



CITY OF EASLEY, SOUTH CAROLINA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Year Ended June 30, 2010**

**City of Easley, South Carolina
Annual Financial Report
For the Year Ended June 30, 2010**

Table of Contents

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (as of and for the year-ended March 31, 2010), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Easley's management. Our responsibility is to express opinions on these financial statements based on our audit.

The basic financial statements of the Combined Utility System of Easley, a discretely presented component unit, were audited by other auditors. The Utility had total assets of \$117,262,775 as of March 31, 2010, and total revenues of \$40,811,475 for the year then ended. Our opinion on the basic financial statements, insofar as it relates to the amounts included for the Combined Utility System of Easley in the discretely presented component unit column is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors on the Combined Utility System of Easley, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit (as of March 31, 2010), each major fund, and the aggregate remaining fund information of the City of Easley, South Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The budgetary comparison schedules on pages 24-26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

Byerley, Payne & White, CPA, PA

Byerley, Payne & White, CPA, PA

November 5, 2010

GOVERNMENT - WIDE FINANCIAL STATEMENTS

City of Easley, South Carolina
Statement of Net Assets
June 30, 2010

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Combined Utility</u>
	<u>Activities</u>	<u>Activities</u>		<u>System of Easley</u>
				<u>FYE 3/31/10</u>
Assets				
Cash and Other Cash Deposits	\$ 4,787,066	\$ -	\$ 4,787,066	\$ 15,604,733
Accounts Receivable	768,207	4,803	773,010	3,265,989
Rehabilitation Loans Receivable	1,321,692	-	1,321,692	-
Other Receivables	-	-	-	-
Property Taxes Receivable	64,651	-	64,651	-
Accrued Interest Receivable	41	-	41	-
Interfund Balances	(710,496)	710,496	-	-
Inventories	131,643	-	131,643	1,590,232
Prepaid Items	93,858	-	93,858	33,074
Restricted Assets:				
Cash and Other Cash Deposits	2,433,463	-	2,433,463	12,238,011
Interest Rate Swap Fair Market Value Deferral	-	-	-	892,589
Bond Issue Cost, Net	-	-	-	1,404,420
Capital Assets:				
Non-Depreciable	4,946,072	-	4,946,072	5,639,510
Depreciable	26,245,778	507,081	26,752,859	132,641,864
Less Accumulated Depreciation	(10,521,191)	(79,421)	(10,600,612)	(56,047,647)
Total Assets	<u>29,560,784</u>	<u>1,142,959</u>	<u>30,703,743</u>	<u>117,262,775</u>
Liabilities				
Accounts Payable	151,464	-	151,464	2,118,544
Other Payables	47,512	-	47,512	-
Accrued Salaries	136,376	-	136,376	-
Employee Benefits Withheld and Accrued	50,688	-	50,688	156,229
Accrued Interest Payable	127,904	-	127,904	802,892
Deferred Gain on Refunding Bond (Net)	21,820	-	21,820	-
Other Liabilities	-	-	-	2,215,651
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	25,010	-	25,010	19,529
Capital Leases Payable	530,385	-	530,385	-
Bonds Payable	681,500	-	681,500	1,630,000
Retainage Payable	-	-	-	129,709
Due in More Than One Year:				
Compensated Absences	225,087	-	225,087	175,763
Net OPEB Liability	425,675	-	425,675	-
Capital Leases Payable	4,525,710	-	4,525,710	-
Bonds Payable	5,573,500	-	5,573,500	51,355,404
Total Liabilities	<u>12,522,631</u>	<u>-</u>	<u>12,522,631</u>	<u>58,603,721</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,759,426	427,660	10,187,086	39,711,065
Restricted For:				
Capital Projects	50,000	-	50,000	1,775,268
Judicial Services	54,429	-	54,429	-
Public Safety	111,189	-	111,189	-
Public Works	286,458	-	286,458	-
Recreation and Tourism	1,560,066	-	1,560,066	-
Community Development	619,885	-	619,885	-
Unrestricted	4,596,700	715,299	5,311,999	17,172,721
Total Net Assets	<u>\$ 17,038,153</u>	<u>\$ 1,142,959</u>	<u>\$ 18,181,112</u>	<u>\$ 58,659,054</u>

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

City of Easley, South Carolina
Statement of Activities
For the Year Ended June 30, 2010

