

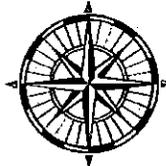
TOWN OF BATESBURG-LEESVILLE
SOUTH CAROLINA

Report on Examination of Basic Financial Statements
and Supplemental Schedules

Year Ended June 30, 2014

**TOWN OF BATESBURG-LEESVILLE
FINANCIAL STATEMENTS SUPPLEMENTAL INFORMATION
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental funds	12
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental funds	13
Reconciliation of Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to Statement of Activities	14
Statement of Net Position - Proprietary Fund	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	16
Statement of Cash Flows - Proprietary Fund	17
Notes to Financial Statements	18-30
Required Supplementary Information	
Statement of Fiduciary Net Position - Agency Fund	31
Budgetary Comparison Schedule - General Fund	32
Budgetary Comparison Schedule - Special Revenue Fund	33
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	34-35



Newsome & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Darrell N. Newsome, CPA • Niki C. Watchinski, CPA • Sarah E. Hooper • Marissa A. Brockmann

INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Batesburg-Leesville, South Carolina

Report on the Financial Statements

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 Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

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 Town of Batesburg-Leesville, South Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 34--35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014, on our consideration of the Town of Batesburg-Leesville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Batesburg-Leesville, South Carolina's internal control over financial reporting and compliance.

Newsome & Company, P.C.

Newsome & Company, P.C.
Lexington, South Carolina
February 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

The discussion and analysis of the Town of Batesburg-Leesville, South Carolina's financial performance provides an overall narrative review of the town's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the Town's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Town's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the Town's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward looking statements of the Town's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total position increased \$143,699, which represents 63% decrease from fiscal year 2013.
- General revenues account for \$3,329,862 in revenue, or 56% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,649,563 or 44% of total revenues.
- The Town had \$3,128,563 in expenses; only \$416,160 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,913,702 were adequate to provide for these programs.
- Among major funds, the General fund had \$3,350,020 in revenues and \$3,615,668 in expenditures. The General Fund's balance decreased \$265,668 from \$1,592,853 to \$1,327,185.
- Long term debt declined by \$93,980 during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise of three components: 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 (Statement of Net Position and Statement of Activities) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

In the Statement of Net Position and the Statement of Activities, the Town is divided into two distinct kinds of activities:

Governmental Activities – Most of the Town's programs and services are reported here including fire, police, streets and sanitation.

Business-type Activities – The Town charges fees to help cover the cost of certain services it provides. The Town's water and wastewater programs are included here.

The Statement of Net Position presents information on all the Town'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 Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements distinguish functions of the Town that are principally supported by the property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general fund and special revenue funds. The business-type activities of the Town include the Department of Public Works.

The government-wide financial statements can be found on pages 10-11 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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: 1) governmental funds; 2) proprietary funds; and 3) fiduciary funds.

Governmental funds. Governmental funds are 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 current 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 Town's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the Town's operations.

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 governmental funds 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 Town's current 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 governmental funds and governmental activities.

Proprietary funds. Services for which the Town charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The Town's Department of Public Works is the only proprietary fund.

Fiduciary funds. The Town is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the Town's own programs. The accrual basis of accounting is used for fiduciary funds. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town's Fireman's Fund is the only fiduciary fund.

Notes to the financial statements. The notes 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 on pages 18-31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further supports the financial statements with a comparison of the Town's budget for the year and other supplementary information required by the State of South Carolina.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. Net position may serve over time as a useful indicator of governments' financial position. In the case of the Town, assets exceeded liabilities by \$12,706,863 as of June 30, 2014.

By far the largest portion of the Town net position reflects its investment in capital assets (e.g. land, buildings, building improvements other than buildings, mobile equipment, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its residents; consequently these assets are not available for future spending.

The Town's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, and the acquisition and disposal of capital assets.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2014 and 2013.

