



CITY OF EASLEY, SOUTH CAROLINA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2012**

CITY OF EASLEY, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S 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, 2012), 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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 \$119,952,529 as of March 31, 2012 and total revenues of \$45,506,901 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, 2012), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of June 30, 2012, 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 Non-Major 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 Non-Major 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, certain additional procedures including comparing and reconciling such information directly to the underlying accounting, other records used to prepare the financial statements or to the financial statements themselves as well as 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

December 6, 2012

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMBINED UTILITY SYSTEM OF EASLEY FYE 3/31/12
ASSETS				
Cash and Other Cash Deposits	\$ 3,109,613	\$ -	\$ 3,109,613	\$ 8,332,360
Accounts Receivable	1,332,746	3,850	1,336,596	3,990,401
Rehabilitation Loans Receivable	1,399,787	-	1,399,787	-
Investments	-	-	-	7,955,026
Property Taxes Receivable	60,005	-	60,005	-
Accrued Interest Receivable	-	-	-	-
Interfund Balances	(518,441)	518,441	-	-
Inventories	131,643	-	131,643	1,629,578
Prepaid Items	-	-	-	220,630
RESTRICTED ASSETS:				
Cash and Other Cash Deposits	1,306,150	-	1,306,150	9,247,964
Bond Issue Cost, Net	-	-	-	1,437,537
CAPITAL ASSETS:				
Non-Depreciable	4,819,940	-	4,819,940	9,066,441
Depreciable	28,218,948	754,774	28,973,722	139,944,272
Less Accumulated Depreciation	(12,299,084)	(137,432)	(12,436,516)	(61,871,680)
TOTAL ASSETS	27,561,307	1,139,633	28,700,940	119,952,529
LIABILITIES				
Accounts Payable	425,146	8,706	433,852	2,900,136
Accrued Salaries	188,716	-	188,716	-
Employee Benefits Withheld and Accrued	107,809	-	107,809	67,898
Accrued Interest Payable	66,317	-	66,317	816,194
Deferred Gain on Refunding Bond (Net)	14,548	-	14,548	-
Other Liabilities	-	-	-	1,303,106
NON-CURRENT LIABILITIES:				
DUE WITHIN ONE YEAR:				
Compensated Absences	26,801	-	26,801	22,526
Capital Leases Payable	577,347	-	577,347	-
Bonds Payable	625,000	-	625,000	1,699,795
Retainage Payable	-	-	-	357,298
DUE IN MORE THAN ONE YEAR:				
Compensated Absences	241,210	-	241,210	202,730
Net OPEB Liability	1,282,840	-	1,282,840	-
Capital Leases Payable	5,208,986	-	5,208,986	-
Bonds Payable	2,630,000	-	2,630,000	49,969,365
TOTAL LIABILITIES	11,394,720	8,706	11,403,426	57,339,048
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11,717,565	617,342	12,334,907	42,888,275
RESTRICTED FOR:				
Capital Projects	-	-	-	1,829,562
Judicial Services	70,537	-	70,537	-
Public Safety	167,074	-	167,074	-
Recreation and Tourism	909,236	-	909,236	-
Community Development	835,549	-	835,549	-
Unrestricted	2,466,626	513,585	2,980,211	17,895,644
TOTAL NET ASSETS	\$ 16,166,587	\$ 1,130,927	\$ 17,297,514	\$ 62,613,481