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit Combined Utility System of Easley FYE 3/31/10
	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	\$ 1,397,562	\$ 2,646,715	\$ -	\$ -	\$ 1,249,153	\$ -	\$ 1,249,153	\$ -
Judicial Services	965,049	879,831	-	-	(85,218)	-	(85,218)	-
Public Safety	5,588,713	766,192	60,012	209,854	(4,552,655)	-	(4,552,655)	-
Public Works	4,814,887	23,335	-	1,047,003	(3,744,549)	-	(3,744,549)	-
Recreation and Tourism	2,268,316	365,543	-	25,666	(1,877,107)	-	(1,877,107)	-
Community Development	275,276	-	-	-	(275,276)	-	(275,276)	-
Interest on Long-Term Debt	442,703	-	-	-	(442,703)	-	(442,703)	-
Total Governmental Activities	<u>15,752,506</u>	<u>4,681,616</u>	<u>60,012</u>	<u>1,282,523</u>	<u>(9,728,355)</u>	<u>-</u>	<u>(9,728,355)</u>	<u>-</u>
Business - Type Activities:								
Storm Water	257,100	288,365	-	-	-	31,265	31,265	-
Total Business - Type Activities	<u>257,100</u>	<u>288,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,265</u>	<u>31,265</u>	<u>-</u>
Total Primary Government	<u>\$ 16,009,606</u>	<u>\$ 4,969,981</u>	<u>\$ 60,012</u>	<u>\$ 1,282,523</u>	<u>(9,728,355)</u>	<u>31,265</u>	<u>(9,697,090)</u>	<u>-</u>
Component Unit (FYE 3/31/10):								
Combined Utility System of Easley	\$ 39,957,331	\$ 40,513,682	\$ -	\$ -	-	-	-	556,351
Total Component Units	<u>\$ 39,957,331</u>	<u>\$ 40,513,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,351</u>
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					3,099,114	-	3,099,114	-
Local Option Sales Tax					1,791,901	-	1,791,901	-
Hospitality Tax					1,208,212	-	1,208,212	-
State Accommodation Taxes					92,466	-	92,466	-
Payments in Lieu of Taxes and Franchise Fees					1,737,400	-	1,737,400	-
Grants and Contributions not Restricted to Specific Programs					463,836	-	463,836	-
Interest Income					41,548	-	41,548	45,327
Gain/(Loss) on Sale of Assets					28,035	-	28,035	23,583
Miscellaneous					32,020	-	32,020	-
Interfund Transfer					10,000	(10,000)	-	-
Capital Contributions					-	-	-	228,883
Total General Revenues and Transfers					<u>8,504,532</u>	<u>(10,000)</u>	<u>8,494,532</u>	<u>297,793</u>
Change in Net Assets					<u>(1,223,823)</u>	<u>21,265</u>	<u>(1,202,558)</u>	<u>854,144</u>
Net Assets, Beginning (Restated)					<u>18,261,976</u>	<u>1,121,694</u>	<u>19,383,670</u>	<u>57,804,910</u>
Net Assets, Ending					<u>\$ 17,038,153</u>	<u>\$ 1,142,959</u>	<u>\$ 18,181,112</u>	<u>\$ 58,659,054</u>

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

FUND LEVEL FINANCIAL STATEMENTS

City of Easley, South Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Community Development Special Revenue Fund	Hospitality Tax Fund	Easley Town Center Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Other Cash Deposits	\$ 4,091,910	\$ 695,156	\$ -	\$ -	\$ -	\$ 4,787,066
Restricted Assets - Cash and Other Cash Deposits	-	-	-	1,699,873	733,590	2,433,463
Accounts Receivable	625,100	-	105,128	-	37,979	768,207
Rehabilitation Loans Receivable	-	1,321,692	-	-	-	1,321,692
Property Taxes Receivable	64,651	-	-	-	-	64,651
Accrued Interest Receivable	41	-	-	-	-	41
Interfund Balances	2,314,441	-	1,392,579	-	188,763	3,895,783
Inventories	-	131,643	-	-	-	131,643
Prepaid Items	93,858	-	-	-	-	93,858
Total Assets	\$ 7,190,001	\$ 2,148,491	\$ 1,497,707	\$ 1,699,873	\$ 960,332	\$ 13,496,404
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	-	-	-	151,464	-	151,464
Accrued Salaries	136,376	-	-	-	-	136,376
Employee Benefits Withheld and Accrued	50,688	-	-	-	-	50,688
Other Payables	46,769	743	-	-	-	47,512
Interfund Balances	2,291,839	958,755	-	1,211,951	143,734	4,606,279
Total Liabilities	2,525,672	959,498	-	1,363,415	143,734	4,992,319
Fund Balances:						
Nonspendable:						
Inventory	-	131,643	-	-	-	131,643
Non-Current Receivables	-	807,781	-	-	-	807,781
Prepaid Items	93,858	-	-	-	-	93,858
Restricted for:						
Capital Projects	-	-	-	50,000	-	50,000
Downtown Development	-	-	-	-	545,805	545,805
Judicial Services	-	-	-	-	54,429	54,429
Non-Current Receivables	-	513,911	-	-	-	513,911
Public Safety	-	-	-	-	154,005	154,005
Public Works	-	-	-	286,458	-	286,458
Recreation and Tourism	-	-	1,497,707	-	123,743	1,621,450
Unassigned:	4,570,471	(264,342)	-	-	(61,384)	4,244,745
Total Fund Balances	4,664,329	1,188,993	1,497,707	336,458	816,598	8,504,085
Total Liabilities and Fund Balances	\$ 7,190,001	\$ 2,148,491	\$ 1,497,707	\$ 1,699,873	\$ 960,332	\$ 13,496,404

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

City of Easley, South Carolina
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2010

Fund balances - total governmental funds \$ 8,504,085

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

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

Governmental capital assets	31,191,850	
Less accumulated depreciation	<u>(10,521,191)</u>	20,670,659

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

Governmental bonds payable	(6,255,000)	
Capital leases payable	(5,056,095)	
Interest payable	(127,904)	
Net OPEB liability	(425,675)	
Compensated absences	<u>(250,097)</u>	(12,114,771)