Governmental Activities	2014	2013
Current and other assets	\$ 1,559,039	\$ 1,766,439
Capital Assets	3,510,098	2,937,459
Total Assets	<u>5,069,137</u>	<u>4,703,898</u>
Long term debt outstanding	196,622	173,277
Other liabilities	271,435	130,840
Total liabilities	<u>468,057</u>	<u>304,117</u>
Net position		
Invested in capital assets,		
Net of related debt	3,296,201	2,845,199
Restricted	54,499	54,499
Unrestricted	1,250,380	1,500,083
Total net position	<u>4,601,080</u>	<u>4,399,781</u>
Total liabilities and net position	<u>\$ 5,069,137</u>	<u>\$ 4,703,898</u>
Business-type Activities	2014	2013
Current and other assets	\$ 1,284,291	\$ 1,133,921
Capital assets	7,709,606	7,471,245
Total assets	<u>8,993,897</u>	<u>8,605,166</u>
Long-term debt outstanding	-	188,834
Other liabilities	395,960	120,294
Total liabilities	<u>395,960</u>	<u>309,128</u>
Net position		
Invested in capital assets,		
Net of related debt	7,918,058	7,278,279
Restricted	354,057	354,056
Unrestricted	325,822	663,703
Total net position	<u>8,597,937</u>	<u>8,296,038</u>
Total liabilities and net position	<u>\$ 8,993,897</u>	<u>\$ 8,605,166</u>

Changes in net position. The Town's total revenues for the fiscal year ended June 30, 2014 were \$5,979,425. The total cost of all programs and services was \$5,910,781. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2014 and 2013.

Governmental Activities	2014	2013
Revenues		
Program revenues		
Charges for sales and services	\$ 375,412	\$ 381,828
Operating grants and contributions	40,748	79,692
Capital grants and contributions	-	67,186
General Revenues		
Property taxes	1,454,105	1,575,929
State shared revenue	115,672	131,571
Licenses, Permits and fees	1,258,834	1,232,762
Other	<u>85,091</u>	<u>71,280</u>
Total Revenues	3,329,862	3,540,248
Expenses		
General Government	405,069	546,019
Police	1,701,131	1,783,498
Fire	439,869	475,828
Streets and Sanitation	569,731	668,076
Victim's assistance	9,957	8,987
Interest on long term debt	<u>2,806</u>	<u>4,293</u>
Total Expenses	<u>3,128,563</u>	<u>3,486,701</u>
Increase (decrease) in net position	\$ 201,299	\$ 53,547
 Business-type Activities		
Revenues		
Program revenues		
Charges for sales and services	\$ 2,649,563	\$ 2,696,351
General revenues		
Other	<u>-</u>	<u>22,379</u>
Total Revenues	2,649,563	2,718,730
Expenses		
Water and Wastewater	<u>2,782,218</u>	<u>2,376,615</u>
Total Expenses	<u>2,782,218</u>	<u>2,376,615</u>
Increase (decrease) in net Position	\$ (132,655)	\$ 342,115

Governmental activities. The following table presents the cost of major Town functional activities: general government, police, fire, streets and sanitation, victim's assistance, community development, pass through grants and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	Total Expenses	Net (Expense) Revenue
General Government	\$ 405,069	\$ (405,069)
Police	1,701,131	(1,525,752)
Fire	439,869	(439,869)
Streets and Sanitation	569,731	(337,598)
Victim's Assistance	9,957	(1,309)
Interest on long-term liabilities	2,806	(2,806)
Total expenses	<u>\$ 3,128,563</u>	<u>\$ (2,712,403)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$1,368,621, a decrease of \$266,977.

The General Fund is the principal operating fund of the Town. The decrease in fund balance in the General Fund for the fiscal year was \$265,668.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Town made several revisions to the annual operating budget; however, none of these revisions increased overall revenue or expenditures.

The Town had budgeted to maintain the fund balance. The town came close to achieving this, however, certain revenue line items were more than budget and certain expense line items were more than budgeted. The difference is primarily due to the following:

- Licenses, Permits and Fees were less than anticipated
- Property taxes collected were less than anticipated.
- Fines and forfeitures were less than anticipated.
- Police, fire and capital expenditures were more than anticipated.
- General government expenditures were more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the town's total capital assets were \$10,630,673 including buildings, water and sewer systems with improvements and various types of equipment necessary to operate the Town. Total accumulated depreciation as of June 30, 2014 was \$13,939,833 and total depreciation expense for the year was \$607,990.

Debt Administration. At June 30, 2014, the town had \$196,622 long-term debt outstanding, of which \$88,256 is due within one year.

