



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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, each major fund, and the aggregate remaining fund information of City of Easley, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Easley's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Easley's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Easley, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended June 30, 2015. Our audit opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Easley's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

December 4, 2015

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Other Cash Deposits	\$ 3,152,196	\$ -	\$ 3,152,196
Accounts Receivable	1,061,167	1,028	1,062,195
Rehabilitation Loans Receivable	1,293,102	-	1,293,102
Property Taxes Receivable	39,253	-	39,253
Interfund Balances	(268,774)	268,774	-
Inventories	254,264	-	254,264
RESTRICTED ASSETS:			
Cash and Other Cash Deposits	2,426,562	-	2,426,562
CAPITAL ASSETS:			
Non-Depreciable	5,284,703	-	5,284,703
Depreciable	31,675,616	1,244,503	32,920,119
Less Accumulated Depreciation	(15,314,808)	(286,343)	(15,601,151)
TOTAL ASSETS	29,603,281	1,227,962	30,831,243
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	894,673	-	894,673
TOTAL DEFERRED OUTFLOWS OF RESOURCES	894,673	-	894,673
LIABILITIES			
Accounts Payable	\$ 1,114,497	\$ 9,793	\$ 1,124,290
Employee Benefits Withheld and Accrued	317,256	-	317,256
Accrued Interest Payable	54,707	-	54,707
NON-CURRENT LIABILITIES:			
DUE WITHIN ONE YEAR:			
Compensated Absences	30,879	-	30,879
Capital Leases Payable	99,599	-	99,599
Bonds Payable	1,300,000	-	1,300,000
DUE IN MORE THAN ONE YEAR:			
Compensated Absences	277,913	-	277,913
Net OPEB Liability	2,210,760	-	2,210,760
Net Pension Liability	8,661,653	-	8,661,653
Capital Leases Payable	374,707	-	374,707
Bonds Payable	5,020,000	-	5,020,000
TOTAL LIABILITIES	19,461,971	9,793	19,471,764
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	853,556	-	853,556
Deferred Gain on Refunding Bond (Net)	3,640	-	3,640
TOTAL DEFERRED INFLOWS OF RESOURCES	857,196	-	857,196
NET POSITION			
Net Investment in Capital Assets	15,892,861	958,160	16,851,021
RESTRICTED FOR:			
Community Development	648,077	-	648,077
Judicial Services	122,038	-	122,038
Public Safety	163,522	-	163,522
TIF District Improvements	221,553	-	221,553
Unrestricted	(6,869,264)	260,009	(6,609,255)
TOTAL NET POSITION	\$ 10,178,787	\$ 1,218,169	\$ 11,396,956

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

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 1,555,988	\$ 2,971,488	\$ -	\$ -	\$ 1,415,500	\$ -	\$ 1,415,500
Judicial Services	977,609	1,036,706	-	-	59,097	-	59,097
Public Safety	6,605,244	606,470	74,690	3,366	(5,920,718)	-	(5,920,718)
Public Works	3,019,304	39,377	-	82,500	(2,897,427)	-	(2,897,427)
Recreation and Tourism	2,959,822	176,705	-	-	(2,783,117)	-	(2,783,117)
Community Development	127,032	-	-	363,133	236,101	-	236,101
Interest on Long-Term Debt	206,922	-	-	-	(206,922)	-	(206,922)
TOTAL GOVERNMENTAL ACTIVITIES	15,451,921	4,830,746	74,690	448,999	(10,097,486)	-	(10,097,486)
BUSINESS - TYPE ACTIVITIES:							
Storm Water	199,390	347,350	-	-	-	147,960	147,960
TOTAL BUSINESS - TYPE ACTIVITIES	199,390	347,350	-	-	-	147,960	147,960
TOTAL PRIMARY GOVERNMENT	\$ 15,651,311	\$ 5,178,096	\$ 74,690	\$ 448,999	(10,097,486)	147,960	(9,949,526)
GENERAL REVENUES:							
TAXES:							
Property Taxes, Levied for General Purposes					3,315,640	-	3,315,640
Local Option Sales Tax					2,212,865	-	2,212,865
Hospitality Tax					1,698,826	-	1,698,826
State Accommodation Taxes					154,409	-	154,409
Payments in Lieu of Taxes and Franchise Fees					2,592,278	-	2,592,278
Grants and Contributions not Restricted to Specific Programs					437,640	-	437,640
Interest Income					21,253	-	21,253
Miscellaneous					179,576	-	179,576
Interfund Transfer					125,000	(125,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS					10,737,487	(125,000)	10,612,487
CHANGE IN NET POSITION					640,001	22,960	662,961
NET POSITION, BEGINNING - AS PREVIOUSLY REPORTED					18,150,701	1,195,209	19,345,910
Cumulative Effect of Change in Accounting Principle - GASB #68 and #71					(8,611,915)	-	(8,611,915)
NET POSITION, BEGINNING - RESTATED					9,538,786	1,195,209	10,733,995
NET POSITION, ENDING					\$ 10,178,787	\$ 1,218,169	\$ 11,396,956