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

Deferred gain	(40,000)	
Amortization	<u>18,180</u>	<u>(21,820)</u>

Net assets of governmental activities \$ 17,038,153

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

City of Easley, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Community Development Special Revenue Fund	Hospitality Tax Fund	Easley Town Center Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 2,770,650	\$ -	\$ -	\$ -	\$ 328,464	\$ 3,099,114
Intergovernmental Revenues	2,700,848	-	25,666	985,803	152,478	3,864,795
Licenses, Permits and Fees	3,189,648	-	-	-	422,747	3,612,395
Hospitality Tax	-	-	1,208,213	-	-	1,208,213
Fines and Forfeitures	822,627	-	-	-	15,341	837,968
Miscellaneous and Other	80,942	610	-	-	100	81,652
Payments in Lieu of Taxes and Franchise Fees	1,744,963	-	-	-	-	1,744,963
Interest Income	3,283	31,112	-	-	7,153	41,548
Total Revenues	<u>11,312,961</u>	<u>31,722</u>	<u>1,233,879</u>	<u>985,803</u>	<u>926,283</u>	<u>14,490,648</u>
Expenditures						
Current Operating:						
General Government	1,299,978	-	-	-	-	1,299,978
Judicial Services	838,705	-	-	-	79,768	918,473
Public Safety	4,973,215	-	-	-	73,765	5,046,980
Public Works	2,555,294	-	-	1,899,345	54,126	4,508,765
Recreation and Tourism	900,728	-	472,402	-	455,442	1,828,572
Community Development	-	238,373	-	-	-	238,373
Capital Expenditures	97,008	-	91,366	450,000	414,531	1,052,905
Debt Service:						
Principal Retirement	179,323	-	345,000	-	495,000	1,019,323
Interest and Fiscal Charges	36,477	-	192,506	-	200,334	429,317
Total Expenditures	<u>10,880,728</u>	<u>238,373</u>	<u>1,101,274</u>	<u>2,349,345</u>	<u>1,772,966</u>	<u>16,342,686</u>
Excess (Deficiency) of Revenues Over Expenditures	432,233	(206,651)	132,605	(1,363,542)	(846,683)	(1,852,038)
Other Financing Sources and (Uses)						
Interfund Transfers In	166,148	-	-	-	225,083	391,231
Interfund Transfers (Out)	(225,083)	-	-	(130,000)	(26,148)	(381,231)
Sale of Fixed Assets	28,035	-	-	-	-	28,035
Face Amount of Bond	-	-	-	1,830,000	-	1,830,000
Net Change in Fund Balances	401,333	(206,651)	132,605	336,458	(647,748)	15,997
Fund Balances, Beginning (Restated)	4,262,996	1,395,644	1,365,102	-	1,464,346	8,488,088
Fund Balances, Ending	<u>\$ 4,664,329</u>	<u>\$ 1,188,993</u>	<u>\$ 1,497,707</u>	<u>\$ 336,458</u>	<u>\$ 816,598</u>	<u>\$ 8,504,085</u>

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

City of Easley, South Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 15,997

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

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

Expenditures for capital assets	1,052,905	
Less current year depreciation	<u>(1,023,746)</u>	29,159

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

Face amount of bonds and capital leases	(1,830,000)	
Principal payments	<u>1,019,323</u>	(810,677)

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

Amortization of gain on 2005 refunding bond	3,636	
Net OPEB liability	(425,675)	
Change in long-term compensated absences	(19,241)	
Change in accrued interest on bonds and capital leases payable	<u>(17,022)</u>	<u>(458,302)</u>

Change in net assets of governmental activities	<u><u>\$ (1,223,823)</u></u>
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The accompanying notes are an integral part of the financial statements.

City of Easley, South Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2010

	Storm Water Fund
Assets	
Current Assets:	
Accounts Receivable	\$ 4,803
Interfund Balance	710,496
Total Current Assets	715,299
Non-Current Assets:	
Capital Assets:	
Buildings and Improvements	12,469
Equipment and Vehicles	80,729
Infrastructure	413,883
Less Accumulated Depreciation	(79,421)
Total Non-Current Assets	427,660
Total Assets	1,142,959
Net Assets	
Invested in Capital Assets, Net of Related Debt	427,660
Unrestricted	715,299
Total Net Assets	\$ 1,142,959

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

City of Easley, South Carolina
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Storm Water Fund
Operating Revenues	
Storm Water Fees	\$ 288,365
Total Operating Revenues	288,365
Operating Expenses	
Salaries, Wages and Employee Benefits	24,424
Contractual Services, Materials, Supplies and Other Expenses	214,076
Depreciation Expense	18,600
Total Operating Expenses	257,100
Operating Income (Loss)	31,265
Interfund Transfers (Out)	(10,000)
Change in Net Assets	21,265
Net Assets, Beginning	1,121,694
Net Assets, Ending	\$ 1,142,959

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

City of Easley, South Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

	Storm Water Fund
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operations:	
Receipts from Customers	\$ 308,767
Payments to Employees and Related Benefits	(24,424)
Payments to Suppliers	(214,077)
Net Cash Provided by (Used in) Operating Activities	70,266
Cash Flows from Non-Capital Financing Activities:	
Interfund Transfers (Out)	(10,000)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(60,266)
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Change in Net Assets	\$ 31,265
Adjustments Not Affecting Cash:	
Depreciation	18,600
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(2,759)
(Increase) Decrease in Interfund Balances	23,160
Total Adjustments	39,001
Net Cash Provided by (Used in) Operating Activities	\$ 70,266

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

NOTES TO FINANCIAL STATEMENTS

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

Note 1 - Summary of Significant Accounting Policies

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

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

Subsequent Events Evaluation

Management has evaluated subsequent events through November 5, 2010. This is the date the financial statements were available to be issued.