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

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNIT COMBINED UTILITY SYSTEM OF EASLEY FYE 3/31/12
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
FUNCTION/PROGRAM ACTIVITIES								
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 1,304,159	\$ 2,722,312	\$ -	\$ -	\$ 1,418,153	\$ -	\$ 1,418,153	\$ -
Judicial Services	1,011,481	967,269	-	-	(44,212)	-	(44,212)	-
Public Safety	5,826,539	546,588	69,859	87,065	(5,123,027)	-	(5,123,027)	-
Public Works	3,329,119	50,645	-	482,564	(2,795,910)	-	(2,795,910)	-
Recreation and Tourism	2,618,191	435,297	-	-	(2,182,894)	-	(2,182,894)	-
Community Development	247,108	-	-	-	(247,108)	-	(247,108)	-
Interest on Long-Term Debt	313,521	-	-	-	(313,521)	-	(313,521)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>14,650,118</u>	<u>4,722,111</u>	<u>69,859</u>	<u>569,629</u>	<u>(9,288,519)</u>	<u>-</u>	<u>(9,288,519)</u>	<u>-</u>
BUSINESS - TYPE ACTIVITIES:								
Storm Water	215,521	360,103	-	-	-	144,582	144,582	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>215,521</u>	<u>360,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,582</u>	<u>144,582</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,865,639</u>	<u>\$ 5,082,214</u>	<u>\$ 69,859</u>	<u>\$ 569,629</u>	<u>(9,288,519)</u>	<u>144,582</u>	<u>(9,143,937)</u>	<u>-</u>
COMPONENT UNIT (FYE 3/31/12):								
Combined Utility System of Easley	\$ 43,806,565	\$ 44,398,767	\$ -	\$ 1,054,847	-	-	-	1,647,049
TOTAL COMPONENT UNITS	<u>\$ 43,806,565</u>	<u>\$ 44,398,767</u>	<u>\$ -</u>	<u>\$ 1,054,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,049</u>
GENERAL REVENUES:								
TAXES:								
Property Taxes, Levied for General Purposes					3,013,669	-	3,013,669	-
Local Option Sales Tax					1,929,452	-	1,929,452	-
Hospitality Tax					1,390,024	-	1,390,024	-
State Accommodation Taxes					113,765	-	113,765	-
Payments in Lieu of Taxes and Franchise Fees					1,705,967	-	1,705,967	-
Grants and Contributions not Restricted to Specific Programs					365,578	-	365,578	-
Interest Income					35,673	-	35,673	35,971
Gain/(Loss) on Sale of Assets					94,656	-	94,656	17,316
Miscellaneous					84,451	-	84,451	-
Interfund Transfer					223,000	(223,000)	-	-
Capital Contributions					20,000	-	20,000	533,199
TOTAL GENERAL REVENUES AND TRANSFERS					<u>8,976,235</u>	<u>(223,000)</u>	<u>8,753,235</u>	<u>586,486</u>
CHANGE IN NET ASSETS					<u>(312,284)</u>	<u>(78,418)</u>	<u>(390,702)</u>	<u>2,233,535</u>
NET ASSETS, BEGINNING - RESTATED					<u>16,478,871</u>	<u>1,209,345</u>	<u>17,688,216</u>	<u>60,379,946</u>
NET ASSETS, ENDING					<u>\$ 16,166,587</u>	<u>\$ 1,130,927</u>	<u>\$ 17,297,514</u>	<u>\$ 62,613,481</u>

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, 2012

	GENERAL FUND	COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND	HOSPITALITY TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Other Cash Deposits	\$ 3,109,613	\$ -	\$ -	\$ -	\$ 3,109,613
Restricted Assets - Cash and Other Cash Deposits	-	563,401	-	742,749	1,306,150
Accounts Receivable	1,162,429	-	119,473	50,844	1,332,746
Rehabilitation Loans Receivable	-	1,399,787	-	-	1,399,787
Property Taxes Receivable	60,005	-	-	-	60,005
Accrued Interest Receivable	-	-	-	-	-
Interfund Balances	1,857,883	13,530	878,916	158,522	2,908,851
Inventories	-	131,643	-	-	131,643
TOTAL ASSETS	\$ 6,189,930	\$ 2,108,361	\$ 998,389	\$ 952,115	\$ 10,248,795
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts Payable	297,038	412	124,393	3,303	425,146
Accrued Salaries	188,716	-	-	-	188,716
Employee Benefits Withheld and Accrued	107,809	-	-	-	107,809
Interfund Balances	1,574,168	1,272,400	-	580,724	3,427,292
TOTAL LIABILITIES	2,167,731	1,272,812	124,393	584,027	4,148,963
FUND BALANCES:					
NONSPENDABLE:					
Inventory	-	131,643	-	-	131,643
Non-Current Receivables	-	835,707	-	-	835,707
RESTRICTED FOR:					
Capital Projects	-	-	-	-	-
Community Development	-	562,880	-	-	562,880
Downtown Development	-	-	-	99,137	99,137
Judicial Services	-	-	-	70,537	70,537
Non-Current Receivables	-	564,080	-	-	564,080
Public Safety	-	-	-	167,074	167,074
Public Works	-	-	-	-	-
Recreation and Tourism	-	-	873,996	35,240	909,236
UNASSIGNED:	4,022,199	(1,258,761)	-	(3,900)	2,759,538
TOTAL FUND BALANCES	4,022,199	835,549	873,996	368,088	6,099,832
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,189,930	\$ 2,108,361	\$ 998,389	\$ 952,115	\$ 10,248,795

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

CITY OF EASLEY, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Fund balances - total governmental funds \$ 6,099,832

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources; therefore, are not reported in the governmental funds.

Governmental capital assets	33,038,888	
Less accumulated depreciation	(12,299,084)	20,739,804

Long-term and other liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.

Governmental bonds payable	(3,255,000)	
Capital leases payable	(5,786,333)	
Interest payable	(66,317)	
Net OPEB liability	(1,282,840)	
Compensated absences	(268,011)	(10,658,501)

Deferred Gain on refinancing of bonds is not a financial resource; therefore, is not reported in the governmental funds.