CURRENT ISSUES

The Town of Batesburg-Leesville, South Carolina had a balanced budget with no millage increase (90.051). There was a decrease in amount received from South Carolina Electric & Gas due to natural gas revenue being down. No Capital items were included in the budget. The Enterprise Fund had an increase in revenue that enabled funds to be placed in the reserve account. All funds experienced a 5% increase in health insurance and retirement contributions. All employees received a 2% cost of living raise.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

If you have questions regarding this report, contact:

Town of Batesburg-Leesville
Post Office Box 2329
Batesburg-Leesville, South Carolina 29070

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,394,016	\$ 659,920	\$ 2,053,936
Receivables, Net of allowances for uncollectible			
Taxes receivable	35,892	-	35,892
State receivable	2,265	-	2,265
Other receivable	19,889	332,417	352,306
Grants receivable	8,263	-	8,263
Restricted Cash	54,499	149,779	204,278
Due from other funds	44,215	176	44,391
Inventory	-	146,903	146,903
Total Current Assets	<u>1,559,039</u>	<u>1,289,195</u>	<u>2,848,234</u>
Noncurrent Assets			
Capital Assets			
Land	3,226,901	237,055	3,463,956
Buildings	804,651	3,406,769	4,211,420
Machinery and equipment	3,777,862	910,548	4,688,411
Water & wastewater system with improvements	-	12,206,718	12,206,718
Accumulated depreciation	(4,299,316)	(9,640,517)	(13,939,833)
Total Capital Assets, Net of Depreciation	<u>3,510,098</u>	<u>7,120,574</u>	<u>10,630,673</u>
Total Noncurrent Assets	<u>3,510,098</u>	<u>7,120,574</u>	<u>10,630,673</u>
Total Assets	<u>5,069,137</u>	<u>8,409,769</u>	<u>13,478,907</u>
LIABILITIES			
Current Liabilities			
Accounts payable & other accrued expenses	77,573	76,077	153,650
Due to other governmental units	47,910	-	47,910
Accrued Payroll	64,760	13,263	78,023
Internal balances	176	(176)	-
Deferred revenue	-	23,188	23,188
Total Current Liabilities	<u>190,418</u>	<u>112,352</u>	<u>302,771</u>
Noncurrent Liabilities			
Due Within One Year			
Capital Leases	88,256	-	88,256
Due in more than one year			
Customer deposits	-	149,779	149,779
Compensated Absences	81,017	41,855	122,872
Capital Leases	108,366	-	108,366
Total Noncurrent Assets	<u>277,639</u>	<u>191,634</u>	<u>469,273</u>
Total Liabilities	<u>468,057</u>	<u>303,986</u>	<u>772,044</u>
NET POSITION			
Investment in general fixed assets	3,296,201	7,276,670	10,572,871
Restricted assets	54,499	354,056	408,555
Unrestricted	1,250,380	475,057	1,725,437
Total Net Position	<u>\$ 4,601,080</u>	<u>\$ 8,105,783</u>	<u>\$ 12,706,863</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Function / Programs	Program Revenues			Net (Expense) Revenue 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							
Governmental Activities:							
General Government	\$ 405,069	\$ -	\$ -	\$ -	\$ (405,069)	\$ -	\$ (405,069)
Police	1,701,131	134,631	40,748	-	(1,525,752)	-	(1,525,752)
Fire	439,869	-	-	-	(439,869)	-	(439,869)
Sanitation & Streets	569,731	232,133	-	-	(337,598)	-	(337,598)
Victim's Assistance	9,957	8,648	-	-	(1,309)	-	(1,309)
Interest on Long-Term Debt	2,806	-	-	-	(2,806)	-	(2,806)
Total Governmental Activities	\$ 3,128,563	\$ 375,412	\$ 40,748	\$ -	\$ (2,712,403)	\$ -	\$ (2,712,403)
Business-Type Activities							
Water & Wastewater	\$ 2,782,218	\$ 2,649,563	\$ -	\$ -	-	(132,655)	(132,655)
Total Business-Type Activities	2,782,218	2,649,563	-	-	-	(132,655)	(132,655)
Total Primary Government	\$ 5,910,781	\$ 3,024,975	\$ 40,748	\$ -	\$ (2,712,403)	\$ (132,655)	\$ (2,845,058)
General Revenues:							
Property Taxes Levied for:							
General Purpose					1,454,105	-	1,454,105
State Shared Revenue					115,672	-	115,672
Licenses, Permits and Fees					1,258,834	-	1,258,834
Unrestricted Interest Earnings					34	-	34
Miscellaneous					27,457	-	27,457
Transfers					57,600	(57,600)	-
Total General Revenues, Special Items, and transfers:					2,913,702	(57,600)	2,856,102
Change in Net Assets					201,299	(190,255)	143,699
Net Position - Beginning					4,399,781	8,296,038	12,695,819
Net Position- Ending					\$ 4,601,080	\$ 8,105,783	\$ 12,839,518