A. Reporting Entity

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

Included in the reporting entity:

Combined Utility System of Easley

The Combined Utility System of Easley (Utility) is fiscally dependent upon the City. It is governed by a separately elected commission and provides utility services to the residents of the City of Easley. Per Title 5 of the South Carolina Codes of Laws, all debt of the Utility must be approved by City Council before being issued. It is audited annually by other auditors, and a copy of its financial statements for the year ended March 31, 2010, can be obtained from the Utility's office.

B. Basis of Presentation

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

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

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

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

C. Measurement Focus, Basis of Accounting

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

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

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

**City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010**

Governmental Fund Financial Statements (continued)

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

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

D. Receivables

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

E. Inventories

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

F. Interfund Transactions

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

G. Capital Assets

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

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

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

H. Compensated Absences

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

**City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010**

I. Cash Equivalents

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

J. Use of Estimates

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

Note 2 – Detail Notes – All Funds

A. Property Taxes

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

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

B. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Primary Government			Ending Balance	Change
	Beginning Balance	Additions	Retirements		
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	3,788,903	-	-	3,788,903	-
Infrastructure Land Rights and Other Cost	707,169	-	-	707,169	-
Construction in Progress	-	450,000	-	450,000	450,000
Total Capital Assets not being Depreciated	4,496,072	450,000	-	4,946,072	450,000
Capital Assets being Depreciated:					
Buildings and Improvements	15,932,368	414,531	-	16,346,899	414,531
Equipment and Vehicles	8,149,547	188,374	(122,435)	8,215,486	65,939
Infrastructure - Roads	1,683,393	-	-	1,683,393	-
Total Capital Assets being Depreciated	25,765,308	602,905	(122,435)	26,245,778	480,470
Less Accumulated Depreciation for:					
Buildings and Improvements	(4,326,664)	(442,060)	-	(4,768,724)	(442,060)
Equipment and Vehicles	(5,102,288)	(513,530)	122,435	(5,493,383)	(391,095)
Infrastructure - Roads	(190,928)	(68,156)	-	(259,084)	(68,156)
Total Accumulated Depreciation	(9,619,880)	(1,023,746)	122,435	(10,521,191)	(901,311)
Total Capital Assets being Depreciated, Net	16,145,428	(420,841)	-	15,724,587	(420,841)
Governmental Activities Capital Assets, net	20,641,500	29,159	-	20,670,659	29,159

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

Capital Assets (continued)

	Primary Government				Change
	Beginning Balance	Additions	Retirements	Ending Balance	
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land	-	-	-	-	-
Infrastructure Land Rights and Other Cost	-	-	-	-	-
Construction in Progress	-	-	-	-	-
Total Capital Assets not being Depreciated	-	-	-	-	-
Capital Assets being Depreciated:					
Buildings and Improvements	12,469	-	-	12,469	-
Equipment and Vehicles	20,463	60,266	-	80,729	60,266
Infrastructure - Stormwater	413,883	-	-	413,883	-
Total Capital Assets being Depreciated	446,815	60,266	-	507,081	60,266
Less Accumulated Depreciation for:					
Buildings and Improvements	(1,081)	(499)	-	(1,580)	(499)
Equipment and Vehicles	(20,463)	(4,305)	-	(24,768)	(4,305)
Infrastructure - Roads	(39,277)	(13,796)	-	(53,073)	(13,796)
Total Accumulated Depreciation	(60,821)	(18,600)	-	(79,421)	(18,600)
Total Capital Assets being Depreciated, Net	385,994	41,666	-	427,660	41,666
Governmental Activities Capital Assets, net	385,994	41,666	-	427,660	41,666

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 74,737
Judicial Services	25,665
Public Safety	303,151
Public Works	195,580
Recreation and Tourism	387,710
Community Development	36,903
Total Depreciation Expense	\$ 1,023,746

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

C. Retirement Plans

The City of Easley contributes to the South Carolina Retirement System (SCRS) and to the Police Officers Retirement System (PORS), cost-sharing, multiple-employer defined benefit pension plans administered by the State Budget and Control Board of South Carolina. SCRS and PORS provide retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions are established under the City of Title 9 of the SC Code of Laws. The SCRS and PORS issue a publicly available financial report that includes financial statements and required supplementary information for the retirement systems. These reports may be obtained by writing to South Carolina Retirement System, Post Office Box 11960, Capitol Station, Columbia, South Carolina 29211-1960.

