Honorable Mayor and Council  
City of Easley  
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, 2011), 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, 2011, 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 opinions on these financial statements based on our audit.

The basic financial statements of the Combined Utility System of Easley, a discretely presented component unit, were audited by other auditors. The Utility had total assets of \$117,706,088 as of March 31, 2011, and total revenues of \$43,215,035 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, 2011), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of June 30, 2011, 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's financial statements as a whole. The budgetary comparison schedules on pages 24-28, combining and individual nonmajor fund financial statements on pages 29-34, and other schedule on page 35 are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule, combining and individual nonmajor fund financial statements, and other schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

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

*Byerley, Payne & White, CPA, PA*

Byerley, Payne & White, CPA, PA

November 3, 2011

# **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**City of Easley, South Carolina**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Combined Utility System of Easley FYE 3/31/11
<b>Assets</b>				
Cash and Other Cash Deposits	\$ 3,621,974	\$ -	\$ 3,621,974	\$ 17,219,302
Accounts Receivable	615,599	1,656	617,255	3,966,818
Rehabilitation Loans Receivable	1,396,707	-	1,396,707	-
Other Receivables	-	-	-	-
Property Taxes Receivable	59,002	-	59,002	-
Accrued Interest Receivable	-	-	-	-
Interfund Balances	(691,660)	691,660	-	-
Inventories	131,643	-	131,643	1,691,423
Prepaid Items	85,688	-	85,688	29,686
<b>Restricted Assets:</b>				
Cash and Other Cash Deposits	2,443,207	-	2,443,207	10,416,503
Bond Issue Cost, Net	-	-	-	1,519,466
<b>Capital Assets:</b>				
Non-Depreciable	4,886,529	41,756	4,928,285	7,830,290
Depreciable	27,050,747	581,215	27,631,962	135,043,436
Less Accumulated Depreciation	(11,432,688)	(106,942)	(11,539,630)	(60,010,836)
<b>Total Assets</b>	<b>28,166,748</b>	<b>1,209,345</b>	<b>29,376,093</b>	<b>117,706,088</b>
<b>Liabilities</b>				
Accounts Payable	71,787	-	71,787	2,730,541
Other Payables	6,761	-	6,761	-
Accrued Salaries	151,225	-	151,225	-
Employee Benefits Withheld and Accrued	97,979	-	97,979	182,012
Accrued Interest Payable	73,978	-	73,978	741,534
Deferred Gain on Refunding Bond (Net)	18,184	-	18,184	-
Other Liabilities	-	-	-	1,280,390
<b>Non-Current Liabilities:</b>				
<b>Due Within One Year:</b>				
Compensated Absences	26,105	-	26,105	19,189
Capital Leases Payable	549,377	-	549,377	-
Bonds Payable	583,000	-	583,000	1,545,000
Retainage Payable	-	-	-	123,143
<b>Due in More Than One Year:</b>				
Compensated Absences	234,946	-	234,946	172,703
Net OPEB Liability	840,453	-	840,453	-
Capital Leases Payable	4,006,333	-	4,006,333	-
Bonds Payable	5,035,000	-	5,035,000	50,531,630
<b>Total Liabilities</b>	<b>11,695,128</b>	<b>-</b>	<b>11,695,128</b>	<b>57,326,142</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	10,510,980	427,660	10,938,640	39,714,579
<b>Restricted For:</b>				
Capital Projects	-	-	-	1,488,184
Judicial Services	69,385	-	69,385	-
Public Safety	119,296	-	119,296	-
Recreation and Tourism	1,260,944	-	1,260,944	-
Community Development	628,765	-	628,765	-
Unrestricted	3,882,250	781,685	4,663,935	19,177,183
<b>Total Net Assets</b>	<b>\$ 16,471,620</b>	<b>\$ 1,209,345</b>	<b>\$ 17,680,965</b>	<b>\$ 60,379,946</b>

