

CITY OF LIBERTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

CITY OF LIBERTY
LIBERTY, SOUTH CAROLINA

DRAFT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
STATEMENT OF NET ASSETS	4
STATEMENT OF ACTIVITIES	5
BALANCE SHEET - GOVERNMENT FUND	6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND	7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL	9
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUND	11
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	12-28
NOTES TO FINANCIAL STATEMENTS	
 SUPPORTING SCHEDULES	
SCHEDULE OF REVENUES - BUDGET AND ACTUAL	29-30
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL	31-35
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES	36

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, 2005, 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, 2005, 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 City of Liberty has not presented Management's discussion and Analysis, a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

DRAFT

To The Honorable Mayor and Members of the City County
City of Liberty
Page 2

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.

December 19, 2005

01/17/2005 04:02 8555622

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2005

DRAWN

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,110,879	\$ -	\$ 1,110,879
Receivables (net of allowance for uncollectibles)			
Utility billings		162,233	162,233
Other	73,462	215	73,677
Internal balances		497,584	497,584
Due from other governments	134,466	-	134,466
Prepaid expenses	15,175	14,088	29,263
Total current assets	<u>1,333,982</u>	<u>674,120</u>	<u>2,008,102</u>
Non-current assets:			
Restricted assets			
Cash	95,809	42,235	138,044
Capital assets			
Land	44,496	6,414	50,910
Buildings and system improvements	962,529	53,915	1,016,444
Roads, sidewalks and City lots	663,340	-	663,340
Water and sewer lines		3,107,229	3,107,229
Vehicles	681,311	138,581	819,892
Machinery and equipment	416,448	333,886	750,334
Furniture and fixtures	689	-	689
Software	37,315	71,208	108,523
Less accumulated depreciation	(1,574,253)	(1,207,510)	(2,781,763)
Deferred charges	-	3,739	3,739
Total non-current assets	<u>1,327,684</u>	<u>2,549,697</u>	<u>3,877,381</u>
Total assets	<u>2,661,666</u>	<u>3,223,817</u>	<u>5,885,483</u>
LIABILITIES			
Current liabilities:			
Accounts payable	105,287	54,872	160,159
Accrued liabilities	88,650	205,806	294,456
Accrued interest	11,295	8,757	20,052
Notes payable and lease obligations, current	75,743	27,456	103,199
Bonds payable, current	54,966	8,497	63,463
Customer deposits subject to refunds	-	14,520	14,520
Internal balances	497,584	-	497,584
Total current liabilities	<u>833,525</u>	<u>319,908</u>	<u>1,153,433</u>
Non-current liabilities			
Compensated absences	30,550	10,844	41,394
Lease obligations, non-current	139,993	87,972	227,965
Bonds payable, non-current	530,034	247,675	777,709
Total noncurrent liabilities	<u>700,577</u>	<u>346,491</u>	<u>1,047,068</u>
Total liabilities	<u>1,534,102</u>	<u>666,399</u>	<u>2,200,501</u>
NET ASSETS			
Invested in capital assets, net of related debt	431,140	2,132,123	2,563,263
Restricted for			
Local law enforcement and victims' assistance	9,831	-	9,831
Recreation and tourism	18,182	-	18,182
Debt service	67,796	-	67,796
Unrestricted	<u>600,615</u>	<u>425,295</u>	<u>1,025,910</u>
Total net assets	<u>\$ 1,127,564</u>	<u>\$ 2,557,418</u>	<u>\$ 3,684,982</u>

The accompanying notes are an integral part of the financial statements

DRAFT

**CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Function/Programs Primary government	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Assets					
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total		
Government activities									
General government	\$ 365,194	\$ 595,309	\$ -	\$ -	\$ 230,115	\$ -	\$ -	\$ 230,115	
Police	683,953	30,450	58,881	10,824	(583,798)	-	-	(583,798)	
Fire	427,280	163,000	25,992	25,932	(212,356)	-	-	(212,356)	
Public Works	300,259	111,198	3,103	115,695	(70,263)	-	-	(70,263)	
Recreation	184,802	64,684	13,074	44,882	(62,162)	-	-	(62,162)	
Total governmental activities	<u>1,961,488</u>	<u>964,641</u>	<u>101,050</u>	<u>197,333</u>	<u>(698,464)</u>	<u>-</u>	<u>-</u>	<u>(698,464)</u>	
Business-type activities									
Utility system	1,248,839	1,392,601	-	16,688	-	160,450	-	160,450	
Total primary government	<u>\$ 3,210,327</u>	<u>\$ 2,357,242</u>	<u>\$ 101,050</u>	<u>\$ 214,021</u>	<u>(698,464)</u>	<u>160,450</u>	<u>-</u>	<u>(538,014)</u>	
	General Revenues:								
	Local taxes				714,997			714,997	
	State-shared revenues				81,477			81,477	
	Fines				82,256			82,256	
	Unrestricted investment earnings				14,360	486		14,846	
	Gain on disposition				35,782			35,782	
	Other revenues				21,797			21,797	
	Total general revenues				<u>950,669</u>	<u>486</u>		<u>951,155</u>	
	Changes in net assets				252,205	160,936		413,141	
	Net assets, beginning of year - restated				875,359	2,396,482		3,271,841	
	Net assets, end of year				<u>\$ 1,127,564</u>	<u>\$ 2,557,418</u>		<u>\$ 3,684,982</u>	

