

CITY OF LIBERTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

CITY OF LIBERTY
LIBERTY, SOUTH CAROLINA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
STATEMENT OF NET ASSETS	7
STATEMENT OF ACTIVITIES	8
BALANCE SHEET – GOVERNMENT FUND	9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	12
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND	13
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUND	14
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	15
NOTES TO FINANCIAL STATEMENTS	16-33
SUPPORTING SCHEDULES	
SCHEDULE OF REVENUES – BUDGET AND ACTUAL	34-35
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL	36-40
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES	41

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Liberty
Liberty, 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 the City of Liberty, South Carolina (the City) as of and for the year ended June 30, 2004, 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's management. Our responsibility is to express an opinion 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 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, 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 the City as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 34 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

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South Carolina Association of Certified Public Accountants

To The Honorable Mayor and Members of the City Council
City of Liberty
Page Two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Liberty's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deery + Associates PA

December 28, 2004

CITY OF LIBERTY



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MAYOR
Eddie Hughes

CITY CLERK
Claire E. Woelfel

COUNCIL
Rick Clark
Brian Deese
Mark Durham
Bill Lewis
Brian Petersen
Michael Sheriff

TREASURER
Josie Amspacher

FIRE CHIEF
Christopher Ramey

POLICE CHIEF
Leland "Corky" Miller

PUBLIC WORKS
Ray Clark

RECREATION
Tony Boiter

Management's Discussion and Analysis

As management of the City of Liberty, South Carolina (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,270,839 (*net assets*). Of this amount, \$701,052 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$359,545.
- As of the close of the current fiscal year, the City's governmental fund reported a combined ending fund balance of \$509,775, a decrease of \$47,458 from the prior year.
- As of the close of the current fiscal year, the City's proprietary fund reported an ending net asset balance of \$2,396,482, a decrease of \$539,899 from the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$509,775, or 20 percent of total general fund expenditures.

Overview of the Financial Statements

Management's discussion and analysis introduces the City's basic financial statements. The City's basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave). An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues; such as grants from business type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, police, fire, public works, and recreation. Business type activities include utility services provided by the City.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. The funds of the City can be divided into two categories: the governmental fund and the proprietary fund.

Governmental fund. The *Governmental fund* is used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental fund* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities*.

The City maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is considered to be a major fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Proprietary fund. The City maintains one proprietary fund. Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The *enterprise fund* is the type of proprietary fund used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its utility services provided to the City's residents.

The basic proprietary fund financial statements can be found on pages 13-15 of this report.

Notes to the financial statements. The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,270,839 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Net assets reserved for specific uses total \$7,745. The remaining balance of unrestricted net assets \$701,052 may be used to meet the City's ongoing obligations to citizens and creditors.

The government's net assets decreased by \$359,545 during the current fiscal year. This decrease is largely due to the removal of obsolete assets, however, the decrease was partially offset by increased revenue in the enterprise fund.

Governmental activities. Governmental activities increased the City's net assets by \$180,354. This is due mainly to revenues in excess of expenses.

Business-type activities. Business-type activities decreased the City's net assets by \$539,899. This is due primarily to the removal of obsolete assets, however, the decrease was partially offset by increased revenue in the enterprise fund.

Financial Analysis of the Government Fund

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the City's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of \$509,775 consists of \$502,030 unreserved and \$7,745 reserved for specific purposes.

The fund balance of the City's general fund decreased by \$47,458 during the current fiscal year.

- Total revenues increased from prior year. The increase is primarily due to additional revenue received by the City as a result of capital assets being purchased with funds provided by Pickens County. Also, there were some new grants received during the year. Sanitation user fees also increased.
- Total expenditures increased from prior year due mainly to increases in capital outlay. Recreation department expenditures also increased due to purchases of uniforms, equipment, supplies, and capital outlay.

General Fund Budgetary Highlights

The City adopts a balanced budget with budgeted expenditures equaling budgeted revenues. There are no reported differences between the original budget and the final budget.

Capital Asset Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$991,019 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, sidewalks, and city lots, machinery and equipment, furniture and fixtures, vehicles and software. The total increase of \$146,515 in net capital assets is the net of asset additions of \$302,322 and, depreciation expense of \$155,817.

Capital asset additions, during the current fiscal year included the addition of vehicles and equipment in the administrative, police, fire and recreation departments of the City. Also, a paved walking trail was constructed and various roads, sidewalks, and City lots were paved.

The City's investment in capital assets for its business-type activities as of June 30, 2004, amounted to \$2,639,351 (net of accumulated depreciation). The net decrease in capital assets of \$555,437 is the net of asset additions of \$422,765, depreciation expense of \$155,263 and disposals of \$822,939 (net of accumulated depreciation). The loss on disposition is the result of the removal of obsolete assets. A loss of \$822,939 was recognized on the disposition.

Capital asset additions in the business-type activities during the year included the purchase of vehicles and equipment and sewer line improvements.

Additional information on the City's capital assets can be found in notes of this report immediately following the basic financial statements.

Long-Term debt

The long-term debt of the City for its governmental activities consists of accumulated vacation days payable and capital leases payable on various vehicles in the public works, police, and fire departments. The City also has outstanding bonded debt consisting of the 2003 City of Liberty, South Carolina \$550,000 General Obligation Bond Anticipation Notes, dated September 9, 2003. The full faith, credit and taxing power of the City are irrevocably pledged for the payment of the principal and interest on the Bonds.

The long-term debt of the City for its business-type activities consists of a note payable on a sewer jetting machine, capital leases payable on vehicles and equipment and Water System Improvement Revenue Bonds, Series 1983.

The activity in long-term debt can be found in the notes of this report immediately following the basic financial statements.

Economic Factors and Next Years Budgets and Rates

Inflation trends in the region compare favorably to national indexes. This was considered in preparing the City's budget for the fiscal year ended June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Liberty, P. O. Box 716, Liberty, South Carolina 29657.