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Primary Government		
	General Fund	Special Revenue Fund	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	1,393,807	209	1,394,016
Receivables, Net of Allowances for Uncollectible			-
Taxes receivable	35,892		35,892
State receivables	2,265		2,265
Grants	8,263		8,263
Other receivables	19,889		19,889
Restricted Cash	54,499		54,499
Due from other funds	43,594	621	44,215
Total Current Assets	<u>1,558,209</u>	<u>830</u>	<u>1,559,039</u>
Total Assets	<u>1,558,209</u>	<u>830</u>	<u>1,559,039</u>
LIABILITIES			
Current Liabilities			
Accounts payable	77,232	341	77,573
Salary and Benefits Payable	64,760		64,760
Due to State	4,533		4,533
Due to Proprietary fund	351		351
Due to Special Revenue Fund	40,947		40,947
Due to other Governmental units	621	1,633	2,254
Total Current Liabilities	<u>188,443</u>	<u>1,974</u>	<u>190,418</u>
Total Liabilities	188,443	1,974	190,418
FUND BALANCES			
Restricted	52,195	2,304	54,499
Unassigned	1,317,571	(3,449)	1,314,122
Total Fund Balance	<u>1,369,766</u>	<u>(1,145)</u>	<u>1,368,621</u>
Total Liabilities and Fund Balances	<u>1,558,209</u>	<u>830</u>	<u>1,559,039</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,510,098
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(277,639)
Net position of governmental activities	4,601,080

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Taxes	\$ 1,454,105	\$ -	\$ 1,454,105
Business Licences, Franchise Fees, Permits	1,258,834		1,258,834
Fines and Forfeitures	134,631	8,648	143,279
Garbage Fees	232,133		232,133
State Shared Revenue	115,672		115,672
Management Fees	57,600		57,600
Grants and Donations	40,748		40,748
Interest Earnings	34		34
Other Revenue	56,263		56,263
Total Revenues	<u>3,350,020</u>	<u>8,648</u>	<u>3,358,668</u>
EXPENDITURES			
Current			
General Government	630,005	-	630,005
Police	1,764,549	-	1,764,549
Fire	533,848	-	533,848
Sanitation and Streets	641,638	-	641,638
Victim's Assistance	-	9,957	9,957
Grants	-	-	-
Debt Service	-	-	-
Principal	42,842	-	42,842
Interest	2,806	-	2,806
Capital Improvements	-	-	-
Total Expenditures	<u>3,615,688</u>	<u>9,957</u>	<u>3,625,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(265,668)</u>	<u>(1,309)</u>	<u>(266,977)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Assets	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(265,668)</u>	<u>(1,309)</u>	<u>(266,977)</u>
Fund Balance - Beginning	<u>1,592,853</u>	<u>42,745</u>	<u>1,635,598</u>
Fund Balance - Ending	<u>\$ 1,327,185</u>	<u>\$ 41,436</u>	<u>\$ 1,368,621</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
RECONCILIATION OF COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total net changes in fund balance - governmental funds (266,977)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Outlay	630,328
Depreciation Expense	(232,614)

Payments of notes payable, capital leases and bonds are expenditures in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	93,979
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Change in net position of governmental activities	224,716
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The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 659,920
Receivables, Net of allowance for uncollectable	352,927
Restricted Cash	154,792
Inventory	116,476
Due from other Funds	176
Total Current Assets	1,284,291

Noncurrent Assets

Capital Assets

Land	237,055
Buildings	3,423,309
Machinery & Equipment	845,867
Water & Wastewater System with Improvements	12,468,917
Accumulated Depreciation	(9,265,542)
Total Capital Assets, Net of Depreciation	7,709,606
Total Noncurrent Assets	7,709,606

Total Assets

8,993,896

LIABILITIES

Current Liabilities

Accounts Payable and Other Current Liabilities	176,607
Deferred Revenue	23,188
Total Current Liabilities	199,795

Noncurrent Liabilities

Due Within One Year	-
Due in More than One Year	-
Customer Deposits	149,780
Compensated Absences	46,385
Total Noncurrent Liabilities	196,165