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

**CITY OF LIBERTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2005**

Draft

ASSETS	
Assets:	
Cash and cash equivalents	\$ 1,110,879
Receivables:	
Taxes/finances	95,266
Loans	2,433
Trade accounts	9,881
Grants	15,001
Other	85,347
Prepaid expenses	15,175
Restricted assets	
Cash and cash equivalents	<u>95,809</u>
Total assets	<u>\$ 1,429,791</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 105,287
Accrued payroll taxes	13,078
Accrued liabilities	75,572
Internal balances	497,584
Deferred revenue	<u>58,934</u>
Total liabilities	<u>750,455</u>
 Fund Balances:	
Reserved for local law enforcement and victims' assistance	9,831
Reserved for recreation and tourism	18,182
Reserved for debt service	67,796
Unreserved, reported in	
General fund	<u>583,527</u>
Total fund balances	<u>679,336</u>
 Total liabilities and fund balances	 <u>\$ 1,429,791</u>
 Fund balances -- total governmental fund	 \$ 679,336
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	1,231,875
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund	(831,286)
Deferred revenue in the governmental fund is susceptible to full accrual on the entity-wide statements	58,934
Accrued interest expense is recorded for entity-wide statements but is not recorded in the governmental fund	<u>(11,295)</u>
 Net assets of governmental activities	 <u>\$ 1,127,564</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 - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

DRAFT

REVENUES:	<u>JUNE 30, 2005</u>
Taxes	\$ 714,997
Permits and fees	604,933
Fines and forfeitures	82,256
Shared revenues	244,477
Miscellaneous	376,379
Charges for services	<u>186,332</u>
Total Revenues	<u>2,209,374</u>
EXPENDITURES:	
CURRENT:	
Administrative Department	330,075
Police Department	628,793
Fire Department	406,647
Public Works Department	247,875
Recreation Department	164,626
CAPITAL EXPENDITURES	393,541
DEBT SERVICE:	
Principal	1,164,296
Interest	<u>18,671</u>
Total Expenditures	<u>3,354,524</u>
Deficiency of revenues over expenditures	<u>(1,145,150)</u>
OTHER FINANCING SOURCES:	
Notes Payable	<u>1,314,711</u>
Total Other Financing Sources	<u>1,314,711</u>
Revenues and other financing sources over expenditures	169,561
FUND BALANCE, BEGINNING	<u>509,775</u>
FUND BALANCE, ENDING	<u>\$ 679,336</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, 2005**

Net change in fund balance-total governmental fund	\$ 169,561
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 \$393,541 exceeded depreciation of \$152,685 in the current period.	240,856
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 debt proceeds of \$1,314,711 exceeded long-term debt payments of \$1,164,296.	(150,415)
Deferred revenue in the governmental fund is susceptible to full accrual on the entity wide statement. This includes the net increase in deferred revenue of \$4,319.	4,319
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 increase in compensated absences of \$10,070.	(10,070)
Accrued interest expense is recorded for entity-wide statements but is not recorded in the governmental fund. This includes the net increase in accrued interest of \$2,046.	<u>(2,046)</u>
Change in net assets of governmental activities	<u>\$ 252,205</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, 2005

REVENUES:	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Taxes	\$ 698,500	\$ 710,500	\$ 714,997	\$ 4,497
Permits and fees	507,000	511,000	604,933	93,933
Fines and forfeitures	46,000	46,000	82,256	36,256
Shared revenues	145,700	145,700	244,477	98,777
Miscellaneous	327,300	330,300	378,079	47,779
Charges for services	164,000	164,000	184,632	20,632
Total Revenues	1,888,500	1,907,500	2,209,374	301,874
EXPENDITURES:				
CURRENT:				
Administrative Department	408,111	394,111	330,075	64,036
Police Department	577,655	577,655	628,793	(51,138)
Fire Department	412,280	412,280	406,647	5,633
Public Works Department	222,154	222,154	247,875	(25,721)
Recreation Department	159,500	178,500	164,626	13,874
Capital expenditures	1,032,400	1,046,400	393,541	652,859
DEBT SERVICE:				
Principal	76,400	76,400	1,164,296	(1,087,896)
Interest	-	-	18,671	(18,671)
Total Expenditures	2,888,500	2,907,500	3,354,524	(447,024)
Deficit of revenues over expenditures	(1,000,000)	(1,000,000)	(1,145,150)	(145,150)
OTHER FINANCING SOURCES:				
Notes Payable	1,000,000	1,000,000	1,314,711	314,711
Total Other Financing Sources	1,000,000	1,000,000	1,314,711	314,711
Deficit of revenues and other financing sources over expenditures	-	-	169,561	169,561
FUND BALANCE, BEGINNING	509,775	509,775	509,775	-
FUND BALANCE, ENDING	\$ 509,775	\$ 509,775	\$ 679,336	\$ 169,561