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, 2011

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit Combined Utility System of Easley FYE 3/31/11
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,314,308	\$ 2,645,801	\$ -	\$ -	\$ 1,331,493	\$ -	\$ 1,331,493	\$ -
Judicial Services	1,010,603	1,038,246	-	-	27,643	-	27,643	-
Public Safety	5,891,926	866,634	64,822	211,334	(4,749,136)	-	(4,749,136)	-
Public Works	3,071,321	56,239	-	84,788	(2,930,294)	-	(2,930,294)	-
Recreation and Tourism	2,387,900	367,720	-	173,820	(1,846,360)	-	(1,846,360)	-
Community Development	439,138	-	202,680	-	(236,458)	-	(236,458)	-
Interest on Long-Term Debt	482,090	-	-	-	(482,090)	-	(482,090)	-
<b>Total Governmental Activities</b>	<b>14,597,286</b>	<b>4,974,640</b>	<b>267,502</b>	<b>469,942</b>	<b>(8,885,202)</b>	<b>-</b>	<b>(8,885,202)</b>	<b>-</b>
<b>Business - Type Activities:</b>								
Storm Water	263,742	370,128	-	-	-	106,386	106,386	-
<b>Total Business - Type Activities</b>	<b>263,742</b>	<b>370,128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,386</b>	<b>106,386</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 14,861,028</b>	<b>\$ 5,344,768</b>	<b>\$ 267,502</b>	<b>\$ 469,942</b>	<b>(8,885,202)</b>	<b>106,386</b>	<b>(8,778,816)</b>	<b>-</b>
<b>Component Unit (FYE 3/31/11):</b>								
Combined Utility System of Easley	\$ 42,061,198	\$ 43,215,035	\$ -	\$ 245,153	-	-	-	1,398,990
<b>Total Component Units</b>	<b>\$ 42,061,198</b>	<b>\$ 43,215,035</b>	<b>\$ -</b>	<b>\$ 245,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,398,990</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes, Levied for General Purposes					3,117,983	-	3,117,983	-
Local Option Sales Tax					1,850,755	-	1,850,755	-
Hospitality Tax					1,245,497	-	1,245,497	-
State Accommodation Taxes					123,245	-	123,245	-
Payments in Lieu of Taxes and Franchise Fees					1,775,185	-	1,775,185	-
Grants and Contributions not Restricted to Specific Programs					400,197	-	400,197	-
Interest Income					37,698	-	37,698	37,394
Gain/(Loss) on Sale of Assets					18,953	-	18,953	15,150
Miscellaneous					60,827	-	60,827	-
Interfund Transfer					40,000	(40,000)	-	-
Capital Contributions					(331,537)	-	(331,537)	269,358
<b>Total General Revenues and Transfers</b>					<b>8,338,803</b>	<b>(40,000)</b>	<b>8,298,803</b>	<b>321,902</b>
<b>Change in Net Assets</b>					<b>(546,399)</b>	<b>66,386</b>	<b>(480,013)</b>	<b>1,720,892</b>
<b>Net Assets, Beginning - Restated</b>					<b>17,018,019</b>	<b>1,142,959</b>	<b>18,160,978</b>	<b>58,659,054</b>
<b>Net Assets, Ending</b>					<b>\$ 16,471,620</b>	<b>\$ 1,209,345</b>	<b>\$ 17,680,965</b>	<b>\$ 60,379,946</b>

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

## **FUND LEVEL FINANCIAL STATEMENTS**



City of Easley, South Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General Fund	Community Development Special Revenue Fund	Hospitality Tax Fund	Easley Town Center Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Other Cash Deposits	\$ 2,813,027	\$ 808,947	\$ -	\$ -	\$ -	\$ 3,621,974
Restricted Assets - Cash and Other Cash Deposits	-	-	-	1,699,873	743,334	2,443,207
Accounts Receivable	473,868	-	107,794	-	33,937	615,599
Rehabilitation Loans Receivable	-	1,396,707	-	-	-	1,396,707
Property Taxes Receivable	59,002	-	-	-	-	59,002
Accrued Interest Receivable	-	-	-	-	-	-
Interfund Balances	3,388,094	-	1,122,128	-	206,389	4,716,611
Inventories	-	131,643	-	-	-	131,643
Prepaid Items	85,688	-	-	-	-	85,688
<b>Total Assets</b>	<b>\$ 6,819,679</b>	<b>\$ 2,337,297</b>	<b>\$ 1,229,922</b>	<b>\$ 1,699,873</b>	<b>\$ 983,660</b>	<b>\$ 13,070,431</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	-	-	71,787	-	-	71,787
Accrued Salaries	151,225	-	-	-	-	151,225
Employee Benefits Withheld and Accrued	97,979	-	-	-	-	97,979
Other Payables	6,093	668	-	-	-	6,761
Interfund Balances	2,003,639	1,330,913	-	1,694,952	378,767	5,408,271
<b>Total Liabilities</b>	<b>2,258,936</b>	<b>1,331,581</b>	<b>71,787</b>	<b>1,694,952</b>	<b>378,767</b>	<b>5,736,023</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	131,643	-	-	-	131,643
Non-Current Receivables	-	824,331	-	-	-	824,331
Prepaid Items	85,688	-	-	-	-	85,688
<b>Restricted for:</b>						
Capital Projects	-	-	-	4,921	-	4,921
Downtown Development	-	-	-	-	266,417	266,417
Judicial Services	-	-	-	-	69,385	69,385
Non-Current Receivables	-	572,376	-	-	-	572,376
Public Safety	-	-	-	-	166,282	166,282
Public Works	-	-	-	-	-	-
Recreation and Tourism	-	-	1,158,135	-	109,907	1,268,042
<b>Unassigned:</b>	<b>4,475,055</b>	<b>(522,635)</b>	<b>-</b>	<b>-</b>	<b>(7,098)</b>	<b>3,945,322</b>
<b>Total Fund Balances</b>	<b>4,560,743</b>	<b>1,005,715</b>	<b>1,158,135</b>	<b>4,921</b>	<b>604,893</b>	<b>7,334,407</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,819,679</b>	<b>\$ 2,337,296</b>	<b>\$ 1,229,922</b>	<b>\$ 1,699,873</b>	<b>\$ 983,660</b>	<b>\$ 13,070,430</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, 2011**

Fund balances - total governmental funds		\$ 7,334,407
<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	31,937,276	
Less accumulated depreciation	<u>(11,432,688)</u>	20,504,588
<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	(5,618,000)	
Capital leases payable	(4,555,710)	
Interest payable	(73,978)	
Net OPEB liability	(840,453)	
Compensated absences	<u>(261,051)</u>	(11,349,192)
<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>21,817</u>	<u>(18,183)</u>
Net assets of governmental activities		<u>\$ 16,471,620</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, 2011**