Total Liabilities

395,960

NET POSITION

Investment in General Fixed Assets	7,918,058
Restricted Assets	354,056
Unrestricted	325,822
Total Net Position	8,597,936

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues	
Charges for Services	\$2,553,530
Service Charges, Penalties and Miscellaneous	53,991
Impact Fees	27,386
Water and Sewer Connections	<u>14,656</u>
Total Operating Revenues	<u>2,649,563</u>
Operating Expenses	
Personnel Services	777,074
Insurance	21,496
Materials and Supplies	143,878
Contractual Services	45,111
Utilities	146,970
Repairs and Maintenance	576,002
Depreciation and Amortization	375,376
Management Fees	57,600
Other Operating Expenses	<u>194,931</u>
Total Operating Expenses	<u>2,338,437</u>
Operating Income (Loss)	311,126
Non-Operating Revenues (Expenses)	
Interest Earnings	402
Interest Expense	<u>(9,630)</u>
Total Non-Operating Revenues (Expenses)	<u>(9,228)</u>
Change in Net Assets	<u>301,898</u>
Net Position - Beginning	<u>8,296,038</u>
Net Position - Ending	<u><u>\$8,597,936</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$2,553,127
Payments to Suppliers for Goods and Services	(1,269,922)
Payments to Employees for Services	(774,252)
Net Cash Provided (Used) by Operating Activities	<u>508,952</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid on Long Term Debt	-
Principal Paid on Long Term Debt	-
Purchase of Capital Assets	(250,525)
Net Cash (Used) by Capital and Related Financing Activities	<u>(250,525)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividends	403
Net Cash Provided by Investing Activities	<u>403</u>

Net Increase (Decrease) in Cash and Cash Equivalents	258,830
Cash and Cash Equivalents - Beginning of year	555,882
Cash and Cash Equivalents - End of year	<u>\$ 814,712</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$ 301,898
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities	-
Depreciation Expense	375,376
Change in Asstes and Liabilities	
Receivables, net	(131,026)
Inventory	(25,415)
Accounts Payable & Accrued Expenses	(19,212)
Compensated Absences	4,530
Customer Deposits	2,801
Net Cash Provided (Used) by Operating Activities	<u>\$ 508,952</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Batesburg-Leesville (the Town) is a municipal corporation governed by an elected mayor and council. Services provided by the Town include public safety (police and fire), sanitation, and water and sewer utilities services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied through governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and proprietary funds provided they do not conflict with or contradict GASS pronouncements. The following is a summary of the more significant policies.

A. The Town's financial statements include all funds over which the Council is considered to be financially accountable. The Town receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Town is not included in any other governmental reporting entity because it does not meet the financial accountability criteria for inclusion established by Governmental Accounting Standards Board Statement Number 14 (GASB No. 14). Council members have decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The Town receives property tax revenues through its relationship with Lexington and Saluda County.

B. Basis of Presentation

The statements of the Town are presented as follows:

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town, except for fiduciary funds. For the most part, the *effect* of the interfund activity has been removed from these statements. The statements distinguished between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The government-wide statements are prepared using economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

to better justify the relationship between the government-wide statements and the statements for governmental funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The government-wide statements are prepared using economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better justify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, including taxes, which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements - Fund financial statements report detailed information about the Town. The focus of the governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Town has no non-major funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

Cash Flow Statement - For the purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalent.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement, Focus and Basis of Accounting

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. Fund accounting is designated to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Town are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is separated as fund balance. The following are the Town's major governmental funds:

General Fund - to account for all financial transactions not properly accounted for in another fund. The Town uses this fund to account for expenditures principally for general government, police, sanitation and fire department activities.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than debt service or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to provide sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the government (internal services funds). The Town has no internal service fund.

Within proprietary funds, operating revenues and expenses are presented in the Statement of Revenues, Expenses and Changes in Fund Net Position. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Sales for water and sewer service represent the operating revenue of the Town's proprietary fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) where the governing body has decided that periodical determination or revenue earned,

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Department of Public Works is the Town's only enterprise fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Town's fiduciary funds consist of agency funds which are custodial in nature and do not involve measurement of results of operation. The agency funds are used to account for amounts held by the fire department.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. In accrual basis accounting, revenues are recognized when earned and expenses are recognized when incurred. Under the modified accrual basis of accounting, revenues and expenditures are recognized when they become measurable and available.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days from fiscal year-end.