Deferred gain	(40,000)	
Amortization	25,452	(14,548)

Net assets of governmental activities \$ 16,166,587

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	GENERAL FUND	COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND	HOSPITALITY TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 2,651,425	\$ -	\$ -	\$ 362,244	\$ 3,013,669
Intergovernmental Revenues	3,006,774	-	-	197,596	3,204,370
Licenses, Permits and Fees	3,501,985	-	-	61,609	3,563,594
Hospitality Tax	-	-	1,390,024	-	1,390,024
Fines and Forfeitures	904,559	-	-	1,000	905,559
Miscellaneous and Other	89,350	31,635	-	6,480	127,465
Payments in Lieu of Taxes and Franchise Fees	1,754,484	-	-	-	1,754,484
Interest Income	11,027	23,404	-	2,223	36,654
TOTAL REVENUES	11,919,604	55,039	1,390,024	631,152	13,995,819
EXPENDITURES					
CURRENT OPERATING:					
General Government	1,166,755	-	-	-	1,166,755
Judicial Services	913,089	-	-	47,730	960,819
Public Safety	5,245,557	-	-	59,668	5,305,225
Public Works	2,946,391	-	-	103,396	3,049,787
Recreation and Tourism	1,390,806	-	662,984	95,167	2,148,957
Community Development	-	210,205	-	-	210,205
Capital Expenditures	469,204	-	510,023	306,991	1,286,218
DEBT SERVICE:					
Principal Retirement	89,376	-	385,000	658,000	1,132,376
Interest and Fiscal Charges	14,128	-	116,156	194,534	324,818
TOTAL EXPENDITURES	12,235,306	210,205	1,674,163	1,465,486	15,585,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(315,702)	(155,166)	(284,139)	(834,334)	(1,589,341)
OTHER FINANCING SOURCES AND (USES)					
Interfund Transfers In	319,758	-	-	686,446	1,006,204
Interfund Transfers (Out)	(686,446)	(15,000)	-	(108,187)	(809,633)
Capital Contribution	20,000	-	-	-	20,000
Sale of Fixed Assets	92,696	-	-	-	92,696
Insurance Proceeds	38,248	-	-	-	38,248
Face Amount of Bond	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(531,446)	(170,166)	(284,139)	(256,075)	(1,241,826)
FUND BALANCES, BEGINNING - RESTATED	4,553,645	1,005,715	1,158,135	624,163	7,341,658
FUND BALANCES, ENDING	\$ 4,022,199	\$ 835,549	\$ 873,996	\$ 368,088	\$ 6,099,832

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

CITY OF EASLEY, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (1,241,826)

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	1,286,218	
Less current year depreciation	<u>(1,046,000)</u>	240,218

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.

Principal payments		1,132,376
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The undepreciated basis on the sale of capital assets decreases net assets		(5,001)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

Amortization of gain on 2005 refunding bond	3,636	
Net OPEB liability	(442,387)	
Change in long-term compensated absences	(6,961)	
Change in accrued interest on bonds and capital leases payable	<u>7,661</u>	<u>(438,051)</u>

Change in net assets of governmental activities		<u>\$ (312,284)</u>
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CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2012

	<u>STORM WATER FUND</u>
ASSETS	
CURRENT ASSETS:	
Accounts Receivable	\$ 3,850
Interfund Balance	<u>518,441</u>
TOTAL CURRENT ASSETS	<u>522,291</u>
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Buildings and Improvements	12,469
Equipment and Vehicles	118,629
Infrastructure	623,676
Less Accumulated Depreciation	<u>(137,432)</u>
TOTAL NON-CURRENT ASSETS	<u>617,342</u>
TOTAL ASSETS	<u>1,139,633</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	<u>8,706</u>
TOTAL LIABILITIES	<u>8,706</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	617,342
Unrestricted	<u>513,585</u>
TOTAL NET ASSETS	<u>\$ 1,130,927</u>

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

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	STORM WATER FUND
OPERATING REVENUES	
Storm Water Fees	\$ 360,103
TOTAL OPERATING REVENUES	<u>360,103</u>
OPERATING EXPENSES	
Salaries, Wages and Employee Benefits	4,205
Contractual Services, Materials, Supplies and Other Expenses	180,825
Depreciation Expense	30,491
TOTAL OPERATING EXPENSES	<u>215,521</u>
OPERATING INCOME (LOSS)	<u>144,582</u>
Interfund Transfers (Out)	(223,000)
CHANGE IN NET ASSETS	(78,418)
NET ASSETS, BEGINNING	<u>1,209,345</u>
NET ASSETS, ENDING	<u>\$ 1,130,927</u>