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

CITY OF LIBERTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

ASSETS	
Current Assets	
Receivables (net of allowance for uncollectibles)	\$ 162,233
Prepaid expenses	14,088
Other	215
Internal balances	<u>497,584</u>
Total current assets	<u>674,120</u>
Restricted Assets	
Restricted	
Cash	<u>42,235</u>
Total restricted assets	<u>42,235</u>
Non-current Assets	
Capital assets	
Land	6,414
Buildings and system improvements	53,915
Water and sewer lines	3,107,229
Vehicles	138,581
Machinery and equipment	333,886
Software	71,208
Less: Accumulated depreciation	(1,207,510)
Deferred charges	<u>3,739</u>
Total non-current assets	<u>2,507,462</u>
Total assets	<u>3,223,817</u>
LIABILITIES	
Current Liabilities	
Accounts payable	54,872
Accrued liabilities	205,806
Accrued interest	8,757
Notes payable and lease obligations, current	27,456
Bonds payable, current	8,497
Customer deposits subject to refund	<u>14,520</u>
Total current liabilities	<u>319,908</u>
Non-current Liabilities	
Compensated absences	10,844
Lease obligations, non-current	87,972
Bonds payable, non-current	<u>247,675</u>
Total non-current liabilities	<u>346,491</u>
Total liabilities	<u>666,399</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,132,123
Unrestricted	<u>425,295</u>
Total net assets	<u>\$ 2,557,418</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, 2005**

OPERATING REVENUES:		<u>2005</u>
Water billings		\$ 857,083
Sewer billings		<u>535,518</u>
Total Operating Revenues		<u>1,392,601</u>
 OPERATING EXPENSES:		
Water Department		618,055
Sewer Department		128,461
County facility fees		329,974
Depreciation		155,185
Amortization		<u>203</u>
Total Operating Expenses		<u>1,231,878</u>
Operating Income		160,723
 NON-OPERATING REVENUES (EXPENSES):		
Interest income		486
Interest expense		<u>(16,961)</u>
Total Non-Operating Revenues (Expenses)		<u>(16,475)</u>
Income Before Contributions		144,248
Capital contributions		<u>16,688</u>
Change in net assets		<u>160,936</u>
 NET ASSETS, BEGINNING		<u>2,396,482</u>
 NET ASSETS, ENDING		<u>\$ 2,557,418</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, 2005

	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,399,259
Payments to suppliers	(1,195,986)
Payments to employees	<u>(138,030)</u>
Net cash provided by operating activities	<u>65,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(19,557)
Principal paid on revenue bonds, notes payable, and lease obligations	(45,406)
Interest paid on revenue bonds, notes payable, and lease obligations	(16,961)
Capital contributed	<u>16,688</u>
Net cash used for capital and related financing activities	<u>(65,236)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>486</u>
Interest Income	<u>486</u>
Net cash provided by investing activities	<u>486</u>
Net increase in cash and cash equivalents	493
Cash and cash equivalents, beginning of year	<u>41,742</u>
Cash and cash equivalents, end of year	<u>\$ 42,235</u>
Reconciliation of operating income to net cash provided by operating activities:	<u>\$ 160,723</u>
Operating income	155,388
Adjustments to reconcile operating income to net cash provided by operating activities	6,651
Depreciation and amortization	7
Decrease in receivables	(8,642)
Decrease in other assets	(43,563)
Increase in prepaid expenses	3,767
Decrease in accounts payable	785
Increase in compensated absences	921
Increase in deposits	(475)
Increase in accrued liabilities	<u>(210,319)</u>
Decrease in accrued interest	<u>(95,480)</u>
(Increase) decrease in due to/from general fund	<u>65,243</u>
Total adjustments	<u>\$ 65,243</u>
Net cash provided by operating activities	<u>\$ 65,243</u>

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

**CITY OF LIBERTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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.

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 general fund also consists of the revenue generated by the hospitality tax to be used by the City exclusively for recreation and tourism development.

Restricted cash in the general fund also consists of the cash held in the Special Tax Allocation Fund which is to be used to provide for the payment of the principal and interest of the Tax Increment Bond, series 2004 and the General Obligation Bond, series 2004.

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	\$ 10,149
Reserve for Depreciation	10,108
Reserve for Revenue Bond Retirement	<u>21,978</u>
	<u>\$ 42,235</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.

Capital Assets (Continued)

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.

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>Estimated Useful Lives</u>
Buldings	10-40 Years
Roads, sidewalks, and City lots	20 Years
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.

2005-01-17

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 \$831,286 consists of bonds payable of \$585,000, capital leases payable of \$215,735 and compensated absences payable of \$30,551.