Eddie Hughes, Mayor

2/28/05

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 693,294	\$	\$ 693,294
Receivables (net of allowance for uncollectibles)			
Utility billings		168,884	168,884
Other	95,125	222	95,347
Internal balances		287,265	287,265
Due from other governments	133,474		133,474
Prepaid expenses	46,425	5,446	51,871
Total current assets	<u>968,318</u>	<u>461,817</u>	<u>1,430,135</u>
Non-current assets:			
Restricted assets			
Cash	7,745	41,742	49,487
Capital assets			
Land	44,496	6,414	50,910
Buildings and system improvements	897,423	53,915	951,338
Roads, sidewalks and City lots	549,805		549,805
Water and sewer lines		3,090,541	3,090,541
Vehicles	631,448	138,581	770,029
Machinery and equipment	397,256	343,811	741,067
Furniture and fixtures	689		689
Software	34,815	71,208	106,023
Less accumulated depreciation	(1,564,913)	(1,065,119)	(2,630,032)
Deferred charges		3,942	3,942
Total non-current assets	<u>998,764</u>	<u>2,685,035</u>	<u>3,683,799</u>
Total assets	<u>1,967,082</u>	<u>3,146,852</u>	<u>5,113,934</u>
LIABILITIES			
Current liabilities:			
Accounts payable	34,986	98,435	133,421
Accrued liabilities	89,423	204,885	294,308
Accrued interest	9,248	9,232	18,480
Notes payable and lease obligations, current	56,793	36,870	93,663
Bonds payable, current	550,000	7,500	557,500
Internal balances	287,265		287,265
Total current liabilities	<u>1,027,715</u>	<u>356,922</u>	<u>1,384,637</u>
Non-current liabilities			
Compensated absences	20,481	7,077	27,558
Lease obligations, non-current	44,529	115,428	159,957
Bonds payable, non-current		257,208	257,208
Customer deposits subject to refunds		13,735	13,735
Total noncurrent liabilities	<u>65,010</u>	<u>393,448</u>	<u>458,458</u>
Total liabilities	<u>1,092,725</u>	<u>750,370</u>	<u>1,843,095</u>
NET ASSETS			
Invested in capital assets, net of related debt	339,697	2,222,345	2,562,042
Restricted for			
Local law enforcement and victims' assistance	7,745		7,745
Unrestricted	526,915	174,137	701,052
Total net assets	<u>\$ 874,357</u>	<u>\$2,396,482</u>	<u>\$3,270,839</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Function/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
		\$	\$	\$	\$	\$	\$
Primary government							
Government activities							
General government	\$ 341,884	\$ 546,713	\$ 58,250	\$ 9,798	\$ 204,829	\$ 204,829	\$ 204,829
Police	646,142	29,100	41,837		(548,994)	(548,994)	(548,994)
Fire	329,692	107,250	1,747	173,638	(180,605)	(180,605)	(180,605)
Public Works	302,386	109,732	16,610	69,324	(17,269)	(17,269)	(17,269)
Recreation	132,693	58,933			12,174	12,174	12,174
Total governmental activities	<u>1,752,797</u>	<u>851,728</u>	<u>118,444</u>	<u>252,760</u>	<u>(529,865)</u>	<u>(529,865)</u>	<u>(529,865)</u>
Business-type activities							
Utility system	1,291,780	1,364,951		209,086		282,257	282,257
Total primary government	<u>\$3,044,577</u>	<u>\$2,216,679</u>	<u>\$118,444</u>	<u>\$461,846</u>	<u>(529,865)</u>	<u>282,257</u>	<u>(247,608)</u>
General Revenues:							
Local taxes					570,168	570,168	570,168
State-shared revenues					78,228	78,228	78,228
Fines					51,022	51,022	51,022
Unrestricted investment earnings					580	580	5,710
Loss on disposition					(822,736)	(822,736)	(822,736)
Other revenues					5,671	5,671	5,671
Total general revenues					<u>710,219</u>	<u>(822,156)</u>	<u>(111,937)</u>
Changes in net assets					180,354	(539,899)	(359,545)
Net assets, beginning of year					694,003	2,936,381	3,630,384
Net assets, end of year					<u>\$ 874,357</u>	<u>\$ 2,396,482</u>	<u>\$ 3,270,839</u>

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

**CITY OF LIBERTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2004**

ASSETS

Assets:

Cash and cash equivalents	\$693,294
Receivables:	
Taxes/fines	82,209
Loans	3,664
Trade accounts	7,963
Grants	30,178
Other	104,585
Prepaid expenses	46,425
Restricted assets	
Cash and cash equivalents	7,745
Total assets	<u>\$976,063</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 34,986
Accrued payroll taxes	2,742
Accrued liabilities	86,681
Internal balances	287,265
Deferred revenue	54,614
Total liabilities	<u>466,288</u>

Fund Balances:

Reserved for local law enforcement and victims' assistance	7,745
Unreserved, reported in	
General fund	<u>502,030</u>
Total fund balances	<u>509,775</u>

Total liabilities and fund balances \$976,063

Fund balances – total governmental fund \$509,775

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 fund	991,019
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund	(671,803)
Deferred revenue in the governmental fund is susceptible to full accrual on the entity-wide statements	54,614
Accrued interest expense is recorded for entity-wide statements but is not recorded in the governmental fund	<u>(9,248)</u>

Net assets of governmental activities \$874,357

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

**CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>JUNE 30, 2004</u>
REVENUES:	
Taxes	\$ 554,050
Permits and fees	508,217
Fines and forfeitures	51,022
Shared revenues	78,228
Miscellaneous	382,005
Charges for services	<u>305,015</u>
Total Revenues	<u>1,878,537</u>
 EXPENDITURES:	
CURRENT:	
Administrative Department	305,527
Police Department	572,142
Fire Department	309,963
Public Works Department	260,823
Recreation Department	123,193
CAPITAL EXPENDITURES	302,331
DEBT SERVICE:	
Principal	607,435
Interest	<u>17,029</u>
Total Expenditures	<u>2,498,443</u>
Deficiency of revenues over expenditures	<u>(619,906)</u>
 OTHER FINANCING SOURCES:	
Notes Payable	<u>572,448</u>
Total Other Financing Sources	<u>572,448</u>
Deficiency of revenues and other financing sources over expenditures	(47,458)
FUND BALANCE, BEGINNING	<u>557,233</u>
FUND BALANCE, ENDING	<u>\$ 509,775</u>

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

**CITY OF LIBERTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balance-total governmental fund	(\$47,458)
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$302,332 exceeded depreciation of \$155,817 in the current period.	146,515
The proceeds of debt issuances provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets. This is the amount by which long-term debt payments of \$607,435 exceeded debt proceeds of \$572,448.	34,987
Deferred revenue in the governmental fund is susceptible to full accrual on the entity wide statement.	54,614
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund. This includes the net decrease in compensated absences of \$944.	944
Accrued interest expense is recorded for entity-wide statements but is not recorded in the governmental fund.	<u>(9,248)</u>
Change in net assets of governmental activities	<u>\$180,354</u>