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

FUND FINANCIAL STATEMENTS

CITY OF EASLEY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	GENERAL FUND	COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND	HOSPITALITY TAX FUND	TIF FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Other Cash Deposits	\$ 3,152,196	\$ -	\$ -	\$ -	\$ -	\$ 3,152,196
Restricted Assets - Cash and Other Cash Deposits	-	563,646	1,076,985	597,634	188,297	2,426,562
Accounts Receivable	885,148	-	146,937	-	29,082	1,061,167
Rehabilitation Loans Receivable	-	1,293,102	-	-	-	1,293,102
Property Taxes Receivable	39,253	-	-	-	-	39,253
Interfund Balances	2,036,351	6,923	215,560	139,162	208,823	2,606,819
Inventories	-	254,264	-	-	-	254,264
TOTAL ASSETS	\$ 6,112,948	\$ 2,117,935	\$ 1,439,482	\$ 736,796	\$ 426,202	\$ 10,833,363
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 433,735	\$ 138,469	\$ 392,860	\$ 131,136	\$ 18,297	\$ 1,114,497
Employee Benefits Withheld and Accrued	317,256	-	-	-	-	317,256
Interfund Balances	839,242	1,331,389	-	384,107	320,855	2,875,593
TOTAL LIABILITIES	1,590,233	1,469,858	392,860	515,243	339,152	4,307,346
FUND BALANCES:						
NONSPENDABLE:						
Inventory	-	254,264	-	-	-	254,264
Non-Current Receivables	-	676,082	-	-	-	676,082
RESTRICTED FOR:						
Capital Projects (Unspent Bond Proceeds)	-	-	1,076,985	-	-	1,076,985
Community Development	-	563,646	-	-	-	563,646
Downtown Development	-	-	-	221,553	-	221,553
Judicial Services	-	-	-	-	122,038	122,038
Non-Current Receivables	-	617,020	-	-	-	617,020
Public Safety	-	-	-	-	163,522	163,522
Recreation and Tourism	-	-	-	-	46,635	46,635
UNASSIGNED:	4,522,715	(1,462,935)	(30,363)	-	(245,145)	2,784,272
TOTAL FUND BALANCES	4,522,715	648,077	1,046,622	221,553	87,050	6,526,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,112,948	\$ 2,117,935	\$ 1,439,482	\$ 736,796	\$ 426,202	\$ 10,833,363

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 POSITION

JUNE 30, 2015

Fund balances - total governmental funds \$ 6,526,017

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

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

Governmental capital assets	36,960,319	
Less accumulated depreciation	(15,314,808)	21,645,511

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	(6,320,000)	
Capital leases payable	(474,306)	
Interest payable	(54,707)	
Net OPEB liability	(2,210,760)	
Net pension obligation	(8,661,653)	
Compensated absences	(308,792)	(18,030,218)

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

Deferred gain	(40,000)	
Amortization	36,360	(3,640)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	894,673	
Deferred inflows of resources related to pensions	(853,556)	41,117

Net position of governmental activities \$ 10,178,787

CITY OF EASLEY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	GENERAL FUND	COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND	HOSPITALITY TAX FUND	TIF FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property Taxes	\$ 2,853,477	\$ -	\$ -	\$ 462,163	\$ -	\$ 3,315,640
Intergovernmental Revenues	2,901,138	363,593	-	-	213,429	3,478,160
Licenses, Permits and Fees	3,338,231	-	-	-	239,155	3,577,386
Hospitality Tax	-	-	1,698,826	-	-	1,698,826
Fines and Forfeitures	969,190	-	-	-	12,710	981,900
Miscellaneous and Other	166,523	17,672	35,834	-	-	220,029
Payments in Lieu of Taxes and Franchise Fees	2,673,405	-	-	-	-	2,673,405
Interest Income	250	20,781	-	-	222	21,253
TOTAL REVENUES	12,902,214	402,046	1,734,660	462,163	465,516	15,966,599
EXPENDITURES						
CURRENT OPERATING:						
General Government	1,457,377	-	-	-	-	1,457,377
Judicial Services	885,534	-	-	-	48,168	933,702
Public Safety	6,050,470	-	-	-	70,122	6,120,592
Public Works	2,729,882	-	-	-	-	2,729,882
Recreation and Tourism	1,282,287	-	684,271	147,658	372,091	2,486,307
Community Development	-	87,912	-	-	-	87,912
Capital Expenditures	391,176	301,587	1,550,650	-	9,000	2,252,413
DEBT SERVICE:						
Principal Retirement	650,540	-	430,000	150,000	-	1,230,540
Interest and Fiscal Charges	97,431	-	67,900	16,701	-	182,032
Bond Issuance Costs	-	-	23,000	-	-	23,000
TOTAL EXPENDITURES	13,544,697	389,499	2,755,821	314,359	499,381	17,503,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(642,483)	12,547	(1,021,161)	147,804	(33,865)	(1,537,158)
OTHER FINANCING SOURCES AND (USES)						
Issuance of Special Obligation Bonds	-	-	1,100,000	-	-	1,100,000
Capital Lease Proceeds	300,000	-	-	-	-	300,000
Interfund Transfers In	295,000	-	-	-	-	295,000
Interfund Transfers (Out)	-	-	-	(140,000)	(30,000)	(170,000)
NET CHANGE IN FUND BALANCES	(47,483)	12,547	78,839	7,804	(63,865)	(12,158)
FUND BALANCES, BEGINNING	4,570,198	635,530	967,783	213,749	150,915	6,538,175
FUND BALANCES, ENDING	\$ 4,522,715	\$ 648,077	\$ 1,046,622	\$ 221,553	\$ 87,050	\$ 6,526,017

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, 2015

Net change in fund balances - total governmental funds \$ (12,158)

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	2,252,413	
Less current year depreciation	<u>(1,056,798)</u>	1,195,615

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 Position. 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 Position. This is the amount by which proceeds exceed repayments.