SCRS and PORS members are required to contribute 6.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rates for SCRS and PORS are 9.39% and 11.05%, respectively, of annual covered payroll. These percentages include amounts for group life and accidental death coverage. For the year ended June 30, 2010, \$4,895,109 of wages was subject to retirement, which is 97.87% of total salaries of \$5,001,651. The contribution requirements of plan members and the City are established and may be amended by the SCRS and PORS. The City's contributions to SCRS and PORS for the years ended June 30, 2010, 2009, 2008 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2010	\$ 232,359	\$ 291,201
2009	\$ 245,399	\$ 268,295
2008	\$ 241,904	\$ 253,043

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

**City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010**

D. Long-Term Obligations

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

Summarized below are the City's individual bond and capital lease issues, which are outstanding at June 30, 2010:

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
Governmental Activities:					
General Obligation Refunding Bonds, Series 2005	Finance Construction of Recreation Complex	\$ 2,135,000	\$ 1,470,000	3.698%	\$ 286,000
General Obligation Bonds, Series 2000	Finance Construction of Law Enforcement Center	3,000,000	1,695,000	4.125 - 6.125%	287,119
General Obligation Bonds, Series 2009	Finance Improvements to Easley Town Center	1,830,000	1,820,000	4.720%	163,956
Capital Lease Payable	Acquire Fire Truck	549,865	364,657	3.660%	48,287
Capital Lease Payable	Acquire Vehicles/Equipment	494,000	83,884	3.940%	110,800
Capital Lease Payable	Construct Recreation Complex	6,000,000	4,420,000	4.040%	556,614
Capital Lease Payable	Acquire Vehicles/Equipment	233,700	187,554	3.060%	56,713
Tax Increment Bond, Series 2004	Finance Construction of Downtown Improvements	650,000	570,000	3.440%	77,580
Tax Increment Bond, Series 2006	Finance Construction of Downtown Improvements	1,065,000	700,000	4.380%	112,867
Total Governmental Activities		<u>\$ 15,957,565</u>	<u>\$ 11,311,095</u>		

Long-term activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and Capital Leases Payable:					
General Obligation and Other Bonds	\$ 4,920,000	\$ 1,830,000	\$ 495,000	\$ 6,255,000	\$ 681,500
Capital Leases Payable	5,580,418	-	524,323	5,056,095	530,385
Total Bonds and Capital Leases Payable	<u>10,500,418</u>	<u>1,830,000</u>	<u>1,019,323</u>	<u>11,311,095</u>	<u>1,211,885</u>
Other Liabilities:					
Net OPEB Liability	-	454,000	28,325	425,675	-
Compensated Absences	230,856	20,711	1,470	250,097	25,010
Governmental Activities Long-term Liabilities	<u>\$ 10,731,274</u>	<u>\$ 2,304,711</u>	<u>\$ 1,049,118</u>	<u>\$ 11,986,867</u>	<u>\$ 1,236,895</u>

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

Long-Term Obligations (continued)

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total
	Principal	Interest	Total	Principal	Interest	Total	Primary Government
2011	1,211,885	492,315	1,704,200	\$ -	\$ -	\$ -	\$ 1,704,200
2012	1,112,877	413,015	1,525,892	-	-	-	1,525,892
2013	1,179,347	368,575	1,547,922	-	-	-	1,547,922
2014	1,197,952	321,783	1,519,735	-	-	-	1,519,735
2015	1,225,344	273,375	1,498,719	-	-	-	1,498,719
2016-2020	4,443,690	694,683	5,138,373	-	-	-	5,138,373
2021-2025	640,000	164,492	804,492	-	-	-	804,492
2026-2027	300,000	21,476	321,476	-	-	-	321,476
Total	\$ 11,311,095	\$ 2,749,714	\$ 14,060,809	\$ -	\$ -	\$ -	\$ 14,060,809

E. Interfund Balances and Activity

The following schedule represents interfund receivables and payables at June 30, 2010:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
By Fund:		
Accommodations Tax Fund	\$ -	\$ 5,754
Capital Projects Fund	-	1,211,951
Community Development Fund	-	958,755
Firemen's Fund	42,816	-
General Fund	2,314,441	2,291,839
Hospitality Tax Fund	1,392,579	-
Local Accommodations Tax Fund	91,518	-
Police Fund	-	29,836
Recreation Fund	-	61,384
Storm Water Fund	710,496	-
TIF Special Revenue Fund	-	46,760
Victims Rights Fund	54,429	-
Total Primary Government	<u>\$ 4,606,279</u>	<u>\$ 4,606,279</u>

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

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

Interfund Balances and Activities (continued)

Transfers to/from other funds for the year ended June 30, 2010, consisted of the following:

\$ 225,083	From the general fund to the debt service fund to pay current year debt service obligations.
\$ 26,148	From the accommodations tax fund to the general fund for allocation of accommodation tax revenue.
\$ 130,000	From the capital projects fund to the general fund to reimburse the general fund for Easley Town Center expenses incurred prior to bond issuance.
\$ 10,000	From the storm water fund to the general fund.

F. Contingent Liabilities

The City participates in a few federal grant programs. These programs are subject to compliance audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2010, have not yet been conducted; therefore, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Effective January 1, 1978, the State of South Carolina extended unemployment insurance coverage to municipalities. The City elected to reimburse the unemployment fund for only those benefits actually paid rather than make contributions to the unemployment fund. The amount of any benefits that would become due in the future and, therefore, be required to be reimbursed by the City is not determinable. The City is of the opinion that the ultimate liability, if any, at June 30, 2010, will not have a material effect on the net assets of the City.

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

H. Rehabilitation Loans

The City has \$1,321,692 outstanding in rehabilitation loans. These loans were funded by grants from the Federal Government, and the repayment of these loans by the borrowers belongs to the City for use to further develop and improve Easley. The City currently has over 100 individual loans outstanding. These loans are for a period of twenty years, at an annual interest rate of three percent (3%). All loans are secured by real estate.

