

**TOWN OF BATESBURG-LEESVILLE,
SOUTH CAROLINA
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

**TOWN OF BATESBURG-LEESVILLE
FINANCIAL STATEMENTS & SUPPLEMENTAL INFORMATION
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DOOLEY AND COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

R. KEITH
DOOLEY,
CPA-PFS

AMY
SAWYER ELY,
CPA

ROD K.
DOOLEY, JR.,
CPA

MARCHETA H.
ROGERS,
CPA

Members:

American
Institute of
Certified Public
Accountants

South
Carolina
Association of
Certified Public
Accountants

To the Mayor and Town Council
Town of Batesburg-Leesville, 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 Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Batesburg-Leesville, South Carolina's management. 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 *Government 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 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 the 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 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 33 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 nonmajor fund financial statements and the schedule of fines and assessments have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dooley and Company, LLC
Dooley and Company, LLC

Columbia, South Carolina
October 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. 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 this 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 net assets increased \$446,583, which represents 3% increase from fiscal year 2009.
- General revenues account for \$3,152,775 in revenue, or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,904,178 or 47% of total revenues.
- The Town had \$3,168,022 in expenses; only \$342,786 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,183,685 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,533,009 in revenues and \$3,283,207 in expenditures. The General Fund's fund balance increased \$256,379 from \$1,841,083 to \$2,097,462.
- Long-term debt declined by \$540,841 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 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 Assets 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 Assets 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 it cover the costs of certain services it provides. The Town's water and wastewater programs are included here.

The statement of net assets 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 property taxes and intergovernmental revenues (governmental activities) from other function 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: governmental funds, proprietary funds and 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 19 - 32 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 assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the Town, assets exceeded liabilities by \$12,277,453 as of June 30, 2010.

By far the largest portion of the Town net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, 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, the acquisition and disposal of capital assets.

The following table presents a summary of the Town's net assets for the fiscal years ended June 30, 2009 and 2010.

Governmental Activities	2009	2010
Current and other assets	\$1,948,384	\$2,195,090
Capital assets	<u>2,927,401</u>	<u>2,950,102</u>
Total assets	<u>4,875,785</u>	<u>5,145,191</u>
Long-term debt outstanding	739,534	660,068
Other liabilities	<u>97,116</u>	<u>87,539</u>
Total liabilities	836,650	747,607
Net assets		
Invested in capital assets,		
Net of related debt	2,274,313	2,376,482
Restricted	54,432	54,462
Unrestricted	<u>1,710,391</u>	<u>1,966,642</u>
Total net assets	<u>4,039,137</u>	<u>4,397,586</u>
Total liabilities and net assets	<u>\$4,875,785</u>	<u>\$5,145,191</u>
Business-type Activities	2009	2010
Current and other assets	\$1,758,418	\$1,524,820
Capital assets	<u>8,296,538</u>	<u>8,107,025</u>
Total assets	<u>10,154,955</u>	<u>9,631,845</u>
Long-term debt outstanding	2,143,664	1,683,679
Other liabilities	<u>119,558</u>	<u>68,299</u>
Total liabilities	2,263,222	1,751,978
Net assets		
Invested in capital assets,		
Net of related debt	6,326,196	6,584,397
Restricted	406,106	402,413
Unrestricted	<u>1,059,432</u>	<u>893,058</u>
Total net assets	<u>7,791,734</u>	<u>7,879,868</u>
Total liabilities and net assets	<u>\$10,154,955</u>	<u>\$9,631,845</u>

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2010 were \$5,931,842. The total cost of all programs and services was \$5,610,370. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and 2010.