Face amounts of bonds and capital leases	(1,400,000)	
Principal payments	<u>1,230,540</u>	(169,460)

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	(292,230)	
Change in long-term compensated absences	(60,504)	
Change in accrued interest on bonds and capital leases payable	<u>(5,526)</u>	(354,624)

Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	655,719	
Cost of benefits earned net of employee contributions	<u>(675,091)</u>	<u>(19,372)</u>

Change in net position of governmental activities \$ 640,001

CITY OF EASLEY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2015

	<u>STORM WATER FUND</u>
ASSETS	
CURRENT ASSETS:	
Accounts Receivable	\$ 1,028
Interfund Balance	268,774
TOTAL CURRENT ASSETS	<u>269,802</u>
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Buildings and Improvements	12,469
Equipment and Vehicles	295,435
Infrastructure	936,599
Less Accumulated Depreciation	<u>(286,343)</u>
TOTAL NON-CURRENT ASSETS	<u>958,160</u>
TOTAL ASSETS	<u>\$ 1,227,962</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	<u>\$ 9,793</u>
TOTAL LIABILITIES	<u>9,793</u>
NET POSITION	
Net Investment in Capital Assets	958,160
Unrestricted	<u>260,009</u>
TOTAL NET POSITION	<u>\$ 1,218,169</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 POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	STORM WATER FUND
OPERATING REVENUES	
Storm Water Fees	\$ 347,350
TOTAL OPERATING REVENUES	<u>347,350</u>
OPERATING EXPENSES	
Contractual Services, Materials, Supplies and Other Expenses	136,306
Depreciation Expense	63,084
TOTAL OPERATING EXPENSES	<u>199,390</u>
OPERATING INCOME (LOSS)	<u>147,960</u>
Interfund Transfers (Out)	(125,000)
CHANGE IN NET POSITION	22,960
NET POSITION, BEGINNING	<u>1,195,209</u>
NET POSITION, ENDING	<u>\$ 1,218,169</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, 2015

	STORM WATER FUND
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
CASH FLOWS FROM OPERATIONS:	
Receipts from Customers	\$ 347,379
Payments to Suppliers	(105,713)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>241,666</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Interfund Transfers (Out)	(125,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(116,666)
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>\$ 147,960</u>
ADJUSTMENTS NOT AFFECTING CASH:	
Depreciation	63,084
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	29
(Increase) Decrease in Interfund Balances	28,149
Increase (Decrease) in Accounts Payable	2,444
TOTAL ADJUSTMENTS	<u>93,706</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 241,666</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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 generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these policies are described below. All governmental type activities 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the financial statements must present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity ("component unit") is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Major Operations

The City's major governmental operations include: administrative and general, judicial, police, fire, streets and sanitation, recreation and parks, hospitality, and community development. In addition, the City provides stormwater services through its proprietary fund.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued):

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's only governmental funds and its major funds are as follows:

The **General Fund, a major fund and a budgeted fund**, is the general operating fund of the City and accounts for all governmental revenues and expenditures of the City. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Community Development Fund, a major special revenue fund and a budgeted fund**, is used to account for and report the financial resources received and disbursed related to the lending and collecting activity related to various community development projects within the City. These funds are restricted and thus can only be spent for related expenditures.

The **Hospitality Tax Fund, a major special revenue fund and a budgeted fund**, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism related expenditures.

The **TIF Fund, a major special revenue fund and a budgeted fund**, is used to account for and report the financial resources received and disbursed related to the City's Tax Increment Financing activities. These funds are restricted and thus can only be spent for related expenditures.

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has one enterprise fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued):

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for the enterprise fund includes the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting these general definitions are reported as non-operating revenues and expenses. The City's only proprietary fund is as follows:

Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following enterprise fund:

The *Storm Water Fund, a major fund and budgeted fund*, is used to account for the City's storm water operations.

C. Cash

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

D. Receivables and Payables

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, and other fees and charges.

E. Inventories and Prepaid Items

Inventories of materials, supplies, and gasoline are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. 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

G. 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.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of deferred outflow of resources, Deferred Pension Charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two type of deferred inflow of resources, Deferred Gain on Refunding Bond (Net) and Deferred Pension Credits, arising only under the full accrual basis of accounting. These items are deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance.

J. 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 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.

K. Fund Balance

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the City classifies its governmental fund balances as follows:

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

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

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and for which such assignments are made before the report issuance date. City Council formally granted the City Administrator the right to make assignments of fund balance for the City.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Fund Balance (continued):

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

L. Net Position

Net position represents the difference between assets and deferred outflows (if any) and liabilities and deferred inflows (if any) in the statement of net position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

M. Property Tax

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Pickens County ("County"). The County generally levies its real property taxes in October based upon assessed valuations on January 1st of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January	3%
February 2nd	an additional 7%
March 17th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Accounting 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 – DEPOSITS AND INVESTMENTS:

The City is authorized by South Carolina state law to invest in the following types of investments:

- A) Obligations of the United States and agencies thereof;
- B) General obligations of the State of South Carolina, or any of its political units;
- C) Banks and savings and loan associations to the extent they are guaranteed by the Federal Deposit Insurance Corporation (FDIC);
- D) Deposits in Certificates of Deposit where the certificates are collaterally secured by securities of the type described in (A) and (B) above, held by a third party as escrow agent or custodian, or a market value not less than the amount of the Certificate of Deposit so secured, including interest;
- E) The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina state laws);
- F) Repurchase agreements.