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

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes	\$ 544,600	\$ 544,600	\$ 554,050	\$ 9,450
Permits and fees	467,000	467,000	508,217	41,217
Fines and forfeitures	60,000	60,000	51,022	(8,978)
Shared revenues	149,000	149,000	78,228	(70,772)
Miscellaneous	277,000	277,000	382,005	105,005
Charges for services	<u>169,616</u>	<u>169,616</u>	<u>305,015</u>	<u>135,399</u>
Total Revenues	<u>1,667,216</u>	<u>1,667,216</u>	<u>1,878,537</u>	<u>211,321</u>
EXPENDITURES:				
CURRENT:				
Administrative Department	337,136	337,136	305,527	31,609
Police Department	531,591	531,591	572,142	(40,551)
Fire Department	297,834	297,834	309,963	(12,129)
Public Works Department	262,407	262,407	260,823	1,584
Recreation Department	76,073	76,073	123,193	(47,120)
Capital expenditures	456,100	456,100	302,331	153,769
DEBT SERVICE:				
Principal	56,075	56,075	607,435	(551,360)
Interest	<u> </u>	<u> </u>	<u>17,029</u>	<u>(17,029)</u>
Total Expenditures	<u>2,017,216</u>	<u>2,017,216</u>	<u>2,498,443</u>	<u>(481,227)</u>
Deficit of revenues over expenditures	<u>(350,000)</u>	<u>(350,000)</u>	<u>(619,906)</u>	<u>(269,906)</u>
OTHER FINANCING SOURCES:				
Notes Payable	<u>350,000</u>	<u>350,000</u>	<u>572,448</u>	<u>222,448</u>
Total Other Financing Sources	<u>350,000</u>	<u>350,000</u>	<u>572,448</u>	<u>222,448</u>
Deficit of revenues and other financing sources over expenditures			(47,458)	(47,458)
FUND BALANCE, BEGINNING	<u>557,233</u>	<u>557,233</u>	<u>557,233</u>	<u> </u>
FUND BALANCE, ENDING	<u>\$ 557,233</u>	<u>\$ 557,233</u>	<u>\$ 509,775</u>	<u>\$ (47,458)</u>

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

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

ASSETS

Current Assets

Receivables (net of allowance for uncollectibles)	\$ 168,884
Prepaid expenses	5,446
Other	222
Internal balances	<u>287,265</u>
Total current assets	<u>461,817</u>

Restricted Assets

Restricted

Cash	<u>41,742</u>
Total restricted assets	<u>41,742</u>

Non-current Assets

Capital assets

Land	6,414
Buildings and system improvements	53,915
Water and sewer lines	3,090,541
Vehicles	138,581
Machinery and equipment	343,811
Software	71,208
Less: Accumulated depreciation	(1,065,119)

Deferred charges	<u>3,942</u>
Total non-current assets	<u>2,643,293</u>

Total assets	<u>3,146,852</u>
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LIABILITIES

Current Liabilities

Accounts payable	98,435
Accrued liabilities	204,885
Accrued interest	9,232
Notes payable and lease obligations, current	36,870
Bonds payable, current	7,500
Customer deposits subject to refund	<u>13,735</u>
Total current liabilities	<u>370,657</u>

Non-current Liabilities

Compensated absences	7,077
Lease obligations, non-current	115,428
Bonds payable, non-current	<u>257,208</u>
Total non-current liabilities	<u>379,713</u>

Total liabilities	<u>750,370</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,222,345
Unrestricted	<u>174,137</u>
Total net assets	<u>\$2,396,482</u>

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

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>2004</u>
OPERATING REVENUES:	
Water billings	\$ 847,403
Sewer billings	<u>517,548</u>
Total Operating Revenues	<u>1,364,951</u>
 OPERATING EXPENSES:	
Water Department	667,466
Sewer Department	112,918
County facility fees	340,283
Depreciation	155,467
Amortization	<u>203</u>
Total Operating Expenses	<u>1,276,337</u>
Operating Income	88,614
 NON-OPERATING REVENUES (EXPENSES):	
Loss on disposition of fixed assets	(822,736)
Interest income	580
Interest expense	(15,443)
Grant revenue	<u>209,086</u>
Total Non-Operating Revenues (Expenses)	<u>(628,513)</u>
Net Loss	(539,899)
 NET ASSETS, BEGINNING	 <u>2,936,381</u>
NET ASSETS, ENDING	 <u>\$ 2,396,482</u>

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

**CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,410,251
Payments to suppliers	(1,176,676)
Payments to employees	<u>(111,821)</u>
Net cash provided by operating activities	<u>121,754</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(422,765)
Principal paid on revenue bonds, notes payable, and lease obligations	(34,544)
Interest paid on revenue bonds, notes payable, and lease obligations	(15,443)
Capital contributed by grants	209,085
Proceeds from capital leases	<u>142,000</u>
Net cash used for capital and related financing activities	<u>(121,667)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>580</u>
Net cash provided by investing activities	<u>580</u>
Net increase in cash and cash equivalents	667
Cash and cash equivalents, beginning of year	<u>41,075</u>
Cash and cash equivalents, end of year	<u>\$ 41,742</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 88,614
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	155,670
Decrease in receivables	45,299
Increase in prepaid expenses	(5,446)
Increase in accounts payable	48,873
Increase in compensated absences	3,726
Increase in deposits	2,395
Increase in accrued liabilities	40,135
(Increase) decrease in due to/from general fund	<u>(257,512)</u>
Total adjustments	<u>33,140</u>
Net cash provided by operating activities	<u>\$ 121,754</u>

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

CITY OF LIBERTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The City operates under a Council form of government and provides the following services: public safety (police and fire), streets, sanitation, water and sewer, and general and administrative. 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 basic-but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements for the City consist only of the funds and account groups of the City. The City has no oversight responsibility for any other governmental entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* which are normally supported by taxes and intergovernmental revenues or from specific revenue sources such as grants, 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental fund, and the proprietary fund.

Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The government reports the following major government fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* accounts for the activities of the utility services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, liabilities, and net assets or equity

Cash and investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. If applicable, investments are stated at cost, which approximates market value.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes, other than vehicle taxes, are normally levied in October and are payable without penalty through the following January 15th. Vehicle taxes are assessed and collected on a monthly, cyclical basis. By contract the City has authorized Pickens County to assess and collect all vehicle taxes. These collections are remitted to the City of Liberty by the Pickens County Treasurer. In the current fiscal year, the City of Liberty did not increase the millage rate on real estate due to additional revenue generated by the local option sales tax.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items.