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

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	<u>STORM WATER FUND</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
CASH FLOWS FROM OPERATIONS:	
Receipts from Customers	\$ 531,129
Payments to Employees and Related Benefits	(4,205)
Payments to Suppliers	<u>(172,121)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>354,803</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Interfund Transfers (Out)	(223,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(131,803)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
OPERATING INCOME (LOSS)	<u>\$ 144,582</u>
ADJUSTMENTS NOT AFFECTING CASH:	
Depreciation	30,491
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	(2,197)
(Increase) Decrease in Interfund Balances	173,221
Increase (Decrease) in Accounts Payable	<u>8,706</u>
TOTAL ADJUSTMENTS	<u>210,221</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 354,803</u>

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

NOTES TO FINANCIAL STATEMENTS

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 December 6, 2012. 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, 2012, 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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 as well as 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. Inter-fund Transactions

Inter-fund 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments purchased with a maturity of three months or less 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, disclosures of contingent assets and liabilities at the date of the financial statements as well as 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 1st and on motor vehicles during the month of the annual renewal. Real property taxes are levied on October 1st and are due and payable by January 15th of the following year. All unpaid taxes become delinquent March 15th of the following year. The County bills and collects the taxes for the City.

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

B. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	3,862,474	20,000	(5,000)	3,877,474
Infrastructure Land Rights and Other Cost	707,169	-	-	707,169
Construction in Progress	316,885	235,297	(316,885)	235,297
Total Capital Assets not being Depreciated	4,886,528	255,297	(321,885)	4,819,940
Capital Assets being Depreciated:				
Buildings and Improvements	16,346,899	1,045,292	-	17,392,191
Equipment and Vehicles	8,570,455	302,514	(179,605)	8,693,364
Infrastructure - Roads	2,133,393	-	-	2,133,393
Total Capital Assets being Depreciated	27,050,747	1,347,806	(179,605)	28,218,948
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,216,722)	(461,081)	-	(5,677,803)
Equipment and Vehicles	(5,870,724)	(498,763)	179,605	(6,189,882)
Infrastructure - Roads	(345,243)	(86,156)	-	(431,399)
Total Accumulated Depreciation	(11,432,689)	(1,046,000)	179,605	(12,299,084)
Total Capital Assets being Depreciated, Net	15,618,058	301,806	-	15,919,864
Governmental Activities Capital Assets, net	20,504,586	557,103	(321,885)	20,739,804

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

Capital Assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	-	-	-	-
Infrastructure Land Rights and Other Cost	-	-	-	-
Construction in Progress	41,756	-	(41,756)	-
Total Capital Assets not being Depreciated	41,756	-	(41,756)	-
Capital Assets being Depreciated:				
Buildings and Improvements	12,469	-	-	12,469
Equipment and Vehicles	118,629	-	-	118,629
Infrastructure - Stormwater	450,117	173,559	-	623,676
Total Capital Assets being Depreciated	581,215	173,559	-	754,774
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,079)	(499)	-	(2,578)
Equipment and Vehicles	(36,987)	(14,024)	-	(51,011)
Infrastructure - Roads	(67,875)	(15,968)	-	(83,843)
Total Accumulated Depreciation	(106,941)	(30,491)	-	(137,432)
Total Capital Assets being Depreciated, Net	474,274	143,068	-	617,342
Governmental Activities Capital Assets, net	516,030	143,068	(41,756)	617,342

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 74,518
Judicial Services	25,665
Public Safety	287,578
Public Works	205,227
Recreation and Tourism	416,109
Community Development	36,903
Total Depreciation Expense	\$ 1,046,000

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

C. Retirement Plans

The City of Easley contributes to the South Carolina Retirement System (SCRS) and to the Police Officers Retirement System (PORS). These are 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 for the City are established under 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, 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 9.535% and 11.763%, respectively, of annual covered payroll. These percentages include amounts for group life and accidental death coverage. For the year ended June 30, 2012, \$4,934,274 of wages was subject to retirement, which is 98.72% of total salaries of \$4,998,302. 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, 2012, 2011, 2010 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2012	\$ 241,900	\$ 302,490
2011	\$ 231,958	\$ 297,499
2010	\$ 232,359	\$ 291,201

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

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

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, 2012:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
Governmental Activities:					
General Obligation Refunding Bonds, Series 2005	Finance Construction of Recreation Complex	\$ 2,135,000	\$ 1,025,000	3.698%	\$ 286,000
General Obligation Bonds, Series 2010	Finance Construction of Law Enforcement Center	3,000,000	1,300,000	2.230%	284,310
General Obligation Bonds, Series 2009	Finance Improvements to Easley Town Center	1,830,000	1,705,000	4.720%	163,956
Capital Lease Payable	Acquire Fire Truck	549,865	293,497	3.660%	48,287
Capital Lease Payable	Construct Recreation Complex	4,455,000	3,705,000	4.040%	550,194
Capital Lease Payable	Acquire Vehicles/Equipment	233,700	82,836	3.060%	56,713
Tax Increment Bond, Series 2010	Finance Construction of Downtown Improvements	1,203,000	930,000	2.630%	174,471
Total Governmental Activities		<u>\$ 13,406,565</u>	<u>\$ 9,041,333</u>		