I. Post-Employment Health Care Benefits Other Than Pensions

The City provides group health, dental, and vision insurance benefits for retirees per the terms of an approved policy. The City makes an additional monthly contribution in the amount of 4% of the employee-only base premium for each complete year of service with the City not to exceed 100% of the monthly premium. Retirees may, at their option, include dependent coverage. The City's regular health and dental care benefit providers underwrite the retiree's policies.

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

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

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, 2010, there were seven retirees who were covered under the City's group insurance plan at a cost of \$28,325.

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

In 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of Other Post Employment Benefits expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. The City was required to adopt Statement No. 45 in fiscal year ended 2010.

The City had an actuarial valuation performed for the plan as of July 1, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2010. The following table summarizes the key actuarial assumptions and cost method:

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

Since 2010 is the implementation year of GASB Statement No. 45 for the City of Easley, the asset valuation method used initially is market value. The OPEB Plan's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2010, was twenty-eight years.

For 2010, the implementation year for GASB Statement No. 45 for the City of Easley, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2010) was as follows:

1. Net OPEB Obligation (Asset), Beginning of Plan Year	\$ -
2. Annual Required Contributions (Normal Cost Plus any Amortization Payments)	454,000
3. Annual OPEB Cost	<u>454,000</u>
4. Contributions Made for the Plan Year	(28,325)
5. Increase (Decrease) in Net OPEB Obligation (Asset)	<u>425,675</u>
6. Net OPEB Obligation (Asset), End of the Plan Year	<u><u>\$ 425,675</u></u>

City of Easley, South Carolina
Notes to Financial Statements
For the Year Ended June 30, 2010

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

Schedule of Employer Contributions

Fiscal year 2010 was the year of implementation of GASB Statement No. 45, and the City of Easley has elected to implement prospectively. Therefore, prior year comparative data in the schedule of employer contributions is not available. Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2010 were as follows:

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

Schedule of Funding Progress

Fiscal year 2010 was the year of implementation of GASB Statement No. 45, and the City of Easley has elected to implement prospectively. Therefore, prior year comparative data in the schedule of funding progress is not available. This schedule will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded % of Payroll (b-a)/(c)
July 1, 2009	-	\$3,104,000	\$3,104,000	-	\$4,734,000	65.6%

J. Prior Period Restatement

Beginning Fund Equity was increased by \$19,819 in the general fund due to unreported cash in the prior year.

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

City of Easley, South Carolina
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 2,675,178	\$ 2,675,178	\$ 2,770,650	\$ 95,472
Intergovernmental Revenues	2,563,293	2,563,293	2,700,848	137,555
Licenses, Permits and Fees	3,122,150	3,122,150	3,189,648	67,498
Fines and Forfeitures	1,030,000	1,030,000	822,627	(207,373)
Miscellaneous and Other	75,000	75,000	80,942	5,942
Payments in Lieu of Taxes and Franchise Fees	2,022,200	2,022,200	1,744,963	(277,237)
Interest Income	25,000	25,000	3,283	(21,717)
Total Revenues	<u>11,512,821</u>	<u>11,512,821</u>	<u>11,312,961</u>	<u>(199,860)</u>
Expenditures				
Current Operating:				
General Government:				
General Government	394,400	394,400	529,593	(135,193)
Council	97,025	97,025	95,583	1,442
Finance	583,504	583,504	475,866	107,638
Building Official	200,975	200,975	198,936	2,039
Judicial Services:				
Court	955,816	955,816	838,705	117,111
Public Safety:				
Police	3,124,578	3,124,578	3,089,051	35,527
Fire	1,724,355	1,724,355	1,884,164	(159,809)
Public Works:				
Streets	1,530,874	1,530,874	1,503,780	27,094
Sanitation	1,072,012	1,072,012	1,013,794	58,218
Cemetery	36,740	36,740	37,720	(980)
Recreation and Tourism:				
Recreation	929,788	929,788	900,728	29,060
Capital Expenditures	108,240	108,240	97,008	11,232
Debt Service:				
Principal Retirement	179,323	179,323	179,323	-
Interest and Fiscal Charges	36,477	36,477	36,477	-
Total Expenditures	<u>10,974,107</u>	<u>10,974,107</u>	<u>10,880,728</u>	<u>93,379</u>
Excess (Deficiency) of Revenues Over Expenditures	538,714	538,714	432,233	(106,481)
Other Financing Sources (Uses)				
Interfund Transfers In	10,000	10,000	166,148	156,148
Interfund Transfers (Out)	(548,714)	(548,714)	(225,083)	323,631
Sale of Fixed Assets	-	-	28,035	28,035
Net Change in Fund Balances	-	-	401,333	401,333
Fund Balances, Beginning (Restated)	<u>4,262,996</u>	<u>4,262,996</u>	<u>4,262,996</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 4,262,996</u>	<u>\$ 4,262,996</u>	<u>\$ 4,664,329</u>	<u>\$ 401,333</u>

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

City of Easley, South Carolina
Budgetary Comparison Schedule
Community Development Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental Revenues	\$ 40,750	\$ 40,750	\$ -	(40,750)
Miscellaneous and Other	5,000	5,000	610	(4,390)
Interest Income	48,129	48,129	31,112	(17,017)
Total Revenues	<u>93,879</u>	<u>93,879</u>	<u>31,722</u>	<u>(62,157)</u>
Expenditures				
Current Operating:				
Community Development	159,533	159,533	238,373	(78,840)
Total Expenditures	<u>159,533</u>	<u>159,533</u>	<u>238,373</u>	<u>(78,840)</u>
Net Change in Fund Balances	(65,654)	(65,654)	(206,651)	16,683
Fund Balances, Beginning	<u>1,395,644</u>	<u>1,395,644</u>	<u>1,395,644</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,329,990</u>	<u>\$ 1,329,990</u>	<u>\$ 1,188,993</u>	<u>\$ 16,683</u>