Restricted Assets: Restricted cash in the general fund consists of fines, assessments, and surcharges retained by the City for the purpose of victims' assistance. The restricted asset cash is required to be maintained in a separate bank account by the State of South Carolina.

Restricted cash in the enterprise fund consists of certain resources set aside for the repayment of enterprise fund revenue bonds and certain designated expenses. The reserved cash is limited by applicable bond covenants. Such resources are included in cash on the balance sheet and consist of the following:

Reserved for Contingency	\$10,027
Reserve for Depreciation	9,986
Reserve for Revenue Bond Retirement	<u>21,729</u>
	<u>\$41,742</u>

The "sewer contingency" account is used to report resources set aside to meet unexpected contingencies. The "depreciation" account is used to report resources set aside to fund asset renewals and replacements. The "revenue bond retirement" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs (repairs that do not add to the value of the assets or materially extend the assets lives) are not capitalized.

Capital Assets (Continued)

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-40 Years
Roads, sidewalks, and City lots	20
Building Improvements	4-7 Years
Vehicles	3-5 Years
Machinery and equipment	3-10 Years
Furniture & fixtures	5 Years
Software	3 Years

Deferred Charges: Expenses of \$8,125 incurred in the issuance of water and sewer system revenue bonds have been deferred and are being amortized. The amortization expense for the current fiscal year was \$203.

Compensated Absences: It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation leave. Upon separation from service, employees receive payment for a portion of unused vacation leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term obligations

In the government-wide and proprietary fund financial statements, outstanding debt is reported as a liability.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

Fund equity

Reserves represent those portions of fund equity that are not appropriable for expenditure or are legally segregated for a specific future use.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental fund* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities (not due and payable in the next fiscal year) are not reported on the governmental fund balance sheet. The difference of \$671,803 consists of bonds payable of \$550,000, capital leases payable of \$101,322 and compensated absences payable of \$20,481.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balance – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “The governmental fund reports capital outlays as expenditures in the year of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as incurred.” The details of this \$146,515 difference are as follows:

Capital outlay (Current Year)	\$ 302,332
Depreciation expense	<u>(155,817)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental fund</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 146,515</u>

Another element of the reconciliation states that “payments on long-term debt are reported as expenditures in the governmental fund. The same payments reduce long-term liabilities in the statement of net assets.” The details of this difference are as follows:

Proceeds of debt:	
Capital leases	\$ (22,448)
Bond proceeds	<u>(550,000)</u>
Net adjustments to decrease <i>net changes in fund balance – total governmental fund</i> to arrive at <i>changes in net assets of governmental activities</i>	(572,448)
Principal repayments:	
Capital leases	57,435
Bonds payable	<u>550,000</u>
Net adjustment to increase <i>net changes in fund balance-total governmental fund</i> to arrive at <i>changes in net assets of governmental activities</i>	607,435
	<u>\$ 34,987</u>

Deferred revenue in the governmental fund is not recognized as income until receipt. In the entity-wide statements, revenue is recognized on the full accrual basis.

Adjustments due to recognition of the deferred revenue	<u>\$ 54,614</u>
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NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Accrued interest expense is not recognized on the governmental fund statement. Accrued interest is recognized and reported on the entity-wide statements.

Adjustment due to recognition of accrued interest expense. (\$9,248)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund. These include the net decrease in compensated absences. \$ 944

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

Budgets and Budgetary Accounting: As set forth in the City Charter, the City Council adopts an annual budget for the general fund and the enterprise fund. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the enterprise fund is adopted under a basis consistent with generally accepted accounting principles, except that depreciation and amortization are not considered. Additionally, cash outlays for debt principal and fixed assets funded by operations are budgeted, but treated differently in accordance with generally accepted accounting principles. After joint workshops with the City Council, the Mayor submits to the City Council a proposed operating budget covering the general and enterprise funds for the fiscal year commencing the following July 1. These workshops and hearings are open to the public. The operating budget includes proposed expenditures and the means for financing them. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance. Appropriations lapse at the end of each fiscal year.

The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer amounts between departments must be approved by the City Council. The presented budgeted amounts are as originally adopted, or as last amended by the City Council. There are no reported differences between the original budget and the final budget.

Deposits and Investments

At June 30, 2004, the book balance of the City’s cash deposits was \$742,781. Of the \$742,781 bank balance, \$102,538 was covered by federal depository insurance. Therefore, uninsured cash was \$640,243 on June 30, 2004.

As of June 30, 2004, the following collateral was pledged to secure the remaining cash deposits for the City of Liberty:

<u>Description of Securites</u>	<u>Par Value</u>	<u>Maturity Date</u>	<u>Market Value</u>
United States Treasury Note	\$ 25,000	09-30-04	\$ 25,031
*	\$550,000	04-15-05	\$ 560,313

*Par value represents the assigned portion of a \$10,000,000 Federal Farm Credit Bank Note, due 04-15-05.

The securities are held as book entries at the Federal Reserve in the name of the First Citizens Bank of North Carolina as escrow agent for the First Citizens Bank of South Carolina. The securities are pledged to the entity and can be substituted, but not released, without their consent.

Due From Other Governments

Due from other Governments to The City of Liberty General Fund at June 30, 2004 consists of the following:

Due from State of South Carolina – General Fund:	
Local Option Sales Tax Distribution	\$ 20,117
Aid To Subdivision Distributions	21,321
Accommodations Tax	1,055
Pickens County	
Property taxes	33,768
1% Fire premium	13,160
C-Fund reimbursement	19,660
Juvenile Housing Fees	1,150
Recyclables	63
Rural Fire District Reimbursement	1,252
School Resource Officer Reimbursement From The School District	8,875
Due from The State of South Carolina Department of Public Safety	6,303
City Of Pickens-Dispatch Services	5,000
City Of Easley-Juvenile Housing Fees	650
City Of Pickens-Juvenile Housing Fees	900
City Of Clemson-Juvenile Housing Fees	<u>200</u>
 Total Due From Other Governments	 <u>\$133,474</u>