	<b>General Fund</b>	<b>Community Development Special Revenue Fund</b>	<b>Hospitality Tax Fund</b>	<b>Easley Town Center Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Property Taxes	\$ 2,761,793	\$ -	\$ -	\$ -	\$ 356,190	\$ 3,117,983
Intergovernmental Revenues	2,762,785	202,680	13,820	-	348,067	3,327,352
Licenses, Permits and Fees	3,278,465	-	-	-	430,764	3,709,229
Hospitality Tax	-	-	1,245,497	-	-	1,245,497
Fines and Forfeitures	975,202	-	-	-	10,567	985,769
Miscellaneous and Other	46,371	12,600	-	-	-	58,971
Payments in Lieu of Taxes and Franchise Fees	1,800,017	-	-	-	-	1,800,017
Interest Income	12,379	23,681	-	-	3,099	39,159
<b>Total Revenues</b>	<b>11,637,012</b>	<b>238,961</b>	<b>1,259,317</b>	<b>-</b>	<b>1,148,687</b>	<b>14,283,977</b>
<b>Expenditures</b>						
<b>Current Operating:</b>						
General Government	1,210,195	-	-	-	-	1,210,195
Judicial Services	917,880	-	-	-	48,088	965,968
Public Safety	5,295,531	-	-	-	64,573	5,360,104
Public Works	2,689,089	-	-	-	70,500	2,759,589
Recreation and Tourism	878,649	-	503,819	-	563,369	1,945,837
Community Development	-	402,235	-	-	-	402,235
Capital Expenditures	281,708	-	301,850	-	299,609	883,167
<b>Debt Service:</b>						
Principal Retirement	170,386	-	365,000	-	602,000	1,137,386
Interest and Fiscal Charges	19,644	-	152,545	-	367,463	539,652
<b>Total Expenditures</b>	<b>11,463,082</b>	<b>402,235</b>	<b>1,323,214</b>	<b>-</b>	<b>2,015,602</b>	<b>15,204,133</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>173,930</b>	<b>(163,274)</b>	<b>(63,897)</b>	<b>-</b>	<b>(866,915)</b>	<b>(920,156)</b>
<b>Other Financing Sources and (Uses)</b>						
Interfund Transfers In	87,015	-	-	-	702,356	789,371
Interfund Transfers (Out)	(426,681)	(20,000)	(275,675)	-	(27,015)	(749,371)
Town Center Construction	-	-	-	(331,537)	-	(331,537)
Sale of Fixed Assets	22,655	-	-	-	-	22,655
Insurance Proceeds	39,495	-	-	-	-	39,495
Face Amount of Bond	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>(103,586)</b>	<b>(183,274)</b>	<b>(339,572)</b>	<b>(331,537)</b>	<b>(191,574)</b>	<b>(1,149,543)</b>
<b>Fund Balances, Beginning - Restated</b>	<b>4,664,329</b>	<b>1,188,989</b>	<b>1,497,707</b>	<b>336,458</b>	<b>796,467</b>	<b>8,483,950</b>
<b>Fund Balances, Ending</b>	<b>\$ 4,560,743</b>	<b>\$ 1,005,715</b>	<b>\$ 1,158,135</b>	<b>\$ 4,921</b>	<b>\$ 604,893</b>	<b>\$ 7,334,407</b>

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, 2011**

Net change in fund balances - total governmental funds \$ (1,149,543)

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	883,167	
Less current year depreciation	<u>(1,045,537)</u>	(162,370)

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 exceed repayments.

Face amount of bonds and capital leases	-	
Principal payments	<u>1,137,386</u>	1,137,386

The undepreciated basis on the sale of capital assets decrease net assets (3,702)

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	
Net OPEB liability	(414,778)	
Change in long-term compensated absences	(10,954)	
Change in accrued interest on bonds and capital leases payable	<u>53,926</u>	<u>(368,170)</u>

Change in net assets of governmental activities \$ (546,399)

**City of Easley, South Carolina**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2011**

	<u>Storm Water Fund</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Accounts Receivable	\$ 1,656
Interfund Balance	691,660
<b>Total Current Assets</b>	<u>693,316</u>
<b>Non-Current Assets:</b>	
<b>Capital Assets:</b>	
Buildings and Improvements	12,469
Equipment and Vehicles	118,629
Infrastructure	491,873
Less Accumulated Depreciation	<u>(106,942)</u>
<b>Total Non-Current Assets</b>	<u>516,029</u>
<b>Total Assets</b>	<u>1,209,345</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	427,660
Unrestricted	<u>781,685</u>
<b>Total Net Assets</b>	<u><u>\$ 1,209,345</u></u>

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, 2011**

	<b>Storm Water Fund</b>
<b>Operating Revenues</b>	
Storm Water Fees	\$ 370,128
<b>Total Operating Revenues</b>	370,128
<b>Operating Expenses</b>	
Salaries, Wages and Employee Benefits	23,857
Contractual Services, Materials, Supplies and Other Expenses	212,365
Depreciation Expense	27,520
<b>Total Operating Expenses</b>	263,742
<b>Operating Income (Loss)</b>	106,386
Interfund Transfers (Out)	(40,000)
<b>Change in Net Assets</b>	66,386
<b>Net Assets, Beginning</b>	1,142,959
<b>Net Assets, Ending</b>	\$ 1,209,345

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, 2011

	<b>Storm Water Fund</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operations:</b>	
Receipts from Customers	\$ 392,111
Payments to Employees and Related Benefits	(23,857)
Payments to Suppliers	(212,365)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>155,889</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Interfund Transfers (Out)	(40,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(115,889)
<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>	<b>\$ 106,386</b>
<b>Adjustments Not Affecting Cash:</b>	
Depreciation	27,520
<b>Change in Assets and Liabilities:</b>	
(Increase) Decrease in Accounts Receivable	3,146
(Increase) Decrease in Interfund Balances	18,837
<b>Total Adjustments</b>	<b>49,503</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 155,889</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, 2011**

**Note 1 - Summary of Significant Accounting Policies**

The City of Easley (City) 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.