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

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation and Other Bonds	\$ 3,838,000	\$ -	\$ 583,000	\$ 3,255,000	\$ 625,000
Capital Leases Payable	6,335,709	-	549,376	5,786,333	577,347
Total Bonds and Capital Leases Payable	10,173,709	-	1,132,376	9,041,333	1,202,347
Other Liabilities:					
Net OPEB Liability	840,453	442,387	-	1,282,840	-
Compensated Absences	261,051	8,388	1,428	268,011	26,801
Governmental Activities Long-term Liabilities	<u>\$ 11,275,213</u>	<u>\$ 450,775</u>	<u>\$ 1,133,804</u>	<u>\$ 10,592,184</u>	<u>\$ 1,229,148</u>

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

(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
	Principal	Interest	Total	Principal	Interest	Total	Primary Government
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	1,053,351	137,635	1,190,986	-	-	-	1,190,986
2018-2022	2,346,519	344,611	2,691,130	-	-	-	2,691,130
2023-2027	705,000	102,660	807,660	-	-	-	807,660
Total	\$ 9,041,333	\$ 1,520,827	\$ 10,562,160	\$ -	\$ -	\$ -	\$ 10,562,160

E. Inter-fund Balances and Activity

The following schedule represents inter-fund receivables and payables at June 30, 2012:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
By Fund:		
Accommodations Tax Fund	\$ -	\$ 23,756
Capital Projects Fund	-	701
Community Development Fund	13,530	1,272,400
Firemen's Fund	55,325	-
General Fund	1,853,124	1,574,167
Hospitality Tax Fund	878,916	-
Local Accommodations Tax Fund	30,829	-
Police Fund	-	34,836
Recreation Fund	4,760	-
Storm Water Fund	518,439	-
TIF Special Revenue Fund	-	521,431
Victims Rights Fund	72,368	-
Total Primary Government	\$ 3,427,291	\$ 3,427,291

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.

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

Inter-fund Balances and Activities (continued)

Transfers to/from other funds for the year ended June 30, 2012 consisted of the following:

\$ 686,446	From the General Fund to the Debt Service Fund to pay current year debt service obligations
\$ 223,000	From the Stormwater Fund to the General Fund
\$ 70,602	From the Local Accommodations Tax Fund to the General Fund
\$ 15,000	From the Community Development Fund to the General Fund
\$ 26,429	From the Accommodations Tax Fund to the General Fund for allocation of accommodation tax revenue
\$ 5,000	From the Police Fund to the General Fund
\$ 6,156	From the Fire 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, 2012 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 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, 2012, 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 \$1,399,787 outstanding in rehabilitation loans. These loans were funded by grants from the Federal Government. 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.

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

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 base premium for employees only 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, 2012, there were eleven retirees who were covered under the City's group insurance plan at a cost of \$55,836.

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 as well as 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, 2012. 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, 2012 was twenty-six years.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – DETAIL NOTES – ALL FUNDS - CONTINUED

For 2012, 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 2012) was as follows:

Employer Normal Cost	\$ 287,577
Amortization of UAAL*	<u>224,423</u>
Annual Required Contribution	512,000
Interest on Net OPEB Obligation	37,820
Amortization of Net OPEB Obligation	<u>(51,597)</u>
Annual OPEB Cost - Current Year	498,223
Contributions Made	<u>(55,836)</u>
Change in net OPEB Obligation	442,387
Beginning Balance	<u>840,453</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,282,840</u></u>

*Unfunded Actuarial Accrued Liabilities (UAAL) are being amortized over 30 years.

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 2012 were as follows:

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
June 30, 2010	\$454,000	\$28,325	6.24%	\$425,675	June 30, 2010
June 30, 2011	\$454,000	\$39,222	8.64%	\$840,453	June 30, 2011
June 30, 2012	\$498,223	\$55,836	11.21%	\$1,282,840	June 30, 2012

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:

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 increased by \$7,251 in the Victims Fund due to reclassification of expenses from a prior year.