At June 30, 2015, the carrying amount of the City's deposits was \$5,578,758 and the bank balance was \$6,085,801.

Custodial credit risk for deposits - Custodial credit risk is the risk that the City's deposits will not be returned to it. The City has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. From time to time during the year, the City may have cash on deposit with banks that exceeds the balance insured by the FDIC.

Custodial credit risk for investments - As of June 30, 2015, the City did not hold any investments

Credit risk - South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the United States Government and government agencies unconditionally guaranteed by the United States Government. The City has no investment policy that would further restrict its choices.

Interest rate risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City does not have a policy that limits the amount that may be invested in any one issuer.

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund Receivables and Payables

Interfund balances at June 30, 2015, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
By Fund:		
Accommodations Tax Fund	\$ -	\$ 1,491
Capital Projects Fund	-	863
Community Development Fund	6,923	1,331,389
Firemen's Fund	44,099	-
General Fund	2,036,351	839,242
Hospitality Tax Fund	215,560	-
Law Enforcement Fund	-	68,200
Local Accommodations Tax Fund	42,686	-
Recreation Fund	-	250,301
Storm Water Fund	268,774	-
TIF Special Revenue Fund	139,162	384,107
Victims Rights Fund	122,038	-
Total Primary Government	<u>\$ 2,875,593</u>	<u>\$ 2,875,593</u>

Transfers to/from the City's funds for the year consisted of the following:

\$ 30,000	From the accommodations tax fund to the general fund for allocation of accommodation tax revenue.
\$ 125,000	From the storm water fund to the general fund.
\$ 140,000	From the TIF fund to the general fund.

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the City’s governmental activities for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 4,263,447	-	\$ -	\$ 4,263,447
Infrastructure Land Rights and Other Cost	707,169		-	707,169
Construction in Progress	41,746	314,087	(41,746)	314,087
Total Capital Assets not being Depreciated	<u>5,012,362</u>	<u>314,087</u>	<u>(41,746)</u>	<u>5,284,703</u>
Capital Assets being Depreciated:				
Buildings and Improvements	17,957,672	345,218	-	18,302,890
Equipment and Vehicles	9,136,586	306,992	(70,197)	9,373,381
Infrastructure - Roads	2,671,483	1,327,862	-	3,999,345
Total Capital Assets being Depreciated	<u>29,765,741</u>	<u>1,980,072</u>	<u>(70,197)</u>	<u>31,675,616</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,635,820)	(493,718)	-	(7,129,538)
Equipment and Vehicles	(7,054,745)	(449,334)	59,447	(7,444,632)
Infrastructure - Roads	(626,892)	(113,746)	-	(740,638)
Total Accumulated Depreciation	<u>(14,317,457)</u>	<u>(1,056,798)</u>	<u>59,447</u>	<u>(15,314,808)</u>
Total Capital Assets being Depreciated, Net	<u>15,448,284</u>	<u>923,274</u>	<u>(10,750)</u>	<u>16,360,808</u>
Governmental Activities Capital Assets, net	<u>\$ 20,460,646</u>	<u>\$ 1,237,361</u>	<u>\$ (52,496)</u>	<u>\$ 21,645,511</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 70,868
Judicial Services	25,665
Public Safety	318,001
Public Works	178,479
Recreation and Tourism	424,665
Community Development	39,120
Total Depreciation Expense	<u>\$ 1,056,798</u>

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the City’s business-type activities for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being				
Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Infrastructure Land Rights and Other Cost	-	-	-	-
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets being Depreciated:				
Buildings and Improvements	12,469	-	-	12,469
Equipment and Vehicles	178,769	116,666	-	295,435
Infrastructure - Stormwater	936,599	-	-	936,599
Total Capital Assets being Depreciated	<u>1,127,837</u>	<u>116,666</u>	<u>-</u>	<u>1,244,503</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,576)	(499)	-	(4,075)
Equipment and Vehicles	(85,502)	(31,365)	-	(116,867)
Infrastructure - Roads	(134,181)	(31,220)	-	(165,401)
Total Accumulated Depreciation	<u>(223,259)</u>	<u>(63,084)</u>	<u>-</u>	<u>(286,343)</u>
Total Capital Assets being Depreciated, Net	<u>904,578</u>	<u>53,582</u>	<u>-</u>	<u>958,160</u>
Business-Type Activities Capital Assets, net	<u>\$ 904,578</u>	<u>\$ 53,582</u>	<u>\$ -</u>	<u>\$ 958,160</u>

Capital asset depreciation expense for business-type activities were charged to functions/programs as follows:

Stormwater \$ 63,084

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 5 – 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 Position.