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.” The details of this \$240,856 difference are as follows:

Capital outlay (Current Year)	\$ 393,541
Depreciation expense	<u>(152,685)</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>\$ 240,856</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	\$ (179,711)
Bond proceeds	<u>(1,135,000)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental fund</i> to arrive at <i>changes in net assets of governmental activities</i>	(1,314,711)
Principal repayments:	
Capital leases	64,296
Bonds payable	<u>1,100,000</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>	1,164,296
Net adjustment to decrease <i>net changes in fund balance – total governmental fund</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (150,415)</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 the net increase in deferred revenue	<u>\$ 4,319</u>
---	-----------------

**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 the net increase in accrued interest expense. (\$ 2,046)

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 increase in compensated absences. (\$10,070)

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, 2005, the book balance of the City's cash deposits held at First Citizens Bank was \$1,102,660. Of the \$1,102,660 bank balance, \$142,235 was covered by federal depository insurance. Therefore, uninsured cash was \$960,425 on June 30, 2005.

As of June 30, 2005, the following collateral was pledged to secure non-federal depository insured bank deposits of the City of Liberty:

Description of Securities	Par Value	Maturity Date	Market Value
Federal Home Loan Bank	\$ 457,898	02-13-06	\$ 453,033
Federal National Mortgage Corp	\$ 174,102	04-15-06	\$ 172,252
United States Treasury Note	\$ 15,000	08-31-05	\$ 14,972
United States Treasury Note	\$ 150,000	01-31-06	\$ 148,687
United States Treasury Note	\$ 25,000	08-31-06	\$ 24,664
United States Treasury Note	\$ 270,000	12-31-06	\$ 267,638
	<u>\$ 1,092,000</u>		<u>\$ 1,081,246</u>

The securities are held as book entries at the Federal Reserve in the name of the First Citizens Bank of North Carolina (FCBNC) as Escrow Agent for the First Citizens Bank of South Carolina (FCBSC). FCBNC is an independent, third party entity from FCBSC. The securities are pledged to the entity and can be substituted, but not released, without their consent.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS
(CONTINUED)**

Deposits and Investments (Continued)

Federal Deposit Insurance Corporation (FDIC) Rules and Regulations, Section 330.14-Public Unit Accounts states that any account of a state, county, municipality or political subdivision shall be separately insured in the amount of up to \$100,000 for all Time and Savings deposits and up to \$100,000 for all demand deposits.

At June 30, 2005, the book balance of the City's cash deposits held at SunTrust Bank was \$2,634. Of the \$2,634 bank balance, \$2,634 was covered by federal depository insurance. Therefore, there was no uninsured cash at SunTrust Bank on June 30, 2005.

At June 30, 2005, the book balance of the City's cash deposits held at Branch Banking and Trust Company (BB & T) was \$143,629. Prior to June 30, 2005, the City entered into a lease with BB & T for equipment purchases and received \$143,000. The cash is to be used for equipment purchases. At June 30, 2005, none of the cash was used. Subsequent to June 30, 2005, \$141,083 of the cash was used for equipment purchases. The City plans to use the remaining cash for additional equipment purchases.

Due From Other Governments

Due from other Governments to the City of Liberty General Fund at June 30, 2005 consists of the following:

Due from State of South Carolina – General Fund:	
Local Option Sales Tax Distributions	\$ 21,338
Aid To Subdivision Distributions	22,072
Accommodations Tax	1,093
Pickens County	
Property Taxes	32,635
1% Fire Premium	12,126
Juvenile Housing Fees	3,950
Recyclables	66
Recreation Department Reimbursement	8,435
Road Improvement Reimbursement	12,000
School Resource Officer Reimbursement From The School District	12,881
Due from The State of South Carolina Department of Corrections	2,120
City Of Pickens-Dispatch Services	5,000
City Of Easley-Juvenile Housing Fees	550
City Of Pickens-Juvenile Housing Fees	<u>200</u>
Total Due From Other Governments	<u>\$ 134,466</u>

NOTE 4 - CAPITAL ASSETS**Capital assets**

Capital asset activity for the year ended June 30, 2005 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	897,423	68,492	(3,386)	962,529
Machinery and equipment	397,256	86,067	(66,875)	416,448
Furniture and fixtures	689	-	-	689
Roads, sidewalks, and city lots	549,805	113,535	-	663,340
Software	34,815	2,500	-	37,315
Vehicles	631,448	122,947	(73,084)	681,311
Total capital assets being depreciated	<u>2,511,436</u>	<u>393,541</u>	<u>(143,345)</u>	<u>2,761,632</u>
Less accumulated depreciation for				
Buildings	(541,490)	(28,762)	3,386	(566,866)
Machinery and equipment	(320,628)	(38,873)	66,875	(292,626)
Furniture and fixtures	(666)	(23)	-	(689)
Roads, sidewalks, and city lots	(117,578)	(25,621)	-	(143,199)
Software	(22,384)	(9,856)	-	(32,240)
Vehicles	(562,167)	(49,550)	73,084	(538,633)
Total accumulated depreciation	<u>(1,564,913)</u>	<u>(152,685)</u>	<u>143,345</u>	<u>(1,574,253)</u>
Total capital assets being depreciated, net	<u>946,523</u>	<u>240,856</u>	<u>-</u>	<u>1,187,379</u>
Governmental activities capital assets, net	<u>\$ 991,019</u>	<u>\$ 240,856</u>	<u>\$ -</u>	<u>\$ 1,231,875</u>