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

CITY OF EASLEY, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 2,724,178	\$ 2,724,178	\$ 2,651,425	\$ (72,753)
Intergovernmental Revenues	2,491,655	2,491,655	3,006,774	515,119
Licenses, Permits and Fees	3,633,100	3,633,100	3,501,985	(131,115)
Fines and Forfeitures	850,000	850,000	904,559	54,559
Miscellaneous and Other	118,300	118,300	89,350	(28,950)
Payments in Lieu of Taxes and Franchise Fees	1,877,000	1,877,000	1,754,484	(122,516)
Interest Income	10,000	10,000	11,027	1,027
TOTAL REVENUES	11,704,233	11,704,233	11,919,604	215,371
EXPENDITURES				
CURRENT OPERATING:				
GENERAL GOVERNMENT:				
General Government	508,694	508,694	386,653	122,041
Council	95,750	95,750	103,399	(7,649)
Finance	461,554	461,554	478,928	(17,374)
Building Official	194,274	194,274	197,775	(3,501)
JUDICIAL SERVICES:				
Court	794,724	794,724	913,089	(118,365)
PUBLIC SAFETY:				
Police	3,176,676	3,176,676	3,206,100	(29,424)
Fire	1,997,893	1,997,893	2,039,457	(41,564)
PUBLIC WORKS:				
Streets	1,436,802	1,436,802	1,833,570	(396,768)
Sanitation	1,068,051	1,068,051	1,074,991	(6,940)
Cemetery	36,787	36,787	37,830	(1,043)
RECREATION AND TOURISM:				
Recreation	1,240,826	1,240,826	1,390,806	(149,980)
Capital Expenditures	268,000	268,000	469,204	(201,204)
DEBT SERVICE:				
Principal Retirement	89,376	89,376	89,376	-
Interest and Fiscal Charges	15,623	15,623	14,128	1,495
TOTAL EXPENDITURES	11,385,030	11,385,030	12,235,306	(850,276)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	319,203	319,203	(315,702)	(634,905)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers In	75,000	75,000	319,758	244,758
Interfund Transfers (Out)	(683,434)	(683,434)	(686,446)	(3,012)
Capital Contributions	-	-	20,000	20,000
Sale of Fixed Assets	-	-	92,696	92,696
Insurance Proceeds	-	-	38,248	38,248
NET CHANGE IN FUND BALANCES	(289,231)	(289,231)	(531,446)	(242,215)
FUND BALANCES, BEGINNING	4,553,645	4,553,645	4,553,645	-
FUND BALANCES, ENDING	\$ 4,264,414	\$ 4,264,414	\$ 4,022,199	\$ (242,215)

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

CITY OF EASLEY, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	-
Miscellaneous and Other	6,000	6,000	31,635	25,635
Interest Income	17,500	17,500	23,404	5,904
TOTAL REVENUES	<u>23,500</u>	<u>23,500</u>	<u>55,039</u>	<u>31,539</u>
EXPENDITURES				
CURRENT OPERATING:				
Community Development	187,837	187,837	210,205	(22,368)
TOTAL EXPENDITURES	<u>187,837</u>	<u>187,837</u>	<u>210,205</u>	<u>(22,368)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(164,337)	(164,337)	(155,166)	9,171
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers Out	-	-	(15,000)	(15,000)
NET CHANGE IN FUND BALANCES	(164,337)	(164,337)	(170,166)	(5,829)
FUND BALANCES, BEGINNING	<u>1,005,715</u>	<u>1,005,715</u>	<u>1,005,715</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 841,378</u>	<u>\$ 841,378</u>	<u>\$ 835,549</u>	<u>\$ (5,829)</u>

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

CITY OF EASLEY, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Hospitality Tax	1,215,000	1,215,000	1,390,024	175,024
Interest Income	5,000	5,000	-	(5,000)
TOTAL REVENUES	<u>1,220,000</u>	<u>1,220,000</u>	<u>1,390,024</u>	<u>170,024</u>
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	399,200	399,200	662,984	(263,784)
Capital Expenditures	395,500	395,500	510,023	(114,523)
DEBT SERVICE:				
Principal Retirement	385,000	385,000	385,000	-
Interest and Fiscal Charges	116,156	116,156	116,156	-
TOTAL EXPENDITURES	<u>1,295,856</u>	<u>1,295,856</u>	<u>1,674,163</u>	<u>(378,307)</u>
NET CHANGE IN FUND BALANCES	(75,856)	(75,856)	(284,139)	(208,283)
FUND BALANCES, BEGINNING	<u>1,158,135</u>	<u>1,158,135</u>	<u>1,158,135</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,082,279</u>	<u>\$ 1,082,279</u>	<u>\$ 873,996</u>	<u>\$ (208,283)</u>

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

CITY OF EASLEY, SOUTH CAROLINA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2012

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>
Council	95,750	103,399	(7,649)
Finance	461,554	478,928	(17,374)
Building Official	194,274	197,775	(3,501)
Court	794,724	913,089	(118,365)
Streets	1,436,802	1,833,570	(396,768)
Cemetery	36,787	37,830	(1,043)
Recreation	1,240,826	1,390,806	(149,980)