Summarized below are the City’s individual bond issues which are outstanding at June 30, 2015:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
Governmental Activities:					
General Obligation Refunding Bonds, Series 2013A	Refund Series 2005, which financed construction of Recreation Complex	\$ 795,000	\$ 275,000	1.070%	\$ 277,943
General Obligation Refunding Bonds, Series 2013B	Refunded Series 2010, which financed construction of Law Enforcement Center	820,000	555,000	1.140%	281,596
General Obligation Bonds, Series 2009	Finance Improvements to Easley Town Center	1,830,000	1,450,000	4.720%	163,956
Tax Increment Bond, Series 2010	Finance Downtown Improvements	1,203,000	485,000	2.630%	174,471
Hospitality Tax Revenue Refunding Bond, Series 2013A	Refund Series 2010, which financed several construction projects	3,325,000	2,455,000	2.000%	545,700
Hospitality Tax Revenue Bond, Series 2015	Fund acquisition and construction of recreation facility trails and roads	1,100,000	1,100,000	3.180%	96,218
Capital Lease Payable	Acquire Fire Truck	549,865	174,306	3.660%	46,792
Capital Lease Payable	Acquire Fire Truck	300,000	300,000	1.250%	62,462
Total Governmental Activities		<u>\$ 9,922,865</u>	<u>\$ 6,794,306</u>		

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation and Other Bonds	\$ 6,410,000	\$ 1,100,000	\$ 1,190,000	\$ 6,320,000	\$ 1,300,000
Capital Leases Payable	214,846	300,000	40,540	474,306	99,599
Total Bonds and Capital Leases Payable	<u>6,624,846</u>	<u>1,400,000</u>	<u>1,230,540</u>	<u>6,794,306</u>	<u>1,399,599</u>
Other Liabilities:					
Net OPEB Liability	1,918,531	292,229	-	2,210,760	-
Compensated Absences	248,287	60,559	54	308,792	30,879
Governmental Activities Long-term Liabilities	<u>\$ 8,791,664</u>	<u>\$ 1,752,788</u>	<u>\$ 1,230,594</u>	<u>\$ 9,313,858</u>	<u>\$ 1,430,478</u>

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED):

Presented below is a summary of debt service requirements to maturity by year for the City’s governmental and business-type activities as of June 30, 2015:

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Primary Government</u>
2016	\$ 1,399,599	\$ 189,532	\$ 1,589,131	\$ 1,589,131
2017	1,172,319	154,656	1,326,975	1,326,975
2018	924,329	130,814	1,055,143	1,055,143
2019	786,378	107,867	894,245	894,245
2020	771,681	88,548	860,229	860,229
2021-2025	1,010,000	268,955	1,278,955	1,278,955
2026-2030	730,000	61,862	791,862	791,862
Total	\$ 6,794,306	\$ 1,002,234	\$ 7,796,540	\$ 7,796,540

NOTE 6 – PENSION PLAN:

Plan Description

The City participates in the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit pension plan, which was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems’ Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits’ link on PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under SCRS and PORS is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 6 – PENSION PLAN (CONTINUED):

Membership (continued):

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for SCRS and PORS is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 6 – PENSION PLAN (CONTINUED):

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS	
Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS	
Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS	
Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Contributions to the pension plan from the City was \$655,719 for the year ended June 30, 2015.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 6 – PENSION PLAN (CONTINUED):

Net Pension Liability

At June 30, 2015, the City reported a liability of \$8,661,653 for the governmental activities on the government wide financial statements for its proportionate share of the net pension liability. The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company. At July 1, 2013, the City’s proportion for SRCS and PORS was 0.027499% and 0.20514% of the total.

For the year ended June 30, 2015, the City recognized pension expense of \$675,414.

At June 30, 2015, the City’s governmental activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 238,954	\$ 853,556
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	-	-
Change in allocated proportion	-	-
Contributions after the measurement date	<u>655,719</u>	<u>-</u>
Total	<u>\$ 894,673</u>	<u>\$ 853,556</u>

The amount of \$655,719 reported as deferred outflows of resources related to pensions resulting from City governmental activities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ (144,715)
2016	(144,715)
2017	(144,715)
2018	(180,457)
2019	-
Thereafter	-
Total	<u>\$ (614,602)</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 6 – PENSION PLAN (CONTINUED):

Actuarial Assumptions and Methods (continued):

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

CITY OF EASLEY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

NOTE 6 – PENSION PLAN (Continued):

Actuarial Assumptions and Methods (continued):

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation Alternatives	10.0%	5.1	0.51
Hedge Funds (Low Beta)	32.0%		
Private Debt	8.0%	4	0.32
Private Equity	7.0%	10.2	0.71
Real Estate (Broad Market)	9.0%	10.2	0.92
Commodities	5.0%	5.9	0.29
	3.0%	5.1	0.15
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$6,126,627	\$4,734,416	\$3,572,913
PORS	5,488,212	3,927,237	2,635,660

South Carolina Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the SCRS plan administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA’s Retirement Benefits’ website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 7 – 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.

NOTE 8 – REHABILITATION LOANS:

The City has \$1,293,102 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 9 – POST EMPLOYMENT HEALTH CARE BENEFITS OTHER THAN PENSIONS:

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 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, 2015, there were 14 retirees out of 183 total employees who were covered under the City's group insurance plan at a cost of \$82,444.