NOTE 4 – CAPITAL ASSETS

Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities				
Capital assets, not being depreciated				
Land	\$ 44,496	\$	\$	\$ 44,496
Total capital assets not being depreciated	<u>44,496</u>	<u></u>	<u></u>	<u>44,496</u>
Capital assets being depreciated				
Buildings and improvements	866,614	30,809		897,423
Machinery and equipment	368,792	50,684	(22,220)	397,256
Furniture and fixtures	11,906		(11,217)	689
Roads, sidewalks, and city lots	351,414	198,391		549,805
Software	34,815			34,815
Vehicles	<u>657,411</u>	<u>22,448</u>	<u>(48,411)</u>	<u>631,448</u>
Total capital assets being depreciated	<u>2,290,952</u>	<u>302,332</u>	<u>(81,848)</u>	<u>2,511,436</u>
Less accumulated depreciation for				
Buildings	(515,508)	(25,982)		(541,490)
Machinery and equipment	(311,755)	(31,093)	22,220	(320,628)
Furniture and fixtures	(11,745)	(138)	11,217	(666)
Roads, sidewalks, and city lots	(100,633)	(16,945)		(117,578)
Software	(13,153)	(9,231)		(22,384)
Vehicles	<u>(538,150)</u>	<u>(72,428)</u>	<u>48,411</u>	<u>(562,167)</u>
Total accumulated depreciation	<u>(1,490,944)</u>	<u>(155,817)</u>	<u>81,848</u>	<u>(1,564,913)</u>
Total capital assets being depreciated, net	<u>800,008</u>	<u>146,515</u>	<u></u>	<u>946,523</u>
Governmental activities capital assets, net	<u>\$ 844,504</u>	<u>\$ 146,515</u>	<u>\$</u>	<u>\$ 991,019</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities	
General government	\$ 18,856
Police	70,515
Fire	18,284
Public works	38,662
Recreation	<u>9,500</u>
Total depreciation expense – governmental activities	<u>\$155,817</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Business-type activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 6,414	\$	\$	\$ 6,414
Total capital assets not being depreciated	<u>6,414</u>	<u> </u>	<u> </u>	<u>6,414</u>
Capital assets being depreciated				
Building and system improvements	1,796,361		(1,742,446)	53,915
Machinery and equipment	431,662	28,332	(116,183)	343,811
Roads, sidewalks, and city lots	2,870,657	219,884		3,090,541
Software	33,513	50,000	(12,305)	71,208
Vehicles	<u>14,032</u>	<u>124,549</u>		<u>138,581</u>
Total capital assets being depreciated	<u>5,146,225</u>	<u>422,765</u>	<u>(1,870,934)</u>	<u>3,698,056</u>
Less accumulated depreciation for				
Buildings and system improvements	(946,356)	(38,224)	943,775	(40,805)
Machinery and equipment	(216,894)	(33,667)	91,915	(158,646)
Water and sewer lines	(767,363)	(70,159)		(837,522)
Software	(18,819)	(7,069)	12,305	(13,583)
Vehicles	<u>(8,419)</u>	<u>(6,144)</u>		<u>(14,563)</u>
Total accumulated depreciation	<u>(1,957,851)</u>	<u>(155,263)</u>	<u>1,047,995</u>	<u>(1,065,119)</u>
Total capital assets being depreciated, net	<u>3,188,374</u>	<u>267,502</u>	<u>(822,939)</u>	<u>2,632,937</u>
Governmental activities capital assets, net	<u>\$3,194,788</u>	<u>\$267,502</u>	<u>\$ (822,939)</u>	<u>\$2,639,351</u>

NOTE 5 – LOANS RECEIVABLE

Loans receivable of the general fund represents one installment contract from an individual pursuant to borrowing under the community development block grant program for rehabilitation purposes. The contract calls for the City to receive payments of \$101 per month, including interest at 3.00% per annum. The contract matures no later than 2007 and is secured by the property rehabilitated.

NOTE 6 – LONG-TERM DEBT

The bonds payable of the general fund consist of the following:

General obligation bond anticipation note 2003 dated September 9, 2003
in the amount of \$550,000. Interest accrues on the bonds at 1.77% per
annum with a maturity date of September 9, 2004. \$550,000

\$550,000

The following represents maturity of the general fund bonds payable as of June 30, 2004:

June 30, 2005 \$550,000

\$550,000

Bonds payable and the note payable of the enterprise fund consist of the following:

Water System Improvement Revenue Bonds, series 1983,
due in annual installments of \$21,305 including interest
at 5.00% per annum and maturity in November 2023. \$264,708

Note payable to a bank for a sewer jetting machine
due in monthly installments of \$742 including
interest of 4.22% per annum and maturity in July 2004. 754

\$265,462

The following represents maturity of the enterprise fund reserve bonds and the note payable as of June 30, 2004:

June 30, 2005	\$ 8,841
June 30, 2006	8,491
June 30, 2007	8,915
June 30, 2008	9,361
June 30, 2009	9,829
Thereafter	<u>220,025</u>
	<u>\$265,462</u>

(NOTE 6 CONTINUED)

Annual debt service requirements to amortize all debt including interest outstanding of \$176,004 are as follows:

Year Ending June 30	Notes Payable	System 1983 Bonds	2003 Bonds	Total
2005	\$757	\$ 21,305	\$559,735	\$581,797
2006		21,305		21,305
2007		21,305		21,305
2008		21,305		21,305
2009		21,305		21,305
Thereafter		324,449		324,449
	<u>\$757</u>	<u>\$430,974</u>	<u>\$559,735</u>	<u>\$991,466</u>

During the year ended June 30, 2004, the following changes occurred in long-term debt:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within 1 Year
Enterprise Fund:					
Revenue bonds	\$272,074	\$	(\$ 7,366)	\$264,708	\$ 7,500
Note Payable	<u>9,423</u>		<u>(8,669)</u>	<u>754</u>	<u>754</u>
	<u>\$281,497</u>	<u>\$</u>	<u>(\$ 16,035)</u>	<u>\$265,462</u>	<u>\$ 8,254</u>
General Fund					
Bonds payable	<u>550,000</u>	<u>550,000</u>	<u>(550,000)</u>	<u>550,000</u>	<u>550,000</u>
	<u>\$550,000</u>	<u>\$550,000</u>	<u>(\$550,000)</u>	<u>\$550,000</u>	<u>\$550,000</u>

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The City has entered into a lease agreement as lessee to finance the acquisition of a garbage truck. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2004:

	General Fund
Garbage Truck	<u>\$83,062</u>

(NOTE 7 CONTINUED)