The Town follows Governmental Accounting Standards Board (GASS) Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* to account for non-exchange revenues. Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, donations and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest and grants.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2013, but which have not met the revenue recognition criteria, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

New Accounting Pronouncements Implemented:

In fiscal year 2012-13, the Town implemented Governmental Accounting Standards Board (GASS) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "*Elements of Financial Statements*" into the definition of the required components of the residual measurement of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

D. Assets, Liabilities and Equity

Cash and Investments - South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool (invested in governmental guaranteed securities), obligations of the U.S. Government, and governmental agencies unconditionally guaranteed by the U.S. Government. Investments are recorded at fair market value.

Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables, if containing a balance at the end of the fiscal year, are classified as "due from other funds" or "due to other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

Inventory - Under the system of accounting for inventory, materials and supplies are carried in an inventory account at cost, using the first-in, first-out method of accounting and are subsequently charged to expense when consumed.

Prepaid Expenses - Payments made to vendors for services benefiting future periods are recorded as prepaid expenses, using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Capital Assets - General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The cost and accumulated depreciation of property sold or retired are removed from the accounts, and gains and losses, if any, are reflected in revenue or expenditures/expenses for the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

In the enterprise fund, assets acquired or constructed by grants and shared revenues externally restricted for capital acquisitions and construction are reported as revenues in the period received in accordance with Governmental Accounting Standards Board Statement No. 33. In previous years, these assets were accounted for as contributed capital. In connection with the adoption of GASB No. 34, the balance of contributed capital has been combined with retained earnings to comprise the net assets of the enterprise fund.

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15-40 years	15-40 years
Building & Improvements	15-40 years	15-40 years
Furniture & Equipment	5-10 years	5-10 years
Vehicles	10 years	10 years

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Compensated Absences - The Town reports compensated absences in accordance with GASS Statement No. 16, *Accounting for Compensated Absences*. Full-time employees of the Town accrue leave in accordance with the policy detailed in the employee handbook.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases and compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balances, Equity and Net Position - The Governmental Accounting Standards Board (GASS) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Non-spendable, such as fund balance associated with inventories and prepaids,
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Council,
4. Assigned fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Fund Balances, Equity and Net Assets - (Continued)

Unless specifically designated otherwise, fund expenditures are from restricted fund balance to the extent of the restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance respectively.

Net position represents the difference between assets, deferred outflow of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances or any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Interfund Activity- Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds and enterprise balances are eliminated.

Exchange transactions between funds are reported as revenue in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements

Operating Revenues and Expenses - Operating revenues are those that are generated directly from the primary activity of the proprietary funds. For the Town, those revenues consist of sales of water and sewer service to customers.

Use of Estimates - 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* the Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Bond Issuance Costs - Bond issuance costs from the issuance of the 2003 Bond are capitalized and amortized over the term of the bond using the straight line method.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting- State statutes require a budget for operations be approved before any expenditures are made. The Council will usually approve the operating budget in May for the fiscal year beginning July 1. A budget is adopted by July 1 of each fiscal year for the General Fund and Special Revenue Funds, on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. Budget and actual comparisons are presented in the accompanying fund financial statements for the general and special revenue funds. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts adopted in the original appropriations. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended budget issued during the year ended June 30, 2014. All general fund and special revenue appropriations lapse at the fiscal year end. The Town adopted a budget that addressed expenditures at the department level. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net asset are available.

DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION

NOTE 1 - CASH AND INVESTMENTS

Cash is maintained in demand deposit or savings accounts or certificates of deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Town.

At June 30, 2014, the carrying amount of the Town's deposits was \$2,053,936 and the bank balance was \$1,518,415.

Custodial credit risk - depositors:

In the case of deposits, this is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

The standard FDIC insurance is up to \$250,000 per depositor. This insurance coverage is temporary and will remain in effect for participating institutions until December 31, 2014. \$250,000 of the Town's deposits were covered by FDIC insurance. The remaining deposits were collateralized.