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS OTHER THAN PENSIONS (CONTINUED):

The City had an actuarial valuation performed for the plan as of July 1, 2012 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, 2015. The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2012
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar, Open
Asset Valuation Method:	5-Year Smoothed Market Value 80%-120% Corridor
Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	4.0% annual return net of both administrative and investment related expenses
Health Cost Trend:	9.5% to 5.0% in 0.5% annual steps
Coverage Elections:	100% of eligible retirees will elect coverage and 20% of those will elect to cover the spouse
Active Participant Marriage Assumption:	100% of all active participants are assumed to be married with female spouses assumed to be 3 years younger
Mortality Tables:	RP-2000 mortality tables
Implicit Subsidy:	The total cost of coverage for pre-65 retirees is 35% higher than the premium amount to account for implicitly subsidized costs

For year ended June 30, 2015, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year was as follows:

(a) Employer Annual Required Contribution	\$ 404,614
(b) Valuation Discount Rate	4.00%
(c) Interest on Net OPEB Obligation: (b) * (i)	76,741
(d) Amortization Factor	17.9837
(e) Adjustment to Annual Required Contribution: (i) / (d)	<u>106,682</u>
(f) Annual OPEB Cost: (a) + (c) - (e)	374,673
(g) Employer Contributions made for Fiscal Year	<u>82,444</u>
(h) Increase (Decrease) in Net OPEB Obligation: (f) - (g)	292,229
(i) Net OPEB Obligation Beginning of Fiscal Year	<u>1,918,531</u>
(j) Net OPEB Obligation Ending of Fiscal Year	<u><u>\$ 2,210,760</u></u>

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

CITY OF EASLEY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 9 – 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 year ended 2015 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, 2012	\$384,595	\$65,035	16.91%	\$1,602,395	June 30, 2013
July 1, 2012	\$383,788	\$67,652	17.63%	\$1,918,531	June 30, 2014
July 1, 2012	\$374,673	\$82,444	22.00%	\$2,210,760	June 30, 2015

Funded Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits as is presented below:

Schedule of Funding Progress							
Actuarial Valuation Date	Fiscal Year Ended	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, 2012	June 30, 2015	-	\$3,317,888	\$3,317,888	-	\$5,218,355	63.58%
July 1, 2012	June 30, 2014	-	\$3,317,888	\$3,317,888	-	\$4,837,219	68.59%
July 1, 2012	June 30, 2013	-	\$3,317,888	\$3,317,888	-	\$4,918,394	67.46%

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 4, 2015, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS

CITY OF EASLEY, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 2,483,877	\$ 2,483,877	\$ 2,853,477	\$ 369,600
Intergovernmental Revenues	2,815,000	2,815,000	2,901,138	86,138
Licenses, Permits and Fees	3,471,700	3,471,700	3,338,231	(133,469)
Fines and Forfeitures	910,000	910,000	969,190	59,190
Miscellaneous and Other	108,500	108,500	166,523	58,023
Payments in Lieu of Taxes and Franchise Fees	2,648,100	2,648,100	2,673,405	25,305
Interest Income	6,000	6,000	250	(5,750)
TOTAL REVENUES	12,443,177	12,443,177	12,902,214	459,037
EXPENDITURES				
CURRENT OPERATING:				
GENERAL GOVERNMENT:				
General Government	730,000	730,000	533,376	196,624
Council	99,925	99,925	106,018	(6,093)
Finance	517,425	517,425	517,327	98
Building Official	262,694	262,694	300,656	(37,962)
JUDICIAL SERVICES:				
Court	892,303	892,303	885,534	6,769
PUBLIC SAFETY:				
Police	3,459,594	3,459,594	3,390,073	69,521
Fire	2,110,933	2,110,933	2,660,397	(549,464)
PUBLIC WORKS:				
Streets	1,562,261	1,562,261	1,523,231	39,030
Sanitation	1,245,352	1,245,352	1,168,064	77,288
Cemetery	40,880	40,880	38,587	2,293
RECREATION AND TOURISM:				
Recreation	904,759	904,759	1,282,287	(377,528)
Capital Expenditures	149,000	149,000	391,176	(242,176)
DEBT SERVICE:				
Principal Retirement	39,200	39,200	650,540	(611,340)
Interest and Fiscal Charges	7,600	7,600	97,431	(89,831)
TOTAL EXPENDITURES	12,021,926	12,021,926	13,544,697	(1,522,771)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	421,251	421,251	(642,483)	(1,063,734)
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	300,000	300,000
Interfund Transfers In	265,000	265,000	295,000	30,000
Interfund Transfers (Out)	(701,250)	(701,250)	-	701,250
NET CHANGE IN FUND BALANCES	(14,999)	(14,999)	(47,483)	(32,484)
FUND BALANCES, BEGINNING	4,570,198	4,570,198	4,570,198	-
FUND BALANCES, ENDING	\$ 4,555,199	\$ 4,555,199	\$ 4,522,715	\$ (32,484)