The City has entered into a lease agreement as lessee to finance the acquisition of two 2003 Ford Crown Victorias. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2004:

	<u>General Fund</u>
2 Crown Victorias	<u>\$48,611</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2004:

<u>Year Ending June 30</u>	<u>General Fund</u>
2005	<u>\$16,985</u>
Total minimum lease payments	16,985
Less: amount representing interest	<u>(794)</u>
Present value of future minimum lease payments	<u>\$16,191</u>

The City has entered into a lease agreement as lessee to finance the acquisition of a 2003 Ford F-250 truck. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2004:

	<u>General Fund</u>
Ford F-250 Truck	<u>\$25,742</u>

(NOTE 7 CONTINUED)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2004:

Year Ending <u>June 30</u>	<u>General Fund</u>
2005	<u>\$9,077</u>
Total minimum lease payments	9,077
Less: amount representing interest	<u>(506)</u>
Present value of future minimum lease payments	<u>\$8,571</u>

The City has entered into a lease agreement as lessee to finance the acquisition of one Ford F750 dump truck, two Chevrolet 1500 trucks, one Chevrolet 2500 truck, one Chevrolet 3500 truck, and one 35 horse power tractor. The lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2004:

	<u>Enterprise Fund</u>
Water/Sewer Department Vehicle	<u>\$142,000</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2004:

Year Ending <u>June 30</u>	<u>Enterprise Fund</u>
2005	\$ 31,041
2006	31,041
2007	31,041
2008	31,040
2009	<u>31,040</u>
Total minimum lease payments	155,203
Less: amount representing interest	<u>(13,203)</u>
Present value of future minimum lease payments	<u>\$142,000</u>

(NOTE 7 CONTINUED)

The City has entered into a lease agreement as lessee to finance the acquisition of a 2004 Chevrolet Trailblazer. This lease qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is a summary of the equipment leased under this capital lease agreement as of June 30, 2004:

	<u>General Fund</u>
Chevrolet Trailblazer	<u>\$22,448</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2004:

Year Ending <u>June 30</u>	<u>General Fund</u>
2005	\$ 8,242
2006	8,242
2007	<u>8,241</u>
Total minimum lease payments	24,725
Less: amount representing interest	<u>(2,277)</u>
Present value of future minimum lease payments	<u>\$22,448</u>

During the year ended June 30, 2004 the following changes occurred in capital leases:

	<u>Police Vehicles</u>	<u>Garbage Truck</u>	<u>Backhoe</u>	<u>2 Crown Victorias</u>	<u>Ford F-250</u>	<u>Trailblazer</u>	<u>Water Vehicles</u>	<u>Total</u>
Balance July 1, 2003	\$33,776	\$54,243	\$28,054	\$31,626	\$16,664			\$164,363
Additions						22,448	142,000	164,448
Payments	<u>(22,289)</u>	<u>(11,617)</u>	<u>(18,510)</u>	<u>(15,435)</u>	<u>(8,093)</u>			<u>(75,944)</u>
Balance June 30, 2004	<u>\$11,487</u>	<u>\$42,626</u>	<u>\$9,544</u>	<u>\$16,191</u>	<u>\$8,571</u>	<u>\$22,448</u>	<u>\$142,000</u>	<u>\$252,867</u>

NOTE 8 – RETIREMENT PLANS

The City participates in two statewide multiple employer public employee retirement systems. Both are cost sharing public employee retirement systems with one exception: All risks and costs are not shared by the City, but are the liability of the State of South Carolina. The two retirement systems are funded through city and employee contributions, and the city has no legal obligation for paying benefits. The South Carolina Retirement System covers substantially all of the City's general employees, and the South Carolina Police Officers Retirement System covers all of the City's public safety employees. These plans are administered by the Retirement Division of the State Budget and Control Board.

Both the South Carolina Retirement System and the Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws. Any amendments would necessitate an amendment to the law.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and the Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, S. C. 29211-1960.

Effective January 1, 2001, newly enrolled members of SCRS must have five years of earned service (paid employment as an employee during which regular contributions are paid to the system) to be eligible to receive a service or disability retirement annuity, or to qualify a survivor for a monthly annuity after an in-service death. This requirement does not apply to disability retirement eligibility if the disability is the result of a job-related injury.

Both employees and employers are required to contribute to the Plans under the authority of Title 9 of the SC Code of Laws.

Employee-required contributions to the Plans are as follows:

- South Carolina Retirement System – 6% of salary
- South Carolina Police Officers Retirement System – 6.5% of salary

In addition to the above rates, the City of Liberty as a participating employer with the South Carolina Retirement System contributes .15% of payroll to provide a group life insurance benefit for its participants. The City of Liberty as a participating employer under the Police Officers Retirement System also contributes .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for its participants.

The City's contribution on behalf of employees is at the following actuarially-determined rates:

- South Carolina Retirement System – 6.7% of salary
- South Carolina Police Officers Retirement System – 10.3% of salary

All employees contribute at the actuarially required contribution rates.

(NOTE 8 CONTINUED)

The total required contributions for both plans and the percentage of that amount contributed for the current year and each of the two preceding years are as follows:

	<u>Amount</u>	<u>Percentage Contribution</u>
Year ended June 30, 2004		
Employer	\$80,003	100%
Employee	\$53,306	100%
Year ended June 30, 2003		
Employer	\$78,453	100%
Employee	\$50,407	100%
Year ended June 30, 2002		
Employer	\$81,677	100%
Employee	\$47,348	100%

As of June 30, 2003, the City of Liberty has no outstanding pension liability or asset computed in accordance with GASB Statement 4 No. 27

NOTE 9 – COMMUNITY DEVELOPMENT BLOCK GRANTS

The City of Liberty was awarded a \$500,000 Community Development Block Grant for the Liberty Little Mill Village Water/Sewer Project. The purpose of the grant is to replace and upgrade the public sewer and water system in the Little Mill Village area of the City of Liberty. The project includes sewer/water system renovations in the area of Calhoun, Jackson, Clay, Tillman, Clemson, Trammell and Peachtree Streets in the City of Liberty. The grant is completed with cumulative grant expenditures of \$469,146 as of June 30, 2004.

The City of Liberty was awarded a \$350,000 Community Development Block Grant for the Liberty Big Mill Village Sewer Project. The purpose of the grant is to replace and upgrade the public sewer system in the Big Mill Village area of the City of Liberty. The project includes sewer system renovations in the area of Hedgepath, Alexander, East and West Beattie, Byrnes, Woodhaven, West Woodside, Iselin and Anderson Streets in the City of Liberty. The grant is completed with cumulative grant expenditures of \$348,418 as of June 30, 2004.