**Subsequent Events Evaluation**

Management has evaluated subsequent events through November 3, 2011. This is the date the financial statements were available to be issued.

**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 (Utility) 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, 2011, 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 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, 2011**

**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.

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

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

**Capital Projects Fund:** This fund accounts for the disbursement of capital project 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, 2011**

**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, 2011**

**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. 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, 2011**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Primary Government</u>			<u>Ending Balance</u>	<u>Change</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>		
<b>Governmental Activities:</b>					
<b>Capital Assets not being</b>					
<b>Depreciated:</b>					
Land	3,788,903	73,572	-	3,862,475	73,572
Infrastructure Land Rights and Other Cost	707,169	-	-	707,169	-
Construction in Progress	450,000	316,885	(450,000)	316,885	(133,115)
<b>Total Capital Assets not being Depreciated</b>	<u>4,946,072</u>	<u>390,457</u>	<u>(450,000)</u>	<u>4,886,529</u>	<u>(59,543)</u>
<b>Capital Assets being Depreciated:</b>					
Buildings and Improvements	16,346,899	-	-	16,346,899	-
Equipment and Vehicles	8,215,486	492,709	(137,740)	8,570,455	354,969
Infrastructure - Roads	1,683,393	450,000	-	2,133,393	450,000
<b>Total Capital Assets being Depreciated</b>	<u>26,245,778</u>	<u>942,709</u>	<u>(137,740)</u>	<u>27,050,747</u>	<u>804,969</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(4,768,720)	(448,001)	-	(5,216,721)	(448,001)
Equipment and Vehicles	(5,493,382)	(511,380)	134,038	(5,870,724)	(377,342)
Infrastructure - Roads	(259,087)	(86,156)	-	(345,243)	(86,156)
<b>Total Accumulated Depreciation</b>	<u>(10,521,189)</u>	<u>(1,045,537)</u>	<u>134,038</u>	<u>(11,432,688)</u>	<u>(911,499)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>15,724,589</u>	<u>(102,828)</u>	<u>(3,702)</u>	<u>15,618,059</u>	<u>(106,530)</u>
<b>Governmental Activities Capital Assets, net</b>	<u>20,670,661</u>	<u>287,629</u>	<u>(453,702)</u>	<u>20,504,588</u>	<u>(166,073)</u>

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Capital Assets (continued)**

	<u>Primary Government</u>				<u>Change</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	
<b>Business-Type Activities:</b>					
<b>Capital Assets not being Depreciated:</b>					
Land	-	-	-	-	-
Infrastructure Land Rights and Other Cost	-	-	-	-	-
Construction in Progress	-	41,756	-	41,756	41,756
<b>Total Capital Assets not being Depreciated</b>	<u>-</u>	<u>41,756</u>	<u>-</u>	<u>41,756</u>	<u>41,756</u>
<b>Capital Assets being Depreciated:</b>					
Buildings and Improvements	12,469	-	-	12,469	-
Equipment and Vehicles	80,729	37,900	-	118,629	37,900
Infrastructure - Stormwater	413,883	36,234	-	450,117	36,234
<b>Total Capital Assets being Depreciated</b>	<u>507,081</u>	<u>74,134</u>	<u>-</u>	<u>581,215</u>	<u>74,134</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(1,580)	(499)	-	(2,079)	(499)
Equipment and Vehicles	(24,768)	(12,219)	-	(36,987)	(12,219)
Infrastructure - Roads	(53,074)	(14,802)	-	(67,876)	(14,802)
<b>Total Accumulated Depreciation</b>	<u>(79,422)</u>	<u>(27,520)</u>	<u>-</u>	<u>(106,942)</u>	<u>(27,520)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>427,659</u>	<u>46,614</u>	<u>-</u>	<u>474,273</u>	<u>46,614</u>
<b>Governmental Activities Capital Assets, net</b>	<u>427,659</u>	<u>88,370</u>	<u>-</u>	<u>516,029</u>	<u>88,370</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 78,643
Judicial Services	25,665
Public Safety	305,559
Public Works	205,284
Recreation and Tourism	393,483
Community Development	36,903
<b>Total Depreciation Expense</b>	<u>\$ 1,045,537</u>

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**C. 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 City of Title 9 of the SC Code of Laws. The SCRS and PORS 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 9.39% and 11.05%, respectively, of annual covered payroll. These percentages include amounts for group life and accidental death coverage. For the year ended June 30, 2011, \$4,843,543 of wages was subject to retirement, which is 96.72% of total salaries of \$5,008,044. 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, 2011, 2010, 2009 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2011	\$ 231,958	\$ 297,499
2010	\$ 232,359	\$ 291,201
2009	\$ 245,399	\$ 268,295

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

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**D. 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.