Restricted Cash

Certain proceeds of the Enterprise Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by the applicable bond covenants. Funds reserved for the payment of principal and interest on bonds are deposited in the bond redemption and cushion accounts as provided by legal requirements of the various bond issues. These accounts have met the various legal requirements. A monthly fee is charged to customers, which is restricted for capital improvements. These funds are set aside as capital needs. The accounts and balances are as follows:

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

Emergency Damage Fund	\$ 5,771
Customer Water Deposits	146,979
Generator Depreciation	<u>1,306</u>
	<u>\$ 154,056</u>

NOTE 2- PROPERTY TAXES

Property taxes, excluding personal property taxes on motor vehicles, attach as an enforceable lien on property as of January 1, and are billed and collected by Lexington and Saluda County. Taxes are levied on October 1, and are due and payable at that time. Real property collection continued through January 15 with no penalty. A three percent penalty is added to collections from January 16 until February 1. Collections from February 2 through March 16 are collected with a penalty of ten percent, and collections March 17 and after are collected with a 15 percent penalty and are in execution.

Property tax revenues are recognized when they become available. Available means when due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days of year-end, which are recognized as revenue as of June 30, 2014.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Historical	Additions	Deletions	Accumulated	Balance
Governmental activities:	Cost			Depreciation	30-Jun-14
Land	\$ 476,480	\$ 338,452	\$ -	\$ -	\$ 814,932
Streets & Sidewalks	2,750,421	-	-	1,865,051	885,370
Building & Improvements	804,652	-	-	174,875	629,777
Machinery & Equipment	3,425,421	256,950	242,962	2,236,629	1,202,780
	<u>\$ 7,456,974</u>	<u>\$ 595,402</u>	<u>\$ 242,962</u>	<u>\$ 4,276,555</u>	<u>\$ 3,532,859</u>

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

Depreciation expense for governmental activities was reflected in the Statement of Activities for the year ending June 30, 2014 as follows:

Administrative	\$ 23,262
Police	97,698
Fire	76,763
Streets & Sanitation	<u>34,892</u>
Total	<u><u>\$232,615</u></u>

	Historical Cost	Additions	Deletions	Accumulated Depreciation	Net Balance 30-Jun-14
Business-type activities:					
Land	\$ 237,055	\$ -	\$ -	\$ -	\$ 237,055
Water/Wastewater System	15,464,648	162,439	6,210	8,953,415	6,667,462
Machinery & Equipment	<u>855,718</u>	<u>58,086</u>	<u>10,645</u>	<u>672,924</u>	<u>230,235</u>
	<u><u>\$16,557,421</u></u>	<u><u>\$220,525</u></u>	<u><u>\$ 16,855</u></u>	<u><u>\$ 9,626,339</u></u>	<u><u>\$7,134,752</u></u>

NOTE 4 – LONG-TERM DEBT

The following is summary of changes in long -term debt for the year ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital Leases	\$ 290,601	\$ -	\$(93,979)	\$ 196,622
Compensated Absences	<u>81,017</u>	<u>-</u>	<u>-</u>	<u>81,017</u>
	<u><u>\$ 371,618</u></u>	<u><u>\$ -</u></u>	<u><u>\$(93,979)</u></u>	<u><u>\$ 277,639</u></u>

The Town is obligated under one non-cancellable lease accounted for as a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending June 30	
	2015 \$ 93,979
	<u>2016 61,848</u>
Minimum lease payments	155,827
Less: Interest	<u>(5,881)</u>
	\$ 149,946

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RETIREMENT BENEFITS

Plan Description:

The Town contributes to the South Carolina Retirement Systems (SCRS) and the Police Officers Retirement System (PORS), cost-sharing multiple-employer pension plan administered by the Retirement Division of the State Budget and Control Board. The System provides retirement and disability benefits, cost of living adjustments on an adhoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the South Carolina Retirement System. That report may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Funding Policy:

Both employee and employers are required to contribute to the Plan under authority of Title 9 of the South Carolina Code of Laws. Employees are required to contribute 6.5% of their annual covered salary, and the Town is required to contribute at an actuarially determined rate. The current rate is 9.385% to SCRS and 11.363% to the PORS. In addition, participating employers of the SCRS contribute .15% of payroll to provide group life insurance benefits for their participants.

	South Carolina Retirement System		South Carolina Police Retirement	
	Amount	Percentage Contributed	Amount	Percentage Contributed
Year ended June 30, 2014				
Employer	\$ 118,204	100%	\$ 132,993	100%
Year ended June 30, 2013				
Employer	\$ 99,006	100%	\$ 110,772	100%
Year ended June 30, 2012				
Employer	\$ 94,549	100%	\$ 112,849	100%

As of June 30, 2014, the Town has no outstanding pension liability or assets computed in accordance with GASS Statement No. 27.