The City of Liberty was awarded a \$350,000 Appalachian Regional Commission Grant for the Liberty Big Mill Village Sewer Project. The purpose of the grant is to replace and upgrade the public sewer system in the Big Mill Village area of the City of Liberty. The project includes sewer system renovations in the area of Hedgepath, Alexander, East and West Beattie, Byrnes, Woodhaven, West Woodside, Iselin and Anderson Streets in the City of Liberty. The grant is completed with cumulative grant expenditures of \$348,600 as of June 30, 2004.

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TAXES:				
Current Property	\$268,700	\$268,700	\$276,871	\$8,171
Manufacturer's	9,000	9,000	1,347	(7,653)
Local option sales tax	214,000	214,000	211,706	(2,294)
Merchant inventory	7,000	7,000	6,648	(352)
Accommodations	900	900	1,285	385
Homestead	45,000	45,000	46,986	1,986
Hospitality tax			<u>9,207</u>	<u>9,207</u>
	<u>544,600</u>	<u>544,600</u>	<u>554,050</u>	<u>9,450</u>
PERMITS AND FEES:				
Business license	267,000	267,000	264,688	(2,312)
Franchise fees	183,000	183,000	234,211	51,211
Yard sale fees			321	321
Building permits	<u>17,000</u>	<u>17,000</u>	<u>8,997</u>	<u>(8,003)</u>
	<u>467,000</u>	<u>467,000</u>	<u>508,217</u>	<u>41,217</u>
FINES AND FORFEITURES:				
Police fines	50,000	50,000	51,022	1,022
Building Code fines	<u>10,000</u>	<u>10,000</u>	<u></u>	<u>(10,000)</u>
	<u>60,000</u>	<u>60,000</u>	<u>51,022</u>	<u>(8,978)</u>
SHARED REVENUES:				
Fire district contract	71,000	71,000	107,250	36,250
Local governments	<u>78,000</u>	<u>78,000</u>	<u>78,228</u>	<u>228</u>
	<u>149,000</u>	<u>149,000</u>	<u>185,478</u>	<u>36,478</u>
Local government				
MISCELLANEOUS:				
Police miscellaneous revenue			2,352	2,352
Interest	5,000	5,000	5,130	130
Recyclables	1,000	1,000	813	(187)
Resources Officer Grant	27,000	27,000	22,750	(4,250)
Fire Department miscellaneous	66,000	66,000	41,837	(24,163)
Pickens Patch	20,000	20,000	20,000	
In-Car Camera Grant			9,798	9,798
School Resource Officer Grant	35,500	35,500	35,500	
FEMA Grant	43,000	43,000		(43,000)
Taps	2,000	2,000		(2,000)
Miscellaneous			951	951
Youth Corp Grant	4,000	4,000	1,747	(2,253)
SCDOT	72,000	72,000		(72,000)
Community Development	1,500	1,500	1,555	55