Summarized below are the City's individual bond and capital lease issues, which are outstanding at June 30, 2011:

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
<b>Governmental Activities:</b>					
General Obligation Refunding Bonds, Series 2005	Finance Construction of Recreation Complex	\$ 2,135,000	\$ 1,250,000	3.698%	\$ 286,000
General Obligation Bonds, Series 2010	Finance Construction of Law Enforcement Center	3,000,000	1,520,000	2.230%	284,310
General Obligation Bonds, Series 2009	Finance Improvements to Easley Town Center	1,830,000	1,780,000	4.720%	163,956
Capital Lease Payable	Acquire Fire Truck	549,865	329,717	3.660%	48,287
Capital Lease Payable	Construct Recreation Complex	4,455,000	4,090,000	4.040%	550,194
Capital Lease Payable	Acquire Vehicles/Equipment	233,700	135,993	3.060%	56,713
Tax Increment Bond, Series 2010	Finance Construction of Downtown Improvements	<u>1,203,000</u>	<u>1,068,000</u>	2.630%	174,471
<b>Total Governmental Activities</b>		<u><u>\$ 13,406,565</u></u>	<u><u>\$10,173,710</u></u>		

Long-term activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and Capital Leases Payable:</b>					
General Obligation and Other Bonds	\$ 6,255,000	\$ -	\$ 637,000	\$ 5,618,000	\$ 583,000
Capital Leases Payable	<u>5,056,096</u>	-	<u>500,386</u>	<u>4,555,710</u>	<u>549,377</u>
<b>Total Bonds and Capital Leases Payable</b>	11,311,096	-	1,137,386	10,173,710	1,132,377
<b>Other Liabilities:</b>					
Net OPEB Liability	425,675	414,778	-	840,453	-
Compensated Absences	<u>250,097</u>	<u>12,722</u>	<u>1,768</u>	<u>261,051</u>	<u>26,105</u>
<b>Governmental Activities Long-term Liabilities</b>	<u><u>\$ 11,986,868</u></u>	<u><u>\$ 427,500</u></u>	<u><u>\$ 1,139,154</u></u>	<u><u>\$ 11,275,214</u></u>	<u><u>\$ 1,158,482</u></u>



**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**(Long-Term Obligations (continued))**

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	
2012	1,132,377	323,301	1,455,678	\$ -	\$ -	\$ -	\$ 1,455,678
2013	1,202,348	289,223	1,491,571	-	-	-	1,491,571
2014	1,211,952	253,062	1,465,014	-	-	-	1,465,014
2015	1,230,343	215,942	1,446,285	-	-	-	1,446,285
2016	1,291,820	177,694	1,469,514	-	-	-	1,469,514
2017-2021	3,279,870	443,307	3,723,177	-	-	-	3,723,177
2022-2026	670,000	134,284	804,284	-	-	-	804,284
2027	155,000	7,316	162,316	-	-	-	162,316
<b>Total</b>	<b>\$ 10,173,710</b>	<b>\$ 1,844,129</b>	<b>\$ 12,017,839</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,017,839</b>

**E. Interfund Balances and Activity**

The following schedule represents interfund receivables and payables at June 30, 2011:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Primary Government:</b>		
<b>By Fund:</b>		
Accommodations Tax Fund	\$ -	\$ 9,440
Capital Projects Fund	-	1,694,952
Community Development Fund	-	1,330,913
Firemen's Fund	46,986	-
General Fund	3,388,094	2,003,639
Hospitality Tax Fund	1,122,128	-
Local Accommodations Tax Fund	90,018	-
Police Fund	-	29,836
Recreation Fund	-	7,098
Storm Water Fund	691,660	-
TIF Special Revenue Fund	-	332,393
Victims Rights Fund	69,385	-
<b>Total Primary Government</b>	<b>\$ 5,408,271</b>	<b>\$ 5,408,271</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.

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Interfund Balances and Activities (continued)**

Transfers to/from other funds for the year ended June 30, 2011, consisted of the following:

\$ 426,681	From the general fund to the debt service fund to pay current year debt service obligations.
\$ 275,675	From the hospitality tax fund to the debt service fund to pay current year debt service obligations.
\$ 27,015	From the accommodations tax fund to the general fund for allocation of accommodation tax revenue.
\$ 20,000	From the community development fund to the general fund.
\$ 40,000	From the storm water fund to the general fund.

**F. 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, 2011, 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, 2011, will not have a material effect on the net assets of the City.

**G. 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.

**H. Rehabilitation Loans**

The City has \$1,396,707 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 over 100 individual loans outstanding. These loans are for a period of twenty years, at an annual interest rate of three percent (3%). All loans are secured by real estate.

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**I. Post-Employment Health Care Benefits Other Than Pensions**

The City provides group health, dental, and vision insurance benefits for retirees per the terms of an approved policy. The City makes an additional monthly contribution in the amount of 4% of the employee-only base premium for each complete year of service with the City not to exceed 100% of the monthly premium. 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, 2011, there were nine retirees who were covered under the City's group insurance plan at a cost of \$39,222.

*Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligation*

In 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of Other Post Employment Benefits expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers.

The City had an actuarial valuation performed for the plan as of July 1, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2011. The following table summarizes the key actuarial assumptions and cost method:

Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	4.5% annual return net of both administrative and investment related expenses
Health Cost Trend:	10.0% to 5.0% in 0.5% annual steps
Coverage Elections:	100% of eligible retirees will elect coverage and 40% of those will elect to cover the spouse
Active Participant Marriage Assumption:	80% of all active participants are assumed to be married with female spouses assumed to be 3 years younger; 4 years younger for PORS
Mortality Tables:	UP-94 mortality tables with females set back one year
Implicit Subsidy:	The total cost of coverage for pre-65 retirees is 50% higher than the premium amount to account for implicitly subsidized costs

The asset valuation method used initially was market value. The OPEB Plan's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2011, was twenty-seven years.