Governmental Activities	2009	2010
Revenues		
Program revenues		
Charges for sales and services	\$296,042	\$139,014
Operating grants and contributions	9,657	
Capital grants and contributions	443,363	203,772
General revenues		
Property taxes	1,390,767	1,475,031
State Shared Revenue	216,549	183,488
Licenses, Permits and Fees	1,158,869	1,350,896
Other	<u>135,640</u>	<u>174,269</u>
Total revenues	3,650,887	3,526,471
Expenses		
General Government	566,429	499,318
Police	1,704,255	1,701,736
Fire	344,834	299,058
Streets and Sanitation	633,090	631,906
Victim's Assistance	9,610	8,735
Community Development	185,675	2,316
Interest on Long Term Debt	<u>28,110</u>	<u>24,988</u>
Total Expenses	<u>3,472,003</u>	<u>3,168,022</u>
Increase (decrease) in net asset	178,886	358,449
Business-type Activities		
Revenues		
Program revenues		
Charges for sales and services	\$2,542,845	\$2,442,348
General revenues		
Other	<u>(11,445)</u>	<u>(30,910)</u>
Total revenues	2,531,400	2,530,481
Expenses		
Water & Wastewater	<u>2,332,165</u>	<u>2,442,348</u>
Total Expenses	<u>2,332,165</u>	<u>2,442,348</u>
Increase (decrease) in net asset	199,234	88,134

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 <u>Expenses</u>	Net(Expense) <u>Revenue</u>
General Government	\$ 499,318	\$ (499,318)
Police	1,701,736	(1,411,287)
Fire	299,058	(257,675)
Streets and Sanitation	631,906	(631,906)
Victim's Assistance	8,735	(96)
Community Development	2,281	35
Interest on long-term liabilities	24,988	(24,988)
Total expenses	<u>\$ 3,168,022</u>	<u>\$(2,825,236)</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 \$2,107,551, an increase of \$256,283.

The General Fund is the principal operating fund of the Town. The increase in fund balance in the General Fund for the fiscal year was \$256,379.

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 difference is primarily due to the following:

- All departments spent less than anticipated.
- The Town received donations and grants that were not budgeted for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the Town's total capital assets were \$11,043,468, 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, 2010 was \$12,179,993 and total depreciation expense for the year was \$606,300.

Debt Administration. At June 30, 2010, the Town had \$2,343,747 in long-term debt outstanding, of which \$567,648 is due within one year.

CURRENT ISSUES

The Town of Batesburg-Leesville rolled back the millage rate this year due to reassessment from 96.447 to 90.051 (Section 12-43-285). The town is still able to maintain the current level of services provided to the citizens. There was a loss in revenue from the state funded aid-to-subdivision, property assessments were down from previous year (reassessment year), garbage collection fees increased, and business license revenue from fees collected by the Municipal Association on insurance vendors was lower. There was also a decrease in reimbursement from the enterprise fund. On the expense side, the Town eliminated summer help, removed funds for assistant manager and increased police retirement. The town was able to add funds to senior assistance, new carpet and mayor/council travel and training. Enterprise Fund revenue was down. The reimbursement to the general fund was decreased. All funds experienced an increase in health insurance and an across the board ten cent per hour raise.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

If you have questions about this report, contact:

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

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,023,672	\$ 611,219	\$ 2,634,891
Receivables, Net of Allowances for Uncollectable			
Taxes Receivable	39,960	-	39,960
State Receivables	60,534	-	60,534
Other Receivables	16,463	378,104	394,567
Restricted Cash	54,462	402,413	456,874
Inventory	-	133,084	133,084
Total Current Assets	2,195,090	1,524,820	3,719,910
Noncurrent Assets			
Capital Assets			
Land	476,480	237,055	713,535
Streets & Sidewalks	2,626,454	-	2,626,454
Buildings	715,618	3,407,309	4,122,927
Machinery & Equipment	3,136,783	751,093	3,887,876
Water & Wastewater System With Improvements	-	11,872,669	11,872,669
Accumulated Depreciation	(4,005,233)	(8,174,760)	(12,179,993)
Total Capital Assets, Net of Depreciation	2,950,102	8,093,367	11,043,468
Bond Issuance Cost, Net	-	13,659	13,659
Total Noncurrent Assets	2,950,102	8,107,025	11,057,127
Total Assets	5,145,191	9,631,845	14,777,037
LIABILITIES			
Current Liabilities			
Accounts Payable & Other Accrued Expenses	82,006	49,010	131,016
Due to Other Governmental Units	5,357	-	5,357
Internal Balances	176	(176)	-
Deferred Revenue	-	23,188	23,188
Deferred Loss on Early Retirement of Debt	-	(3,724)	(3,724)
Total Current Liabilities	87,539	68,299	155,838
Noncurrent Liabilities			
Due Within One Year:			
Interest Payable	-	4,118	4,118
Capital Leases	35,740	-	35,740
Bonds Payable	46,854	480,936	527,790
Due In More Than One Year:			
Customer Deposits	-	133,696	133,696
Compensated Absences	86,448	41,014	127,462
Capital Leases	167,928	-	167,928
Bonds Payable	323,098	1,023,915	1,347,013
Total Noncurrent Liabilities	660,068	1,683,679	2,343,747
Total Liabilities	747,607	1,751,978	2,499,585
NET ASSETS			
Investment in General Fixed Assets	2,376,482	6,584,397	8,960,879
Restricted Assets	54,462	402,413	456,874
Unrestricted	1,966,642	893,058	2,859,700
Total Net Assets	\$ 4,397,586	\$ 7,879,868	\$ 12,277,453