Employees eligible for service retirement may participate in the Teacher and 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, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

TOWN OF BATELBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS

Employees may elect to participate in the Optional Retirement Program (ORP), which provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts, which are issued to and become the property of the participants. To elect ORP, eligible employees must irrevocably waive SCRS membership within their first thirty days of employment.

NOTE 6 - DEFERRED COMPENSATION / SALARY DEFERRAL PLAN

The Town employees may participate in the 457, 403(b) and/or 401(k) deferred compensation plans available to state and local government employees through the state public employee retirement system. These programs are administered by a state approved non-governmental third party.

NOTE 7 - POST EMPLOYMENT HEALTH CARE BENEFITS

By federal law (Public Law 99-272, Title X), the Town is required to offer a continuation of health care coverage at group rates to employees and their dependents whose coverage would otherwise end. Dependent on the circumstances of the employee's coverage loss, the employee or dependent can extend the health care plan benefits for 18 months to three years. The plan costs are paid by the employee or dependent base on 100% (Cobra) premium rates.

NOTE 8 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date of the auditors' report, which is the date the report was available to be issued.

**TOWN OF BATESBURG_LEESVILLE
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2014**

ASSETS

Current Assets

Cash	\$ 8,199
Total Current Assets	<u>8,199</u>

Total Assets

\$ 8,199

LIABILITIES

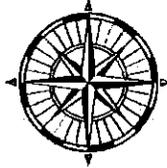
Due to Firemen's Organization	8,199
Total Net Assets	<u><u>\$ 8,199</u></u>

**TOWN OF BATESBURG LEESVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Property Taxes Including Penalties	1,581,521	1,581,521	1,454,105	(127,416)
Licenses, Permits and Fees	1,424,182	1,424,182	1,490,967	66,785
State Shared Revenue	109,780	109,780	115,672	5,892
Fines and Forfeitures	134,000	134,000	134,631	631
Grants/Donations	121,533	121,533	40,748	(80,785)
Management Fees	57,600	57,600	57,600	-
Interest	-	-	34	34
Other	27,700	27,700	56,263	28,563
TOTAL REVENUES	<u>3,456,316</u>	<u>3,456,316</u>	<u>3,350,020</u>	<u>(106,296)</u>
EXPENDITURES				
Current				
General Government	727,466	727,466	405,069	(322,397)
Police	1,719,960	1,719,960	1,701,131	(18,829)
Fire	462,073	462,073	439,869	(22,204)
Street & Sanitation	539,873	539,873	569,731	29,858
Total Expenditures	<u>3,449,372</u>	<u>3,449,372</u>	<u>3,115,800</u>	<u>(333,572)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>6,944</u>	<u>6,944</u>	<u>234,220</u>	<u>227,276</u>
Net Change in Fund Balance	6,944	6,944	(228,218)	(235,162)
Fund Balances - Beginning	<u>1,592,853</u>	<u>1,592,853</u>	<u>1,592,853</u>	<u>-</u>
Fund Balances - Ending	<u>1,599,797</u>	<u>1,599,797</u>	<u>1,364,635</u>	<u>(235,162)</u>

**TOWN OF BATESBURG-LEESVILLE
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 10,000	\$ 10,000	\$ 8,648	\$ (1,352)
Grants	-	-	-	-
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>8,648</u>	<u>(1,352)</u>
EXPENDITURES				
Victim's Assistance				
Personnel	9,535	9,535	9,533	(2)
Departmental Expenses	465	465	424	(41)
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>9,957</u>	<u>(43)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(1,309)</u>	<u>(1,309)</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Fund Balance	-	-	(1,309)	(1,309)
Fund Balances - Beginning		7,955	42,745	34,790
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 7,955</u>	<u>\$ 41,436</u>	<u>\$ 33,481</u>



Newsome & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Darrell N. Newsome, CPA ◊ Niki C. Watchinski, CPA ◊ Sarah E. Hooper ◊ Marissa A. Brockmann

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor and Town Council
Town of Batesburg-Leesville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements and have issued our report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the town's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.



A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Newsome & Company, P.C.

NEWSOME & COMPANY, P.C.
Lexington, South Carolina
February 17, 2015