For 2011, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2011) was as follows:

1. Net OPEB Obligation (Asset), Beginning of Plan Year	\$ 425,675
2. Annual Required Contributions (Normal Cost Plus any Amortization Payments)	454,000
3. Annual OPEB Cost	879,675
4. Contributions Made for the Plan Year	(39,222)
5. Increase (Decrease) in Net OPEB Obligation (Asset)	414,778
6. Net OPEB Obligation (Asset), End of the Plan Year	<u>\$ 840,453</u>

**City of Easley, South Carolina**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**Post-Employment Health Care Benefits Other Than Pensions (continued)**

*Schedule of Employer Contributions*

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2011 were as follows:

Schedule of Employer Contributions					
Actuarial Valuation Date	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	Applicable to Fiscal Year Ending
July 1, 2008	\$454,000	\$28,325	6.24%	\$425,675	June 30, 2010
July 1, 2008	\$454,000	\$39,222	8.64%	\$840,453	June 30, 2011

*Schedule of Funding Progress*

The following schedule will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded % of Payroll (b-a)/(c)
July 1, 2008	-	\$3,104,000	\$3,104,000	-	\$4,734,000	65.6%

**J. Prior Period Restatement**

Beginning Fund Equity was decreased by \$20,132 in the accommodations tax fund due to unrealized receivable from a prior year.

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

**City of Easley, South Carolina**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property Taxes	\$ 2,714,928	\$ 2,714,928	\$ 2,761,793	\$ 46,865
Intergovernmental Revenues	2,643,493	2,643,493	2,762,785	119,292
Licenses, Permits and Fees	3,336,500	3,336,500	3,278,465	(58,035)
Fines and Forfeitures	765,000	765,000	975,202	210,202
Miscellaneous and Other	159,900	159,900	46,371	(113,529)
Payments in Lieu of Taxes and Franchise Fees	1,981,000	1,981,000	1,800,017	(180,983)
Interest Income	7,500	7,500	12,379	4,879
<b>Total Revenues</b>	<u>11,608,321</u>	<u>11,608,321</u>	<u>11,637,012</u>	<u>28,691</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
<b>General Government:</b>				
General Government	325,700	325,700	424,289	(98,589)
Council	105,150	105,150	100,445	4,705
Finance	451,635	451,635	491,437	(39,802)
Building Official	197,029	197,029	194,024	3,005
<b>Judicial Services:</b>				
Court	789,142	789,142	917,880	(128,738)
<b>Public Safety:</b>				
Police	3,185,943	3,185,943	3,258,163	(72,220)
Fire	2,000,843	2,000,843	2,037,368	(36,525)
<b>Public Works:</b>				
Streets	1,535,447	1,535,447	1,626,826	(91,379)
Sanitation	1,099,695	1,099,695	1,023,417	76,278
Cemetery	38,640	38,640	38,846	(206)
<b>Recreation and Tourism:</b>				
Recreation	895,682	895,682	878,649	17,033
Capital Expenditures	555,100	555,100	281,708	273,392
<b>Debt Service:</b>				
Principal Retirement	170,386	170,386	170,386	-
Interest and Fiscal Charges	19,613	19,613	19,644	(31)
<b>Total Expenditures</b>	<u>11,370,005</u>	<u>11,370,005</u>	<u>11,463,082</u>	<u>(93,077)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	238,316	238,316	173,930	(64,386)
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In	40,000	40,000	87,015	47,015
Interfund Transfers (Out)	(707,716)	(707,716)	(426,681)	281,035
Sale of Fixed Assets	-	-	22,655	22,655
Insurance Proceeds	-	-	39,495	39,495
<b>Net Change in Fund Balances</b>	(429,400)	(429,400)	(103,586)	325,814
<b>Fund Balances, Beginning</b>	<u>4,664,329</u>	<u>4,664,329</u>	<u>4,664,329</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 4,234,929</u>	<u>\$ 4,234,929</u>	<u>\$ 4,560,743</u>	<u>\$ 325,814</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 202,680	202,680
Miscellaneous and Other	10,000	10,000	12,600	2,600
Interest Income	<u>32,550</u>	<u>32,550</u>	<u>23,681</u>	<u>(8,869)</u>
<b>Total Revenues</b>	<u>42,550</u>	<u>42,550</u>	<u>238,961</u>	<u>196,411</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Community Development	<u>187,837</u>	<u>187,837</u>	<u>402,235</u>	<u>(214,398)</u>
<b>Total Expenditures</b>	<u>187,837</u>	<u>187,837</u>	<u>402,235</u>	<u>(214,398)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(145,287)	(145,287)	(163,274)	(17,987)
<b>Other Financing Sources and (Uses)</b>				
Interfund Transfers Out	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
<b>Net Change in Fund Balances</b>	<u>(145,287)</u>	<u>(145,287)</u>	<u>(183,274)</u>	<u>(37,987)</u>
<b>Fund Balances, Beginning</b>	<u>1,188,989</u>	<u>1,188,989</u>	<u>1,188,989</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,043,702</u>	<u>\$ 1,043,702</u>	<u>\$ 1,005,715</u>	<u>\$ (37,987)</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 13,820	\$ 13,820
Hospitality Tax	1,180,000	1,180,000	1,245,497	65,497
Interest Income	5,000	5,000	-	(5,000)
<b>Total Revenues</b>	<u>1,185,000</u>	<u>1,185,000</u>	<u>1,259,317</u>	<u>74,317</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Recreation and Tourism	326,100	326,100	503,819	(177,719)
Capital Expenditures	327,000	327,000	301,850	25,150
<b>Debt Service:</b>				
Principal Retirement	360,000	360,000	365,000	(5,000)
Interest and Fiscal Charges	178,568	178,568	152,545	26,023
<b>Total Expenditures</b>	<u>1,191,668</u>	<u>1,191,668</u>	<u>1,323,214</u>	<u>(131,546)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(6,668)	(6,668)	(63,897)	(57,229)
<b>Other Financing Sources and (Uses)</b>				
Interfund Transfers Out	-	-	(275,675)	(275,675)
<b>Net Change in Fund Balances</b>	<u>(6,668)</u>	<u>(6,668)</u>	<u>(339,572)</u>	<u>(332,904)</u>
<b>Fund Balances, Beginning</b>	<u>1,497,707</u>	<u>1,497,707</u>	<u>1,497,707</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,491,039</u>	<u>\$ 1,491,039</u>	<u>\$ 1,158,135</u>	<u>\$ (332,904)</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, 2011**