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

City of Easley, South Carolina
Budgetary Comparison Schedule
Hospitality Tax Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental Revenues	\$ -	\$ -	\$ 25,666	\$ 25,666
Hospitality Tax	1,200,000	1,200,000	1,208,213	8,213
Interest Income	5,000	5,000	-	(5,000)
Total Revenues	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,233,879</u>	<u>28,879</u>
Expenditures				
Current Operating:				
Recreation and Tourism	570,500	570,500	472,402	98,098
Capital Expenditures	13,000	13,000	91,366	(78,366)
Debt Service:				
Principal Retirement	345,000	345,000	345,000	-
Interest and Fiscal Charges	192,506	192,506	192,506	-
Total Expenditures	<u>1,121,006</u>	<u>1,121,006</u>	<u>1,101,274</u>	<u>19,732</u>
Net Change in Fund Balances	83,994	83,994	132,605	48,611
Fund Balances, Beginning	<u>1,365,102</u>	<u>1,365,102</u>	<u>1,365,102</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 1,449,096</u></u>	<u><u>\$ 1,449,096</u></u>	<u><u>\$ 1,497,707</u></u>	<u><u>\$ 48,611</u></u>

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

City of Easley, South Carolina
Notes to Required Supplemental Information
For the Year Ended June 30, 2010

Note 1 – Budgetary Process and Basis of Accounting

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

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

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

Note 2 – Excess of Expenditures Over Appropriations

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

<u>Department</u>	<u>Final Budgeted Expenditures</u>	<u>Expenditures</u>	<u>Difference</u>
General Government	643,440	745,393	(101,953)
Fire	1,724,355	1,884,164	(159,809)
Cemetery	36,740	37,720	(980)
Streets	1,553,243	1,727,633	(174,390)

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

Fiscal year 2010 was the year of implementation of GASB Statement No. 45, and the City of Easley has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

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

City of Easley, South Carolina
Notes to Required Supplemental Information
For the Year Ended June 30, 2010

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded % of Payroll (b-a)/(c)
July 1, 2009	-	\$3,104,000	\$3,104,000	-	\$4,734,000	65.6%

SUPPLEMENTAL INFORMATION

City of Easley, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Cash and Other Cash Deposits	\$ -	\$ -	\$ -
Restricted Assets - Cash and Other Cash Deposits	733,590	-	733,590
Accounts Receivable	37,979	-	37,979
Interfund Balances	188,763	-	188,763
Total Assets	\$ 960,332	\$ -	\$ 960,332
 Liabilities and Fund Balances			
Liabilities:			
Interfund Balances	143,734	-	143,734
Total Liabilities	143,734	-	143,734
 Fund Balances:			
Restricted for:			
Downtown Development	545,805	-	545,805
Judicial Services	54,429	-	54,429
Public Safety	154,005	-	154,005
Recreation and Tourism	123,743	-	123,743
Unassigned:	(61,384)	-	(61,384)
Total Fund Balances	816,598	-	816,598
 Total Liabilities and Fund Balances	\$ 960,332	\$ -	\$ 960,332

See independent auditors' report.

City of Easley, South Carolina
Combining Schedule of Revenues, Expenditure, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$ 328,464	\$ -	\$ 328,464
Intergovernmental Revenues	152,478	-	152,478
Licenses, Permits and Fees	422,747	-	422,747
Fines and Forfeitures	15,341	-	15,341
Miscellaneous and Other	100	-	100
Interest Income	7,153	-	7,153
Total Revenues	926,283	-	926,283
Expenditures			
Current Operating:			
Judicial Services	79,768	-	79,768
Public Safety	73,765	-	73,765
Public Works	54,126	-	54,126
Recreation and Tourism	455,442	-	455,442
Capital Expenditures	414,531	-	414,531
Debt Service:			
Principal Retirement	80,000	415,000	495,000
Interest and Fiscal Changes	54,499	145,835	200,334
Total Expenditures	1,212,131	560,835	1,772,966
Excess (Deficiency) of Revenues Over Expenditures	(285,848)	(560,835)	(846,683)
Other Financing Sources and (Uses)			
Interfund Transfers In	-	225,083	225,083
Interfund Transfers (Out)	(26,148)	-	(26,148)
Net Change in Fund Balances	(311,996)	(335,752)	(647,748)
Fund Balances, Beginning	1,128,594	335,752	1,464,346
Fund Balances, Ending	\$ 816,598	\$ -	\$ 816,598

See independent auditors' report.