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, 2010**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 499,318	\$ -	\$ -	\$ -	\$ (499,318)	\$ -	\$ (499,318)
Police	1,701,736	130,376	-	160,074	(1,411,287)	-	(1,411,287)
Fire	299,058	-	-	41,382	(257,675)	-	(257,675)
Sanitation & Streets	631,906	-	-	-	(631,906)	-	(631,906)
Victim's Assistance	8,735	8,639	-	-	(96)	-	(96)
Community Development	2,281	-	-	2,316	35	-	35
Interest on Long-Term Debt	24,988	-	-	-	(24,988)	-	(24,988)
Total Governmental Activities	\$ 3,168,022	\$ 139,014	\$ -	\$ 203,772	(2,825,236)	-	(2,825,236)
Business-type Activities:							
Water & Wastewater	2,442,348	2,561,391	-	-	-	119,044	119,044
Total Primary Government	\$ 2,442,348	\$ 2,561,391	\$ -	\$ -	-	119,044	119,044
Total Primary Government	\$ 5,610,370	\$ 2,700,406	\$ -	\$ 203,772	(2,825,236)	119,044	(2,706,192)
General Revenues:							
Property Taxes Levied For:							
General Purpose					1,475,031	-	1,475,031
State Shared Revenue					183,488	-	183,488
Licenses, Permits and Fees					1,350,896	-	1,350,896
Unrestricted Interest Earnings					2,096	4,497	6,593
Miscellaneous					72,173	64,593	136,766
Transfers					100,000	(100,000)	-
Total General Revenues, Special Items, and Transfers					3,183,685	(30,910)	3,152,775
Change in Net Assets					358,449	88,134	446,583
Net Assets - Beginning					4,039,137	7,791,734	11,830,871
Net Assets - Ending					\$ 4,397,586	\$ 7,879,868	\$12,277,453

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

TOWN OF BATESBURG-LEESVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	Primary Government		
	General Fund	Special Revenue Fund	Total
ASSETS			
Current Assets			
Cash on Deposit	\$ 2,021,595	\$ 2,077	\$ 2,023,672
Receivables, Net of Allowances for Uncollectible			
Taxes Receivable	39,960	-	39,960
State Receivables	60,534	-	60,534
Other Receivables	16,463	-	16,463
Restricted Cash	54,462	-	54,462
Due from other Funds	-	8,241	8,241
Total Current Assets	2,193,013	10,317	2,203,330
Total Assets	2,193,013	10,317	2,203,330
LIABILITIES			
Current Liabilities			
Accounts Payable	61,978	229	62,207
Salary and Benefits Payable	14,311	-	14,311
Due to Proprietary Fund	176	-	176
Due to Special Revenue Fund	8,241	-	8,241
Due to Other Governmental Units	5,357	-	5,357
Court Bonds Outstanding	5,488	-	5,488
Total Current Liabilities	95,551	229	95,779
Total Liabilities	95,551	229	95,779
FUND BALANCES			
Unreserved	2,097,462	10,089	2,107,551
Total Fund Balance	2,097,462	10,089	2,107,551
Total Liabilities & Fund Balances	\$ 2,193,013	\$ 10,317	\$ 2,203,330

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 funds.	2,950,102
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(660,067)
Net assets of governmental activities	\$ 4,397,585