**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 one public reading and one additional reading, 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	515,699	687,892	(172,193)
Finance	451,635	491,437	(39,802)
Court	789,142	917,880	(128,738)
Cemetary	38,640	38,846	(206)

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

**Note 3 – Other Post-Employment Benefit (OPEB) Plan – Defined Benefit Healthcare Plan – Schedules of Employer Contributions and Funding Status**

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2011 were as follows:

<u>Schedule of Employer Contributions</u>					
<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>	<u>Applicable to Fiscal Year Ending</u>
July 1, 2008	\$454,000	\$28,325	6.24%	\$425,675	June 30, 2010
July 1, 2008	\$454,000	\$39,222	8.64%	\$840,453	June 30, 2011

**City of Easley, South Carolina**  
**Notes to Required Supplemental Information**  
**For the Year Ended June 30, 2011**

**Note 3 – Other Post-Employment Benefit (OPEB) Plan – Defined Benefit Healthcare Plan – Schedules of Employer Contributions and Funding Status (continued)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded % of Payroll (b-a)/(c)
July 1, 2008	-	\$3,104,000	\$3,104,000	-	\$4,734,000	65.6%

## **SUPPLEMENTAL INFORMATION**

**City of Easley, South Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and Other Cash Deposits	\$ -	\$ -	\$ -
Restricted Assets - Cash and Other Cash Deposits	743,334	-	743,334
Accounts Receivable	33,937	-	33,937
Interfund Balances	206,389	-	206,389
<b>Total Assets</b>	<u>\$ 983,660</u>	<u>\$ -</u>	<u>\$ 983,660</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Interfund Balances	378,767	-	378,767
<b>Total Liabilities</b>	<u>378,767</u>	<u>-</u>	<u>378,767</u>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Downtown Development	266,417	-	266,417
Judicial Services	69,385	-	69,385
Public Safety	166,282	-	166,282
Recreation and Tourism	109,907	-	109,907
<b>Unassigned:</b>	<u>(7,098)</u>	<u>-</u>	<u>(7,098)</u>
<b>Total Fund Balances</b>	<u>604,893</u>	<u>-</u>	<u>604,893</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 983,660</u>	<u>\$ -</u>	<u>\$ 983,660</u>

See independent auditors' report.

**City of Easley, South Carolina**  
**Combining Schedule of Revenues, Expenditure, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Property Taxes	\$ 356,190	\$ -	\$ 356,190
Intergovernmental Revenues	348,067	-	348,067
Licenses, Permits and Fees	430,764	-	430,764
Fines and Forfeitures	10,567	-	10,567
Miscellaneous and Other	-	-	-
Interest Income	3,099	-	3,099
<b>Total Revenues</b>	<u>1,148,687</u>	<u>-</u>	<u>1,148,687</u>
<b>Expenditures</b>			
<b>Current Operating:</b>			
Judicial Services	48,088	-	48,088
Public Safety	64,573	-	64,573
Public Works	70,500	-	70,500
Recreation and Tourism	563,369	-	563,369
Capital Expenditures	299,609	-	299,609
<b>Debt Service:</b>			
Principal Retirement	137,000	465,000	602,000
Interest and Fiscal Changes	130,107	237,356	367,463
<b>Total Expenditures</b>	<u>1,313,246</u>	<u>702,356</u>	<u>2,015,602</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(164,559)	(702,356)	(866,915)
<b>Other Financing Sources and (Uses)</b>			
Interfund Transfers In	-	702,356	702,356
Interfund Transfers (Out)	(27,015)	-	(27,015)
<b>Net Change in Fund Balances</b>	(191,574)	-	(191,574)
<b>Fund Balances, Beginning</b>	<u>796,467</u>	<u>-</u>	<u>796,467</u>
<b>Fund Balances, Ending</b>	<u>\$ 604,893</u>	<u>\$ -</u>	<u>\$ 604,893</u>

See independent auditors' report.

City of Easley, South Carolina  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2011

	TIF Fund	Accommodations Tax	Victims Rights	Local Accommodations Tax
<b>Assets</b>				
Restricted Assets - Cash and Other Cash Deposits	\$ 594,202	\$ -	\$ -	\$ -
Accounts Receivable	4,608	23,837	-	5,492
Interfund Balances	-	-	69,385	90,018
<b>Total Assets</b>	<u>\$ 598,810</u>	<u>\$ 23,837</u>	<u>\$ 69,385</u>	<u>\$ 95,510</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Interfund Balances	332,393	9,440	-	-
<b>Total Liabilities</b>	<u>332,393</u>	<u>9,440</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Downtown Development	266,417	-	-	-
Judicial Services	-	-	69,385	-
Public Safety	-	-	-	-
Recreation and Tourism	-	14,397	-	95,510
<b>Unassigned:</b>	-	-	-	-
<b>Total Fund Balances</b>	<u>266,417</u>	<u>14,397</u>	<u>69,385</u>	<u>95,510</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 598,810</u>	<u>\$ 23,837</u>	<u>\$ 69,385</u>	<u>\$ 95,510</u>

See independent auditors' report.