City of Easley, South Carolina
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	TIF Fund	Accommodations Tax	Victims Rights	Local Accommodations Tax
Assets				
Restricted Assets - Cash and Other Cash Deposits	\$ 592,565	\$ -	\$ -	\$ -
Accounts Receivable	-	37,979	-	-
Interfund Balances	-	-	54,429	91,518
Total Assets	\$ 592,565	\$ 37,979	\$ 54,429	\$ 91,518
Liabilities and Fund Balances				
Liabilities:				
Interfund Balances	46,760	5,754	-	-
Total Liabilities	46,760	5,754	-	-
Fund Balances:				
Restricted for:				
Downtown Development	545,805	-	-	-
Judicial Services	-	-	54,429	-
Public Safety	-	-	-	-
Recreation and Tourism	-	32,225	-	91,518
Unassigned:	-	-	-	-
Total Fund Balances	545,805	32,225	54,429	91,518
Total Liabilities and Fund Balances	\$ 592,565	\$ 37,979	\$ 54,429	\$ 91,518

See independent auditors' report.

City of Easley, South Carolina
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Law Enforcement Fund	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
Assets				
Restricted Assets - Cash and Other Cash Deposits	\$ 141,025	\$ -	\$ -	\$ 733,590
Accounts Receivable	-	-	-	37,979
Interfund Balances	-	42,816	-	188,763
Total Assets	\$ 141,025	\$ 42,816	\$ -	\$ 960,332
Liabilities and Fund Balances				
Liabilities:				
Interfund Balances	29,836	-	61,384	143,734
Total Liabilities	29,836	-	61,384	143,734
Fund Balances:				
Restricted for:				
Downtown Development	-	-	-	545,805
Judicial Services	-	-	-	54,429
Public Safety	111,189	42,816	-	154,005
Recreation and Tourism	-	-	-	123,743
Unassigned:	-	-	(61,384)	(61,384)
Total Fund Balances	111,189	42,816	(61,384)	816,598
Total Liabilities and Fund Balances	\$ 141,025	\$ 42,816	\$ -	\$ 960,332

See independent auditors' report.

City of Easley, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	TIF Fund	Accommodations Tax	Victims Rights	Local Accommodations Tax
Revenues				
Property Taxes	\$ 328,464	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	47,959	-	44,507
Licenses, Permits and Fees	-	-	57,204	-
Fines and Forfeitures	-	-	-	-
Miscellaneous and Other	100	-	-	-
Interest Income	7,153	-	-	-
Total Revenues	<u>335,717</u>	<u>47,959</u>	<u>57,204</u>	<u>44,507</u>
Expenditures				
Current Operating:				
Judicial Services	-	-	79,768	-
Public Safety	-	-	-	-
Public Works	54,126	-	-	-
Recreation and Tourism	-	17,456	-	-
Capital Expenditures	414,531	-	-	-
Debt Service:				
Principal Retirement	80,000	-	-	-
Interest and Fiscal Charges	54,499	-	-	-
Total Expenditures	<u>603,156</u>	<u>17,456</u>	<u>79,768</u>	<u>-</u>
Excess Deficiency of (Revenues) Over Expenditures	(267,439)	30,503	(22,564)	44,507
Other Financing Sources and (Uses)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	(26,148)	-	-
Net Change in Fund Balances	(267,439)	4,355	(22,564)	44,507
Fund Balances, Beginning	<u>813,244</u>	<u>27,870</u>	<u>76,993</u>	<u>47,011</u>
Fund Balances, Ending	<u>\$ 545,805</u>	<u>\$ 32,225</u>	<u>\$ 54,429</u>	<u>\$ 91,518</u>

See independent auditors' report.

City of Easley, South Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	Law Enforcement Fund	Firemen's Fund	Recreation Fund	Total Nonmajor Special Revenue Funds
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ 328,464
Intergovernmental Revenues	-	60,012	-	152,478
Licenses, Permits and Fees	-	-	365,543	422,747
Fines and Forfeitures	15,341	-	-	15,341
Miscellaneous and Other	-	-	-	100
Interest Income	-	-	-	7,153
Total Revenues	<u>15,341</u>	<u>60,012</u>	<u>365,543</u>	<u>926,283</u>
Expenditures				
Current Operating:				
Judicial Services	-	-	-	79,768
Public Safety	30,508	43,257	-	73,765
Public Works	-	-	-	54,126
Recreation and Tourism	-	-	437,986	455,442
Capital Expenditures	-	-	-	414,531
Debt Service:				-
Principal Retirement	-	-	-	80,000
Interest and Fiscal Charges	-	-	-	54,499
Total Expenditures	<u>30,508</u>	<u>43,257</u>	<u>437,986</u>	<u>1,212,131</u>
Excess Deficiency of (Revenues) Over Expenditures	(15,167)	16,755	(72,443)	(285,848)
Other Financing Sources and (Uses)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	-	-	(26,148)
Net Change in Fund Balances	(15,167)	16,755	(72,443)	(311,996)
Fund Balances, Beginning	<u>126,356</u>	<u>26,061</u>	<u>11,059</u>	<u>1,128,594</u>
Fund Balances, Ending	<u>\$ 111,189</u>	<u>\$ 42,816</u>	<u>\$ (61,384)</u>	<u>\$ 816,598</u>

See independent auditors' report.

City of Easley, South Carolina
Schedule of Fines, Assessments, Surcharges and Other Fees
(For State Treasurer Requirements)
For the Year Ended June 30, 2010

	Municipal Court
Total Fines Collected and Retained by City	\$ 338,267
Total Assessments, Surcharges, and Other Fees Collected and Remitted to State	\$ 483,880
Total Assessments and Surcharges Collected and Retained by City (Victim Assistance)	\$ 57,204
Total Victim Assistance Fund Balance Available for Appropriation	\$ 54,429

See independent auditors' report.