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
MISCELLANEOUS (CONTINUED):				
Recreation donations			16,610	16,610
PARD Grant			19,027	19,027
South Carolina Recreation And Tourism			15,000	15,000
Pickens County Recreation Capital Funds			35,297	35,297
Pickens County Road Maintenance Funds			57,241	57,241
Pickens County C-Funds			<u>116,397</u>	<u>116,397</u>
	<u>277,000</u>	<u>277,000</u>	<u>402,005</u>	<u>125,005</u>
 CHARGES FOR SERVICES:				
Sanitation user fees	128,216	128,216	109,732	(18,484)
Recreation Department Income	36,400	36,400	58,933	22,533
Juvenile facility	<u>5,000</u>	<u>5,000</u>	<u>9,100</u>	<u>4,100</u>
	<u>169,616</u>	<u>169,616</u>	<u>177,765</u>	<u>8,149</u>
 TOTALS				
	<u>\$1,667,216</u>	<u>\$1,667,216</u>	<u>\$1,878,537</u>	<u>\$211,321</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
ADMINISTRATION:				
Salaries and wages – regular	\$ 46,512	\$ 46,512	\$ 45,778	\$ 734
Salaries and wages – council	10,800	10,800	11,589	(789)
Admin health/life insurance	92,724	92,724	78,327	14,397
Payroll taxes	4,384	4,384	4,703	(319)
Pension	3,926	3,926	2,880	1,046
Workers compensation/liability insurance	66,500	66,500	59,400	7,100
Legal and accounting	22,000	22,000	17,612	4,388
Maintenance and service contracts	2,500	2,500	3,401	(901)
Maintenance and repairs	14,000	14,000	2,056	11,944
Telephone	5,500	5,500	5,094	406
Postage	1,500	1,500	915	585
Department supplies/printing	7,000	7,000	8,070	(1,070)
Seminars, conventions and meetings	5,000	5,000	8,880	(3,880)
Utilities	9,000	9,000	11,101	(2,101)
Dues and subscriptions	3,500	3,500	2,229	1,271
Office furniture/equipment (non-capital)	1,500	1,500	1,841	(341)
Holiday expense	1,500	1,500	4,805	(3,305)
Contributions	1,000	1,000	1,008	(8)
Debt service			10,578	(10,578)
Capital outlay			8,993	(8,993)
Legion Hut expense	500	500	756	(256)
Landscape maintenance			7,010	(7,010)
Railroad lease	800	800	800	
Miscellaneous	25,990	25,990	270	25,720
Medical services			150	(150)
Ordinance recodification	1,000	1,000	5,817	(4,817)
Rental expense			488	(488)
Employee handbook expense			1,290	(1,290)
Election expense			859	(859)
Building permit inspection expense	10,000	10,000	10,848	(848)
Cable advisory program			752	(752)
Alliance Pickens			1,505	(1,505)
Ashton Ridge tax rebate			1,980	(1,980)
Bond anticipation expense			3,313	(3,313)
	<u>337,136</u>	<u>337,136</u>	<u>325,098</u>	<u>12,038</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
POLICE DEPARTMENT:				
Salaries and wages – regular	366,878	366,878	377,764	(10,886)
Salaries and wages – overtime	3,000	3,000	9,865	(6,865)
Payroll taxes	31,161	31,161	28,729	2,432
Pension	40,707	40,707	40,361	346
Uniforms and accessories	4,000	4,000	5,300	(1,300)
Legal and accounting	500	500	225	275
Judge/Jury	9,745	9,745	9,813	(68)
Maintenance and service contracts	2,500	2,500	4,699	(2,199)
Maintenance and repairs to equipment	1,000	1,000	1,255	(255)
Computer expenses	3,000	3,000	3,897	(897)
Maintenance and repairs to buildings	1,500	1,500	1,464	36
Vehicle expense	15,000	15,000	23,130	(8,130)
Telephone	5,500	5,500	5,356	144
Department supplies	8,000	8,000	9,975	(1,975)
Seminars, conventions and meetings	1,000	1,000	181	819
Dues and subscriptions	800	800	870	(70)
Medical	500	500	427	73
Juvenile Center expenses	3,000	3,000	3,263	(263)
Shared fines – state	20,000	20,000	22,537	(2,537)
Film and processing	500	500	68	432
Victims' rights	2,000	2,000	691	1,309
Machinery/equipment (non-capital)	500	500	313	187
Education expenses	2,500	2,500	2,390	110
OSHA immunizations	400	400	470	(70)
Debt service	41,700	41,700	40,435	1,265
Capital outlay			39,667	(39,667)
Prisoner expense	2,000	2,000	420	1,580
Taps expense	1,000	1,000	100	900
Miscellaneous			1,779	(1,779)
Postage	400	400	305	95
Resource Officer			171	(171)
Dare expense	1,000	1,000		1,000
Part-time dispatchers	3,000	3,000	8,800	(5,800)
Contributions	500	500	178	322
Jail renovations			2,482	(2,482)
Unemployment			4,864	(4,864)
Total Police Department	<u>573,291</u>	<u>573,291</u>	<u>652,244</u>	<u>(78,953)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
FIRE DEPARTMENT:				
Salaries and wages – regular	141,249	141,249	146,856	(5,607)
Salaries and wages – overtime	9,000	9,000	16,468	(7,468)
Payroll taxes	13,492	13,492	11,004	2,488
Pension	15,993	15,993	16,969	(976)
Uniforms	2,500	2,500	3,426	(926)
Maintenance and repairs	5,500	5,500	5,490	10
Vehicle expense	4,000	4,000	6,556	(2,556)
Telephone	4,000	4,000	6,120	(2,120)
Department supplies	8,000	8,000	9,208	(1,208)
Seminars, conventions and meetings	3,000	3,000	4,087	(1,087)
Utilities	2,000	2,000	2,074	(74)
Dues and subscriptions	500	500	400	100
Fire calls reimbursement	24,000	24,000	32,428	(8,428)
Discretionary funds	6,000	6,000	6,131	(131)
Medical	3,000	3,000	3,625	(625)
1% expense			16,016	(16,016)
Office supplies	1,600	1,600	1,873	(273)
Fire prevention	1,000	1,000	1,518	(518)
Fund raising expense	10,000	10,000	17,767	(7,767)
Capital outlay	372,000	372,000	16,137	355,863
FEMA expense	43,000	43,000	500	42,500
Debt expense			9,077	(9,077)
Postage			112	(112)
Miscellaneous			835	(835)
Survey expense			500	(500)
Total Fire Department	<u>669,834</u>	<u>669,834</u>	<u>335,177</u>	<u>334,657</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC WORKS:				
Salaries and wages – regular	167,045	167,045	135,392	31,653
Salaries and wages – overtime	1,000	1,000	1,332	(332)
Payroll taxes	12,853	12,853	10,138	2,715
Pension	11,509	11,509	9,376	2,133
Uniforms	3,000	3,000	4,480	(1,480)
Recycling expense	12,300	12,300	12,213	87
Animal control	1,800	1,800	1,280	520
Maintenance and repairs	4,500	4,500	5,587	(1,087)
Vehicle expense	5,000	5,000	18,090	(13,090)
Telephone	1,000	1,000	765	235
Department supplies	5,800	5,800	9,575	(3,775)
Utilities	30,000	30,000	46,621	(16,621)
Medical			274	(274)
Asphalt	1,500	1,500	2,931	(1,431)
Small hand tools	100	100	1,401	(1,301)
Donations				
Capital outlay	83,350	83,350	173,549	(90,199)
Debt service	14,375	14,375	14,374	1
Landscaping	5,000	5,000		5,000
Youth Corp Tree Grant			969	(969)
Recycling bins			399	(399)
Total Public Works	<u>360,132</u>	<u>360,132</u>	<u>448,746</u>	<u>(88,614)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
RECREATION DEPARTMENT:				
Salaries and wages – regular	31,989	31,989	31,529	460
Payroll taxes	2,445	2,445	2,194	251
Pension	2,189	2,189	2,210	(21)
Maintenance and repairs	300	300	6,276	(5,976)
Vehicle expense	500	500	1,128	(628)
Uniforms and accessories	500	500	13,440	(12,940)
Telephone	1,000	1,000	1,881	(881)
Postage and printing	150	150	288	(138)
Department supplies	300	300	1,079	(779)
Utilities	6,500	6,500	9,680	(3,180)
Concession expense	2,500	2,500	7,714	(5,214)
Field and gym maintenance	3,300	3,300	3,221	79
Concession stand expense	500	500	1,408	(908)
Team equipment and supplies	6,000	6,000	11,163	(5,163)
Referees, officials	4,000	4,000	10,534	(6,534)
Insurance	1,500	1,500	2,730	(1,230)
Program expenses	7,000	7,000	4,939	2,061
Fund raising			11,779	(11,779)
County expense	5,400	5,400		5,400
Capital Outlay	750	750	63,985	(63,235)
Total Recreation Department	<u>76,823</u>	<u>76,823</u>	<u>187,178</u>	<u>(110,355)</u>
TOTAL DEPARTMENTAL EXPENDITURES	<u>\$2,017,216</u>	<u>\$2,017,216</u>	<u>\$1,948,443</u>	<u>\$68,773</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Collected by City</u>	<u>Retained by City Treasurer</u>	<u>Remitted to State Treasurer</u>	<u>Allocated to Victims' Assistance</u>
Fines	\$21,397	\$21,397		
Assessments	\$24,040	\$ 2,804	\$21,236	\$2,804
Surcharges	\$ 2,336	\$ 1,036	\$ 1,300	1,036
Expenditures				(1,221)
Balance, beginning of year				<u>5,126</u>
Balance, end of year				<u>\$7,745</u>