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, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ 363,593	\$ 363,593
Miscellaneous and Other	-		17,672	17,672
Interest Income	31,000	31,000	20,781	(10,219)
TOTAL REVENUES	<u>31,000</u>	<u>31,000</u>	<u>402,046</u>	<u>371,046</u>
EXPENDITURES				
CURRENT OPERATING:				
Community Development	79,635	79,635	87,912	(8,277)
Capital Expenditures	-	-	301,587	(301,587)
TOTAL EXPENDITURES	<u>79,635</u>	<u>79,635</u>	<u>389,499</u>	<u>(309,864)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,635)	(48,635)	12,547	61,182
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers Out	-	-	-	-
NET CHANGE IN FUND BALANCES	(48,635)	(48,635)	12,547	61,182
FUND BALANCES, BEGINNING	<u>635,530</u>	<u>635,530</u>	<u>635,530</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 586,895</u>	<u>\$ 586,895</u>	<u>\$ 648,077</u>	<u>\$ 61,182</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, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Hospitality Tax	\$ 1,550,000	\$ 1,550,000	\$ 1,698,826	\$ 148,826
Miscellaneous and Other	-	-	35,834	35,834
TOTAL REVENUES	1,550,000	1,550,000	1,734,660	184,660
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	527,358	527,358	684,271	(156,913)
Capital Expenditures	250,000	250,000	1,550,650	(1,300,650)
DEBT SERVICE:				
Principal Retirement	440,000	440,000	430,000	10,000
Interest and Fiscal Charges	57,900	57,900	67,900	(10,000)
TOTAL EXPENDITURES	1,275,258	1,275,258	2,732,821	(1,457,563)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	274,742	274,742	(998,161)	(1,272,903)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers (Out)	(250,000)	(250,000)	-	250,000
Capital Contributions	-	-	1,100,000	1,100,000
NET CHANGE IN FUND BALANCES	24,742	24,742	101,839	77,097
FUND BALANCES, BEGINNING	967,783	967,783	967,783	-
FUND BALANCES, ENDING	\$ 992,525	\$ 992,525	\$ 1,069,622	\$ 77,097

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

CITY OF EASLEY, SOUTH CAROLINA

BUDGETARY COMPARISON SCHEDULE - TIF FUND

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Tax Increment Revenue	\$ 350,000	\$ 350,000	\$ 462,163	\$ 112,163
TOTAL REVENUES	<u>350,000</u>	<u>350,000</u>	<u>462,163</u>	<u>112,163</u>
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	-	-	147,658	(147,658)
Capital Expenditures	250,000	250,000	-	250,000
DEBT SERVICE:				
Principal Retirement	150,000	150,000	150,000	-
Interest and Fiscal Charges	16,701	16,701	16,701	-
TOTAL EXPENDITURES	<u>416,701</u>	<u>416,701</u>	<u>314,359</u>	<u>102,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(66,701)</u>	<u>(66,701)</u>	<u>147,804</u>	<u>214,505</u>
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers (Out)	-	-	(140,000)	(140,000)
NET CHANGE IN FUND BALANCES	<u>(66,701)</u>	<u>(66,701)</u>	<u>7,804</u>	<u>74,505</u>
FUND BALANCES, BEGINNING	<u>213,749</u>	<u>213,749</u>	<u>213,749</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 147,048</u>	<u>\$ 147,048</u>	<u>\$ 221,553</u>	<u>\$ 74,505</u>

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

CITY OF EASLEY

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY

CONTRIBUTIONS TO THE COST SHARING PENSION PLAN

JUNE 30, 2015

The City's proportionate share of the net pension liability is as follows:

	June 30, 2015	
	SCRS	PORS
City's proportion of the net pension liability (asset)	0.027499%	0.20514%
City's proportion share of the net pension liability (asset)	\$ 4,734,416	\$ 3,927,237
City's covered-employee payroll	\$ 2,607,529	\$ 2,770,308
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	181.57%	141.76%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	67.50%

The City's contributions to the cost sharing pension plan was as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Contractually required contribution	\$ 655,719	\$ 581,593	\$ 610,394
Contributions in relation to the contractually required contribution	<u>(655,719)</u>	<u>(581,593)</u>	<u>(610,394)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,377,837	\$ 4,964,922	\$ 5,201,492
Contributions as a percentage of covered-employee payroll	12.19%	11.71%	11.73%

CITY OF EASLEY, SOUTH CAROLINA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2015

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	\$ 99,925	\$ 106,018	\$ (6,093)
Building Official	286,694	300,656	(13,962)
Fire	2,110,933	2,660,397	(549,464)

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 2013 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, 2012	\$384,595	\$65,035	16.91%	\$1,602,395	June 30, 2013
July 1, 2012	\$383,788	\$67,652	17.63%	\$1,918,531	June 30, 2014
July 1, 2012	\$374,673	\$82,444	22.00%	\$2,210,760	June 30, 2015

CITY OF EASLEY, SOUTH CAROLINA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2015

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	Fiscal Year Ended	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, 2012	June 30, 2015	-	\$3,317,888	\$3,317,888	-	\$5,218,355	63.58%
July 1, 2012	June 30, 2014	-	\$3,317,888	\$3,317,888	-	\$4,837,219	68.59%
July 1, 2012	June 30, 2013	-	\$3,317,888	\$3,317,888	-	\$4,918,394	67.46%

SUPPLEMENTAL INFORMATION

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	ACCOMMODATIONS TAX	VICTIMS RIGHTS	LOCAL ACCOMMODATIONS TAX	LAW ENFORCEMENT FUND
ASSETS				
Restricted Assets - Cash and Other Cash Deposits	\$ -	\$ -	\$ -	\$ 187,729
Accounts Receivable	22,619	-	6,463	-
Interfund Balances	-	122,038	42,686	-
TOTAL ASSETS	\$ 22,619	\$ 122,038	\$ 49,149	\$ 187,729
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 15,243	\$ -	\$ 2,514	\$ -
Interfund Balances	1,491	-	-	68,200
TOTAL LIABILITIES	16,734	-	2,514	68,200
FUND BALANCES:				
RESTRICTED FOR:				
Downtown Development	-	-	-	-
Judicial Services	-	122,038	-	-
Public Safety	-	-	-	119,529
Recreation and Tourism	-	-	46,635	-
UNASSIGNED:	5,885	-	-	-
TOTAL FUND BALANCES	5,885	122,038	46,635	119,529
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,619	\$ 122,038	\$ 49,149	\$ 187,729

See independent auditor's report.