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

Government activities		
General government		\$ 19,179
Police		49,950
Fire		18,050
Public works		47,726
Recreation		<u>17,780</u>
Total depreciation expense - governmental activities		<u>\$ 152,685</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	53,915	-	-	53,915
Machinery and equipment	343,811	2,869	(12,794)	333,886
Water and sewer lines	3,090,341	16,688	-	3,107,229
Software	71,208	-	-	71,208
Vehicles	138,581	-	-	138,581
Total capital assets being depreciated	<u>3,698,056</u>	<u>19,557</u>	<u>(12,794)</u>	<u>3,704,819</u>
Less accumulated depreciation for				
Buildings and system improvements	(40,805)	(1,626)	-	(42,431)
Machinery and equipment	(158,646)	(29,241)	12,794	(175,093)
Water and sewer lines	(837,522)	(72,866)	-	(910,388)
Software	(13,583)	(23,736)	-	(37,319)
Vehicles	(14,563)	(27,716)	-	(42,279)
Total accumulated depreciation	<u>(1,065,119)</u>	<u>(155,185)</u>	<u>12,794</u>	<u>(1,207,510)</u>
Total capital assets being depreciated, net	<u>2,632,937</u>	<u>(135,628)</u>	<u>-</u>	<u>2,497,309</u>
Governmental activities capital assets, net	<u>\$ 2,639,351</u>	<u>(\$ 135,628)</u>	<u>\$ -</u>	<u>\$ 2,503,723</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:

Tax increment bond, series 2004 dated December 23, 2004 in the amount of \$450,000. Interest accrues on the bonds at 3.86% per annum with a maturity date of December 1, 2015.	\$ 450,000
General obligation bond, series 2004 dated December 23, 2004 in the amount of \$135,000. Interest accrues on the bonds at 3.47% per annum with a maturity date of March 1, 2011.	<u>\$ 135,000</u>
	<u>\$ 585,000</u>

The following represents maturity of the general fund bonds payable as of June 30, 2005:

June 30, 2006	\$ 54,966
June 30, 2007	56,188
June 30, 2008	58,273
June 30, 2009	60,436
June 30, 2010	62,680
Thereafter	<u>292,457</u>
	<u>\$ 585,000</u>

Bonds 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.	\$ 256,172
	<u>\$ 256,172</u>

The following represents maturity of the enterprise fund reserve bonds and the note payable as of June 30, 2005:

June 30, 2006	\$ 8,497
June 30, 2007	8,921
June 30, 2008	9,367
June 30, 2009	9,836
June 30, 2010	10,327
Thereafter	<u>209,224</u>
	<u>\$ 256,172</u>

(NOTE 6 CONTINUED)

Annual debt service requirements to amortize all debt including interest outstanding of \$ 272,865 are as follows:

<u>Year Ending June 30</u>	<u>System 1983 Bonds</u>	<u>Tax Increment Bonds</u>	<u>General Obligation Bonds</u>	<u>Total</u>
2006	\$ 21,305	\$ 50,890	\$ 25,310	\$ 97,505
2007	21,305	50,890	25,310	97,505
2008	21,305	50,890	25,310	97,505
2009	21,305	50,890	25,310	97,505
2010	21,305	50,890	25,310	97,505
Thereafter	<u>294,971</u>	<u>305,345</u>	<u>26,196</u>	<u>626,512</u>
	<u>\$ 401,496</u>	<u>\$ 559,795</u>	<u>\$ 152,746</u>	<u>\$ 1,114,037</u>

During the year ended June 30, 2005, the following changes occurred in long-term debt:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due Within 1 Year</u>
General Fund					
Bonds payable	\$ 550,000	\$ 1,135,000	(\$ 1,100,000)	\$ 585,000	\$ 54,966
	<u>\$ 550,000</u>	<u>\$ 1,135,000</u>	<u>(\$ 1,100,000)</u>	<u>\$ 585,000</u>	<u>\$ 54,966</u>
Enterprise Fund:					
Revenue bonds	\$ 264,708	\$ -	(\$ 8,536)	\$ 256,172	\$ 8,497
Note Payable	<u>754</u>	<u>-</u>	<u>(754)</u>	<u>-</u>	<u>-</u>
	<u>\$ 265,462</u>	<u>\$ -</u>	<u>(\$ 9,290)</u>	<u>\$ 256,172</u>	<u>\$ 8,497</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, 2005:

	<u>General Fund</u>
Garbage Truck	<u>\$ 83,062</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, 2005:

<u>Year Ending June 30</u>	<u>General Fund</u>
2006	\$ 29,316
2007	-
2008	-
2009	-
2010	<u>-</u>
Total minimum lease payments	29,316
Less: amount representing interest	<u>(44)</u>
Present value of future minimum lease payments	<u>\$ 29,272</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, 2005:

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

NOTE 7 - CAPITAL LEASE OBLIGATIONS (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, 2005:

<u>Year Ending June 30</u>	<u>Enterprise Fund</u>
2006	\$ 31,041
2007	31,041
2008	31,040
2009	31,040
2010	<u> -</u>
Total minimum lease payments	124,162
Less: amount representing interest	<u>(8,734)</u>
Present value of future minimum lease payments	<u>\$ 115,428</u>