City of Easley, South Carolina  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2011

	Law Enforcement Fund	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
<b>Assets</b>				
Restricted Assets - Cash and Other Cash Deposits	\$ 149,132	\$ -	\$ -	\$ 743,334
Accounts Receivable	-	-	-	33,937
Interfund Balances	-	46,986	-	206,389
<b>Total Assets</b>	<b>\$ 149,132</b>	<b>\$ 46,986</b>	<b>\$ -</b>	<b>\$ 983,660</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Interfund Balances	29,836	-	7,098	378,767
<b>Total Liabilities</b>	<b>29,836</b>	<b>-</b>	<b>7,098</b>	<b>378,767</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Downtown Development	-	-	-	266,417
Judicial Services	-	-	-	69,385
Public Safety	119,296	46,986	-	166,282
Recreation and Tourism	-	-	-	109,907
<b>Unassigned:</b>	<b>-</b>	<b>-</b>	<b>(7,098)</b>	<b>(7,098)</b>
<b>Total Fund Balances</b>	<b>119,296</b>	<b>46,986</b>	<b>(7,098)</b>	<b>604,893</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 149,132</b>	<b>\$ 46,986</b>	<b>\$ -</b>	<b>\$ 983,660</b>

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, 2011

	TIF Fund	Accommodations Tax	Victims Rights	Local Accommodations Tax
<b>Revenues</b>				
Property Taxes	\$ 356,190	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	65,282	-	57,963
Licenses, Permits and Fees	-	-	63,044	-
Fines and Forfeitures	-	-	-	-
Miscellaneous and Other	-	-	-	-
Interest Income	1,638	-	-	-
<b>Total Revenues</b>	<u>357,828</u>	<u>65,282</u>	<u>63,044</u>	<u>57,963</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Judicial Services	-	-	48,088	-
Public Safety	-	-	-	-
Public Works	70,500	-	-	-
Recreation and Tourism	-	35,964	-	53,971
Capital Expenditures	299,609	-	-	-
<b>Debt Service:</b>				
Principal Retirement	137,000	-	-	-
Interest and Fiscal Charges	130,107	-	-	-
<b>Total Expenditures</b>	<u>637,216</u>	<u>35,964</u>	<u>48,088</u>	<u>53,971</u>
<b>Excess Deficiency of (Revenues) Over Expenditures</b>	(279,388)	29,318	14,956	3,992
<b>Other Financing Sources and (Uses)</b>				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	(27,015)	-	-
<b>Net Change in Fund Balances</b>	(279,388)	2,303	14,956	3,992
<b>Fund Balances, Beginning - Restated</b>	<u>545,805</u>	<u>12,094</u>	<u>54,429</u>	<u>91,518</u>
<b>Fund Balances, Ending</b>	<u>\$ 266,417</u>	<u>\$ 14,397</u>	<u>\$ 69,385</u>	<u>\$ 95,510</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, 2011

	Law Enforcement Fund	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
<b>Revenues</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ 356,190
Intergovernmental Revenues	-	64,822	160,000	348,067
Licenses, Permits and Fees	-	-	367,720	430,764
Fines and Forfeitures	10,567	-	-	10,567
Miscellaneous and Other	-	-	-	-
Interest Income	1,461	-	-	3,099
<b>Total Revenues</b>	<u>12,028</u>	<u>64,822</u>	<u>527,720</u>	<u>1,148,687</u>
<b>Expenditures</b>				
<b>Current Operating:</b>				
Judicial Services	-	-	-	48,088
Public Safety	3,921	60,652	-	64,573
Public Works	-	-	-	70,500
Recreation and Tourism	-	-	473,434	563,369
Capital Expenditures	-	-	-	299,609
<b>Debt Service:</b>				
Principal Retirement	-	-	-	137,000
Interest and Fiscal Charges	-	-	-	130,107
<b>Total Expenditures</b>	<u>3,921</u>	<u>60,652</u>	<u>473,434</u>	<u>1,313,246</u>
<b>Excess Deficiency of (Revenues) Over Expenditures</b>	8,107	4,170	54,286	(164,559)
<b>Other Financing Sources and (Uses)</b>				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	-	-	(27,015)
<b>Net Change in Fund Balances</b>	8,107	4,170	54,286	(191,574)
<b>Fund Balances, Beginning - Restated</b>	<u>111,189</u>	<u>42,816</u>	<u>(61,384)</u>	<u>796,467</u>
<b>Fund Balances, Ending</b>	<u>\$ 119,296</u>	<u>\$ 46,986</u>	<u>\$ (7,098)</u>	<u>\$ 604,893</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, 2011**

	<b>Municipal Court</b>
Total Fines Collected and Retained by City	\$ 400,225
Total Assessments, Surcharges, and Other Fees Collected and Remitted to State	\$ 560,034
Total Assessments and Surcharges Collected and Retained by City (Victim Assistance)	\$ 63,044
Total Victim Assistance Fund Balance Available for Appropriation	\$ 69,385

See independent auditors' report.