CITY OF EASLEY, SOUTH CAROLINA

COMBINING AND INDIVIDUAL BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	FIREMEN'S FUND	EASLEY TOWN CENTER CAPITAL PROJECT FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Restricted Assets - Cash and Other Cash Deposits	\$ -	\$ 568	\$ -	\$ 188,297
Accounts Receivable	-	-	-	29,082
Interfund Balances	44,099	-	-	208,823
TOTAL ASSETS	\$ 44,099	\$ 568	\$ -	\$ 426,202
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 106	\$ -	\$ 434	\$ 18,297
Interfund Balances	-	863	250,301	320,855
TOTAL LIABILITIES	106	863	250,735	339,152
FUND BALANCES:				
RESTRICTED FOR:				
Downtown Development	-	-	-	-
Judicial Services	-	-	-	122,038
Public Safety	43,993	-	-	163,522
Recreation and Tourism	-	-	-	46,635
UNASSIGNED:	-	(295)	(250,735)	(245,145)
TOTAL FUND BALANCES	43,993	(295)	(250,735)	87,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,099	\$ 568	\$ -	\$ 426,202

See independent auditor's 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, 2015

	ACCOMMODATIONS TAX	VICTIMS RIGHTS	LOCAL ACCOMMODATIONS TAX	LAW ENFORCEMENT FUND
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	67,624	-	86,785	-
Licenses, Permits and Fees	-	67,516	-	-
Fines and Forfeitures	-	-	-	12,710
Miscellaneous and Other	-	-	-	-
Interest Income	-	-	-	222
TOTAL REVENUES	<u>67,624</u>	<u>67,516</u>	<u>86,785</u>	<u>12,932</u>
EXPENDITURES				
CURRENT OPERATING:				
Judicial Services	-	48,168	-	-
Public Safety	-	-	-	5,520
Public Works	-	-	-	-
Recreation and Tourism	53,221	-	70,943	-
Capital Expenditures	-	-	9,000	-
DEBT SERVICE:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>53,221</u>	<u>48,168</u>	<u>79,943</u>	<u>5,520</u>
EXCESS DEFICIENCY OF (REVENUES) OVER EXPENDITURES	14,403	19,348	6,842	7,412
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(15,597)	19,348	6,842	7,412
FUND BALANCES, BEGINNING	<u>21,482</u>	<u>102,690</u>	<u>39,793</u>	<u>112,117</u>
FUND BALANCES, ENDING	<u>\$ 5,885</u>	<u>\$ 122,038</u>	<u>\$ 46,635</u>	<u>\$ 119,529</u>

See independent auditor's 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, 2015

	FIREMEN'S FUND	EASLEY TOWN CENTER CAPITAL PROJECT FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	59,020	-	-	213,429
Licenses, Permits and Fees	-	-	171,639	239,155
Fines and Forfeitures	-	-	-	12,710
Miscellaneous and Other	-	-	-	-
Interest Income	-	-	-	222
TOTAL REVENUES	<u>59,020</u>	<u>-</u>	<u>171,639</u>	<u>465,516</u>
EXPENDITURES				
CURRENT OPERATING:				
Judicial Services	-	-	-	48,168
Public Safety	64,602	-	-	70,122
Public Works	-	-	-	-
Recreation and Tourism	-	-	247,927	372,091
Capital Expenditures	-	-	-	9,000
DEBT SERVICE:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>64,602</u>	<u>-</u>	<u>247,927</u>	<u>499,381</u>
EXCESS DEFICIENCY OF (REVENUES) OVER EXPENDITURES	(5,582)	-	(76,288)	(33,865)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	-	-	(30,000)
NET CHANGE IN FUND BALANCES	(5,582)	-	(76,288)	(63,865)
FUND BALANCES, BEGINNING	<u>49,575</u>	<u>(295)</u>	<u>(174,447)</u>	<u>150,915</u>
FUND BALANCES, ENDING	<u>\$ 43,993</u>	<u>\$ (295)</u>	<u>\$ (250,735)</u>	<u>\$ 87,050</u>

See independent auditor's report.

CITY OF EASLEY, SOUTH CAROLINA

SCHEDULE OF MUNICIPAL COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2015

Court Fines and Assessments

Court Fines and Assessments Collected	\$ 796,752
Court Fines and Assessments Retained by the Town	(407,005)
Total Court Fines and Assessments Remitted to the State Treasurer	<u>\$ 389,747</u>

Court Surcharges

Court Surcharges Collected	\$ 168,959
Total Court Surcharges Remitted to State Treasurer	<u>\$ 168,959</u>

Victims Fund

Funds Available for Carryforward, Beginning of Year	\$ 102,690
Court Assessments Allocated to Victim Assistance Fund - Current Year	67,516
Victim Assistance Fund Expenditures	(48,168)
Funds Available for Carryforward, End of Year	<u>\$ 122,038</u>

See independent auditor's report.