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, 2005:

	<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, 2005:

<u>Year Ending June 30</u>	<u>General Fund</u>
2006	<u>\$ 8,242</u>
Total minimum lease payments	8,242
Less: amount representing interest	<u>(1,489)</u>
Present value of future minimum lease payments	<u>\$ 6,753</u>

NOTE 7 - CAPITAL LEASE OBLIGATIONS (CONTINUED)

The City has entered into a lease agreement as lessee to finance the acquisition of various equipment. 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 lease agreement provides for BB & T to make \$143,000 available to the City to enable the City to acquire equipment. At 6/30/05, none of the equipment had been purchased, however, subsequent to 6/30/05, \$141,083 had been used to acquire equipment. The City also plans to use the remaining balance for equipment purchases.

	<u>General Fund</u>
Various Equipment	<u>\$ 143,000</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, 2005:

<u>Year Ending June 30</u>	<u>General Fund</u>
2006	\$ 31,549
2007	31,549
2008	31,549
2009	31,548
2010	<u>31,548</u>
Total minimum lease payments	157,743
Less: amount representing interest	<u>(14,743)</u>
Present value of future minimum lease payments	<u>\$ 143,000</u>

The City has entered into a lease agreement as lessee to finance the acquisition of a 2005 Chevrolet Tahoe. 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, 2005:

	<u>General Fund</u>
Chevrolet Tahoe	<u>\$ 36,711</u>

NOTE 7 - CAPITAL LEASE OBLIGATIONS (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, 2005:

<u>Year Ending June 30</u>	<u>General Fund</u>
2006	\$ 13,149
2007	13,149
2008	<u>13,150</u>
Total minimum lease payments	39,448
Less: amount representing interest	<u>(2,737)</u>
Present value of future minimum lease payments	<u>\$ 36,711</u>

During the year ended June 30, 2005 the following changes occurred in capital leases:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2005</u>	<u>Due Within 1 Year</u>
Police Vehicles	\$ 11,487	\$ -	(\$ 11,487)	\$ -	\$ -
Garbage Truck	41,624	-	(12,352)	29,272	29,272
Backhoe	9,544	-	(9,544)	-	-
2 Ford Crown Victorias	16,191	-	(16,191)	-	-
Ford F-250	8,571	-	(8,571)	-	-
Chevrolet Trailblazer	22,448	-	(15,695)	6,753	6,753
Water Vehicles	142,000	-	(26,572)	115,428	27,456
Various Equipment	-	143,000	-	143,000	26,569
Chevrolet Tahoe	-	<u>36,711</u>	-	<u>36,711</u>	<u>13,149</u>
	<u>\$ 251,865</u>	<u>\$ 179,711</u>	<u>(\$ 100,412)</u>	<u>\$ 331,164</u>	<u>\$103,199</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, 2005		
Employer	\$95,185	100%
Employee	\$60,059	100%
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%

Employees eligible for service retirement may participate in the Teacher and Employee Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Deferred Compensation Plans

The City employees may participate in the 457, and/or 401 (k) deferred compensation plans available to state and local governmental employees through the state public employee retirement system. These programs are administered by a state approved nongovernmental third party. There are no employer contributions made by the City to these plans.

NOTE 10 – ECONOMIC DEPENDENCY

The Utility System Enterprise Fund receives approximately 29 percent of its operating revenue from one major customer, Liberty Denim.

NOTE 11 – RISK MANAGEMENT

The City carries commercial insurance through the State of South Carolina Municipal Insurance Risk Finance Fund for its general liability insurance and through the South Carolina Municipal Insurance Trust for its workers' compensation insurance. The City pays annual premiums for these coverages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	\$356,000	\$356,000	\$372,238	\$ 16,238
Manufacturer's	9,000	9,000	3,196	(5,804)
Local option sales tax	211,000	223,000	223,511	511
Merchan: inventory	6,600	6,600	6,648	48
Accommodations	900	900	1,093	193
Homestead	45,000	45,000	54,188	9,188
Hospitality tax	<u>70,000</u>	<u>70,000</u>	<u>54,123</u>	<u>(15,877)</u>
	<u>698,500</u>	<u>710,500</u>	<u>714,997</u>	<u>4,497</u>
PERMITS AND FEES:				
Business license	114,000	114,000	125,273	11,273
Franchise fees	376,000	380,000	469,416	89,416
Yard sale fees	-	-	216	216
Building, and miscellaneous permits	<u>17,000</u>	<u>17,000</u>	<u>10,028</u>	<u>(6,972)</u>
	<u>507,000</u>	<u>511,000</u>	<u>604,933</u>	<u>93,933</u>
FINES AND FORFEITURES:				
Police fines	36,000	36,000	82,256	46,256
Building Code fines	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
	<u>46,000</u>	<u>46,000</u>	<u>82,256</u>	<u>36,256</u>
SHARED REVENUES:				
Fire district contract	67,000	67,000	163,000	96,000
Local governments	<u>78,700</u>	<u>78,700</u>	<u>81,477</u>	<u>2,777</u>
	<u>145,700</u>	<u>145,700</u>	<u>244,477</u>	<u>98,777</u>
Local government				
MISCELLANEOUS:				
Police miscellaneous revenue	-	-	565	565
Interest	3,200	3,200	14,360	11,160
Recyclables	600	600	2,624	2,024
Jail Renovation	-	-	2,120	2,120
Fire Department miscellaneous	121,000	121,000	25,992	(95,008)
Pickens Dispatch	20,000	20,000	20,000	-
Juvenile Facility Grant	-	-	8,704	8,704
School Resource Officer Grant	35,500	35,500	51,524	16,024
FEMA Grant	35,000	35,000	25,932	(9,068)
Taps Insurance Claims	-	-	6,054	6,054
Miscellaneous	1,600	1,600	5,846	4,246
S. C. Housing Authority	-	3,000	3,225	225
Real Estate Sale	100,000	100,000	35,782	(64,218)