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 2012 were as follows:

Employer Normal Cost	\$ 287,577
Amortization of UAAL*	224,423
Annual Required Contribution	<u>512,000</u>
Interest on Net OPEB Obligation	37,820
Amortization of Net OPEB Obligation	<u>(51,597)</u>
Annual OPEB Cost - Current Year	498,223
Contributions Made	<u>(55,836)</u>
Change in net OPEB Obligation	442,387
Beginning Balance	<u>840,453</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,282,840</u></u>

CITY OF EASLEY, SOUTH CAROLINA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2012

NOTE 3 – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN – DEFINED BENEFIT HEALTHCARE PLAN – SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING STATUS (CONTINUED)

*Unfunded Actuarial Accrued Liabilities (UAAL) are being amortized over 30 years.

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, 2012

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Other Cash Deposits	\$ -	\$ -	\$ -
Restricted Assets - Cash and Other Cash Deposits	742,749	-	742,749
Accounts Receivable	50,844	-	50,844
Interfund Balances	158,522	-	158,522
TOTAL ASSETS	<u>\$ 952,115</u>	<u>\$ -</u>	<u>\$ 952,115</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	3,303	-	3,303
Interfund Balances	580,724	-	580,724
TOTAL LIABILITIES	<u>584,027</u>	<u>-</u>	<u>584,027</u>
FUND BALANCES:			
RESTRICTED FOR:			
Downtown Development	99,137	-	99,137
Judicial Services	70,537	-	70,537
Public Safety	167,074	-	167,074
Recreation and Tourism	35,240	-	35,240
UNASSIGNED:	<u>(3,900)</u>	<u>-</u>	<u>(3,900)</u>
TOTAL FUND BALANCES	<u>368,088</u>	<u>-</u>	<u>368,088</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 952,115</u>	<u>\$ -</u>	<u>\$ 952,115</u>

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 362,244	\$ -	\$ 362,244
Intergovernmental Revenues	197,596	-	197,596
Licenses, Permits and Fees	61,609	-	61,609
Fines and Forfeitures	1,000	-	1,000
Miscellaneous and Other	6,480	-	6,480
Interest Income	2,223	-	2,223
TOTAL REVENUES	<u>631,152</u>	<u>-</u>	<u>631,152</u>
EXPENDITURES			
CURRENT OPERATING:			
Judicial Services	47,730	-	47,730
Public Safety	59,668	-	59,668
Public Works	103,396	-	103,396
Recreation and Tourism	95,167	-	95,167
Capital Expenditures	306,991	-	306,991
DEBT SERVICE:			
Principal Retirement	138,000	520,000	658,000
Interest and Fiscal Changes	28,088	166,446	194,534
TOTAL EXPENDITURES	<u>779,040</u>	<u>686,446</u>	<u>1,465,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,888)	(686,446)	(834,334)
OTHER FINANCING SOURCES AND (USES)			
Interfund Transfers In	-	686,446	686,446
Interfund Transfers (Out)	(108,187)	-	(108,187)
NET CHANGE IN FUND BALANCES	(256,075)	-	(256,075)
FUND BALANCES, BEGINNING	<u>624,163</u>	<u>-</u>	<u>624,163</u>
FUND BALANCES, ENDING	<u>\$ 368,088</u>	<u>\$ -</u>	<u>\$ 368,088</u>

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2012

	TIF FUND	ACCOMMODATIONS TAX	VICTIMS RIGHTS	LOCAL ACCOMMODATIONS TAX
ASSETS				
Restricted Assets - Cash and Other Cash Deposits	\$ 595,444	\$ -	\$ -	\$ -
Accounts Receivable	25,789	19,989	-	5,066
Interfund Balances	-	-	72,368	30,829
TOTAL ASSETS	\$ 621,233	\$ 19,989	\$ 72,368	\$ 35,895
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	665	-	1,831	655
Interfund Balances	521,431	23,756	-	-
TOTAL LIABILITIES	522,096	23,756	1,831	655
FUND BALANCES:				
RESTRICTED FOR:				
Downtown Development	99,137	-	-	-
Judicial Services	-	-	70,537	-
Public Safety	-	-	-	-
Recreation and Tourism	-	-	-	35,240
UNASSIGNED:	-	(3,767)	-	-
TOTAL FUND BALANCES	99,137	(3,767)	70,537	35,240
TOTAL LIABILITIES AND FUND BALANCES	\$ 621,233	\$ 19,989	\$ 72,368	\$ 35,895