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
MISCELLANEOUS (CONTINUED):				
Recreation donations	10,400	10,400	13,074	2,674
PARD Grant	-	-	21,941	21,941
Pickens County Recreation Capital Funds	-	-	22,941	22,941
Pickens County Road Maintenance Funds	-	-	43,068	43,068
Pickens County C-Funds	-	-	72,627	72,627
	<u>327,300</u>	<u>330,300</u>	<u>376,379</u>	<u>46,079</u>
CHARGES FOR SERVICES:				
Sanitation user fees	110,000	110,000	111,198	1,198
Recreation Department Income	52,000	52,000	64,684	12,684
Juvenile facility	2,000	2,000	10,450	8,450
	<u>164,000</u>	<u>164,000</u>	<u>186,332</u>	<u>22,332</u>
TOTALS	<u>\$1,888,500</u>	<u>\$1,907,500</u>	<u>\$2,209,374</u>	<u>\$301,874</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	\$ 48,246	\$ 48,246	\$ 48,481	\$ (235)
Salaries and wages - council	16,200	16,200	15,686	514
Admin health/life insurance	94,800	94,800	88,264	6,536
Payroll taxes	5,000	5,000	2,813	2,187
Pension	4,000	4,000	3,088	912
Workers compensation/liability insurance	59,500	59,500	61,026	(1,526)
Legal and accounting	12,200	12,200	45,583	(33,383)
Maintenance and service contracts	2,500	2,500	2,478	22
Maintenance and repairs	1,000	1,000	1,258	(258)
Telephone	4,500	4,500	4,999	(499)
Postage	1,000	1,000	1,264	(264)
Department supplies/printing	8,000	8,000	5,298	2,702
Seminars, conventions and meetings	7,500	7,500	6,139	1,361
Utilities	11,000	11,000	11,168	(168)
Dues and subscriptions	2,500	2,500	2,234	266
Holiday expense	5,000	5,000	4,872	128
Contributions	1,000	1,000	3,651	(2,651)
Debt service	11,000	11,000	1,114,325	(1,103,325)
Capital outlay	-	12,000	8,796	3,204
Legion Hut expense	200	200	1,569	(1,369)
Railroad lease	800	800	800	-
Miscellaneous	109,460	95,460	439	95,021
Building permit inspection expense	9,000	9,000	12,894	(3,894)
Cable advisory program	-	-	752	(752)
Alliance Pickens	1,505	1,505	1,505	-
Ashton Ridge tax rebate	3,200	3,200	3,814	(614)
	<u>419,111</u>	<u>417,111</u>	<u>1,453,196</u>	<u>(1,036,085)</u>

CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<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	393,991	393,991	402,337	(8,346)
Salaries and wages - overtime	6,200	6,200	10,955	(4,755)
Payroll taxes	31,773	31,773	32,396	(623)
Pension	43,741	43,741	45,518	(1,777)
Uniforms and accessories	5,000	5,000	5,513	(813)
Legal and accounting	500	500	644	(144)
Judge/Jury	10,000	10,000	9,912	88
Maintenance and service contracts	5,500	5,500	4,973	527
Maintenance and repairs to equipment	1,000	1,000	1,963	(963)
Computer expenses	3,000	3,000	2,528	472
Maintenance and repairs to buildings	1,500	1,500	2,306	(806)
Vehicle expense	20,000	20,000	26,140	(6,140)
Telephone	5,500	5,500	5,319	181
Department supplies	9,000	9,000	8,285	715
Seminars, conventions and meetings	1,000	1,000	613	387
Dues and subscriptions	800	800	954	(154)
Medical	1,000	1,000	1,273	(273)
Juvenile Center expenses	4,000	4,000	10,276	(6,276)
Shared fines - state	20,000	20,000	41,701	(21,701)
Film and processing	250	250	-	250
Victims' rights	1,500	1,500	2,860	(1,360)
Machinery/equipment (non-capital)	1,000	1,000	1,486	(486)
OSHA immunizations	400	400	180	220
Debt service	40,700	40,700	45,191	(4,491)
Capital outlay	11,500	11,500	21,851	(10,351)
Prisoner expense	1,000	1,000	708	292
Postage	400	400	665	(265)
Dare expense	1,000	1,000	140	860
Part-time dispatchers	3,000	3,000	5,840	(2,840)
Contributions	500	500	512	(12)
Training	3,000	3,000	2,468	532
Hiring Costs	1,000	1,000	-	1,000
Bank Charges	100	100	25	75
Janitorial	300	300	-	300
Kennel expense	700	700	3	697
Total Police Department	<u>629,855</u>	<u>629,855</u>	<u>695,835</u>	<u>(65,980)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	211,907	211,907	200,631	11,276
Salaries and wages - overtime	31,000	31,000	30,581	419
Payroll taxes	18,582	18,582	16,892	1,690
Pension	25,991	25,991	25,123	868
Uniforms	4,000	4,000	5,273	(1,273)
Maintenance and repairs	4,000	4,000	13,642	(9,642)
Vehicle expense	4,700	4,700	9,562	(4,862)
Telephone	4,000	4,000	6,641	(2,641)
Department supplies	10,500	10,500	18,080	(7,580)
Seminars, conventions and meetings	3,500	3,500	5,472	(1,972)
Utilities	2,500	2,500	1,503	997
Dues and subscriptions	500	500	565	(65)
Fire calls reimbursement	32,500	32,500	32,508	(8)
Discretionary funds	6,000	6,000	5,331	669
Medical	5,000	5,000	4,488	512
1% expense	-	-	14,042	(14,042)
Office supplies	1,600	1,600	1,242	358
Fire prevention	1,000	1,000	938	62
Fund raising expense	10,000	10,000	7,602	2,398
Capital outlay	1,016,800	1,016,800	61,172	955,628
FEMA expense	35,000	35,000	-	35,000
Debt expense	9,700	9,700	9,077	623
Miscellaneous	-	-	1,531	(1,531)
Fire Station expenditures	-	-	5,000	(5,000)
Total Fire Department	<u>1,438,780</u>	<u>1,438,780</u>	<u>476,896</u>	<u>961,884</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	114,004	114,004	121,153	(7,149)
Salaries and wages - overtime	1,600	1,600	2,425	(825)
Payroll taxes	8,900	8,900	9,509	(609)
Pension	9,000	9,000	8,626	374
Uniforms	4,000	4,000	3,685	315
Recycling expense	12,000	12,000	10,209	1,791
Maintenance and repairs	4,000	4,000	4,882	(882)
Vehicle expense	12,000	12,000	24,483	(12,483)
Telephone	1,000	1,000	218	782
Department supplies	6,500	6,500	15,570	(9,070)
Utilities	46,000	46,000	44,519	1,481
Medical	300	300	547	(247)
Asphalt	2,000	2,000	304	1,696
Small hand tools	500	500	319	181
Donations	-	-	-	-
Capital outlay	4,100	4,100	191,357	(187,257)
Debt service	15,000	15,000	14,374	626
Recycling expense	<u>350</u>	<u>350</u>	<u>1,426</u>	<u>(1,076)</u>
Total Public Works	<u>241,254</u>	<u>241,254</u>	<u>453,606</u>	<u>(212,352)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	30,900	45,900	42,630	3,270
Salaries and wages – overtime	-	-	1,951	(1,951)
Payroll taxes	2,400	4,400	3,082	1,318
Pension	2,400	4,400	3,104	1,296
Maintenance and repairs	1,400	1,300	33,901	(32,601)
Vehicle expense	500	500	1,497	(997)
Uniforms and accessories	13,000	13,000	17,053	(4,053)
Telephone	1,300	1,300	2,298	(998)
Miscellaneous	70,000	70,000	-	70,000
Department supplies	-	-	992	(992)
Utilities	6,500	6,600	10,658	(4,058)
Concession expense	5,000	5,000	9,771	(4,771)
Field and gym maintenance	2,000	2,000	5,953	(3,953)
Concession stand expense	300	300	585	(285)
Team equipment and supplies	4,500	4,500	4,774	(274)
Referees, officials	8,000	8,000	10,822	(2,822)
Insurance	2,400	2,400	1,578	822
Program expenses	3,500	3,500	6,071	(2,571)
Fund raising	-	-	7,906	(7,906)
County expense	5,400	5,400	-	5,400
Capital Outlay	-	2,000	110,365	(108,365)
Total Recreation Department	<u>159,500</u>	<u>180,500</u>	<u>274,991</u>	<u>(94,491)</u>
TOTAL DEPARTMENTAL EXPENDITURES	<u>\$2,888,500</u>	<u>\$2,907,500</u>	<u>\$3,354,524</u>	<u>(\$447,024)</u>

**CITY OF LIBERTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Collected by City</u>	<u>Retained by City Treasurer</u>	<u>Remitted to State Treasurer</u>	<u>Allocated to Victims' Assistance</u>
Fines	\$29,033	\$29,033		
Assessments	\$33,818	\$ 3,567	\$30,251	\$3,567
Surcharges	\$12,825	\$ 1,375	\$11,450	1,375
Expenditures				(2,856)
Balance, beginning of year				<u>7,745</u>
Balance, end of year				<u>\$9,831</u>