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2012

	LAW ENFORCEMENT FUND	FIREMEN'S FUND	EASLEY TOWN CENTER CAPITAL PROJECT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Restricted Assets - Cash and Other Cash Deposits	\$ 146,737	\$ -	\$ 568	\$ 742,749
Accounts Receivable	-	-	-	50,844
Interfund Balances	-	55,325	-	158,522
TOTAL ASSETS	\$ 146,737	\$ 55,325	\$ 568	\$ 952,115
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	-	152	-	3,303
Interfund Balances	34,836	-	701	580,724
TOTAL LIABILITIES	34,836	152	701	584,027
FUND BALANCES:				
RESTRICTED FOR:				
Downtown Development	-	-	-	99,137
Judicial Services	-	-	-	70,537
Public Safety	111,901	55,173	-	167,074
Recreation and Tourism	-	-	-	35,240
UNASSIGNED:	-	-	(133)	(3,900)
TOTAL FUND BALANCES	111,901	55,173	(133)	368,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 146,737	\$ 55,325	\$ 568	\$ 952,115

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2012

	TIF FUND	ACCOMMODATIONS TAX	VICTIMS RIGHTS	LOCAL ACCOMMODATIONS TAX
REVENUES				
Property Taxes	\$ 362,244	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	53,572	-	60,192
Licenses, Permits and Fees	-	-	61,609	-
Fines and Forfeitures	-	-	-	-
Miscellaneous and Other	5,380	-	1,100	-
Interest Income	1,242	-	-	-
TOTAL REVENUES	368,866	53,572	62,709	60,192
EXPENDITURES				
CURRENT OPERATING:				
Judicial Services	-	-	47,730	-
Public Safety	-	-	-	-
Public Works	84,145	-	-	-
Recreation and Tourism	-	45,307	-	49,860
Capital Expenditures	285,913	-	21,078	-
DEBT SERVICE:				
Principal Retirement	138,000	-	-	-
Interest and Fiscal Charges	28,088	-	-	-
TOTAL EXPENDITURES	536,146	45,307	68,808	49,860
EXCESS DEFICIENCY OF (REVENUES) OVER EXPENDITURES	(167,280)	8,265	(6,099)	10,332
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	(26,429)	-	(70,602)
NET CHANGE IN FUND BALANCES	(167,280)	(18,164)	(6,099)	(60,270)
FUND BALANCES, BEGINNING - RESTATED	266,417	14,397	76,636	95,510
FUND BALANCES, ENDING	\$ 99,137	\$ (3,767)	\$ 70,537	\$ 35,240

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2012

	LAW ENFORCEMENT FUND	FIREMEN'S FUND	EASLEY TOWN CENTER CAPITAL PROJECT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ 362,244
Intergovernmental Revenues	-	69,635	14,197	197,596
Licenses, Permits and Fees	-	-	-	61,609
Fines and Forfeitures	1,000	-	-	1,000
Miscellaneous and Other	-	-	-	6,480
Interest Income	756	225	-	2,223
TOTAL REVENUES	1,756	69,860	14,197	631,152
EXPENDITURES				
CURRENT OPERATING:				
Judicial Services	-	-	-	47,730
Public Safety	4,151	55,517	-	59,668
Public Works	-	-	19,251	103,396
Recreation and Tourism	-	-	-	95,167
Capital Expenditures	-	-	-	306,991
DEBT SERVICE:				
Principal Retirement	-	-	-	138,000
Interest and Fiscal Charges	-	-	-	28,088
TOTAL EXPENDITURES	4,151	55,517	19,251	779,040
EXCESS DEFICIENCY OF (REVENUES) OVER EXPENDITURES	(2,395)	14,343	(5,054)	(147,888)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	(5,000)	(6,156)	-	(108,187)
NET CHANGE IN FUND BALANCES	(7,395)	8,187	(5,054)	(256,075)
FUND BALANCES, BEGINNING - RESTATED	119,296	46,986	4,921	624,163
FUND BALANCES, ENDING	\$ 111,901	\$ 55,173	\$ (133)	\$ 368,088

See independent auditors' report.

CITY OF EASLEY, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2012

Court Fines and Assessments

Court Fines and Assessments Collected	\$ 1,013,024
Court Fines and Assessments Retained by the Town	(456,967)
Total Court Fines and Assessments Remitted to the State Treasurer	<u>\$ 556,057</u>

Court Surcharges

Court Surcharges Collected	\$ 157,101
Total Court Surcharges Remitted to State Treasurer	<u>\$ 157,101</u>

Victims Fund

Funds Available for Carryforward, Beginning of Year	\$ 76,636
Court Assessments Allocated to Victim Assistance Fund - Current Year	62,709
Victim Assistance Fund Expenditures	(68,808)
Funds Available for Carryforward, End of Year	<u>\$ 70,537</u>