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, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Taxes	\$ 1,475,031	\$ -	\$ 1,475,031
Business Licenses, Franchise Fees, Permits	1,350,896	-	1,350,896
Fines and Forfeitures	130,376	-	130,376
State Shared Revenue	183,488	-	183,488
Management Fees	100,000	-	100,000
Grants and Donations	201,456	10,955	212,411
Interest Earnings	2,096	-	2,096
Other Revenue	89,666	-	89,666
Total Revenues	3,533,009	10,955	3,543,964
EXPENDITURES			
Current			
General Government	478,480	-	478,480
Police	1,623,785	-	1,623,785
Fire	212,834	-	212,834
Sanitation & Streets	594,236	-	594,236
Victim's Assistance	-	8,735	8,735
Grants	-	2,281	2,281
Debt Service			
Principal	79,469		79,469
Interest	24,988		24,988
Capital Improvements	269,417	-	269,417
Total Expenditures	3,283,207	11,016	3,294,223
Excess (Deficiency) of Revenues Over Expenditures	249,802	(61)	249,741
OTHER FINANCING SOURCES (USES)			
Sale of Assets	6,542	-	6,542
Transfers In	35	-	35
Transfers Out	-	(35)	(35)
Total Other Financing Sources and Uses	6,577	(35)	6,542
Net Change in Fund Balance	256,379	(96)	256,283
Fund Balances - Beginning	1,841,083	10,185	1,851,268
Fund Balances - Ending	\$ 2,097,462	\$ 10,089	\$ 2,107,551

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, 2010

Total net changes in fund balance - governmental funds	256,283
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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 is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	269,417
Depreciation Expense	(222,681)

Payments of note payable, capital leases and bonds are expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	79,469
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In the statement of activities, certain operating expenses - compensated absences - are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). This year the leave used exceeded the amount earned.	(3)
--	-----

Cash proceeds from the sale or disposition of assets are reported in the governmental fund as revenue. However, in the statement of activities, the gain or loss on disposition is reported.	(24,035)
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Change in net assets of governmental activities	\$ 358,449
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**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 611,219
Receivables, Net of Allowance for Uncollectable	378,104
Restricted Cash	402,413
Inventory	133,084
Due from other Funds	176
Total Current Assets	<u>1,524,996</u>

Noncurrent Assets

Capital Assets

Land	237,055
Buildings	3,407,309
Machinery & Equipment	751,093
Water & Wastewater System With Improvements	11,872,669
Accumulated Depreciation	<u>(8,174,760)</u>

Total Capital Assets, Net of Depreciation **8,093,367**

Bond Issuance Cost, net **13,659**

Total Noncurrent Assets **8,107,025**

Total Assets **9,632,021**

LIABILITIES

Current Liabilities

Accounts Payable and Other Current Liabilities	49,010
Interest Payable	4,118
Deferred Revenue	23,188
Deferred Loss on Early Retirement of Debt	<u>(3,724)</u>
Total Current Liabilities	72,593

Noncurrent Liabilities

Due Within One Year	
Bonds Payable	480,936
Due in More Than One Year	
Customer Deposits	133,696
Compensated Absences	41,014
Bonds Payable	<u>1,023,915</u>
Total Noncurrent Liabilities	<u>1,679,561</u>
Total Liabilities	<u>1,752,153</u>

NET ASSETS

Investment in General Fixed Assets	6,584,397
Restricted Assets	402,413
Unrestricted	<u>893,058</u>
Total Net Assets	<u><u>\$ 7,879,868</u></u>

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

Operating Revenues	
Charges for Services	\$ 2,504,812
Service Charges, Penalties and Miscellaneous	64,593
Impact Fees	23,910
Water and Sewer Connections	32,669
Total Operating Revenues	<u>2,625,984</u>
 Operating Expenses	
Personnel Services	760,197
Materials and Supplies	281,708
Contractual Services	235,503
Utilities	271,583
Repairs and Maintenance	271,875
Depreciation and Amortization	383,619
Management Fee	100,000
Other Operating Expenses	164,799
Total Operating Expenses	<u>2,469,284</u>
 Operating Income (Loss)	 156,701
 Non-Operating Revenues (Expenses)	
Interest Earnings	4,497
Interest Expense	(73,064)
Total Non-Operating Revenues (Expenses)	<u>(68,567)</u>
 Change in Net Assets	 <u>88,134</u>
 Net Assets - Beginning	 <u>7,791,734</u>
 Net Assets - Ending	 <u><u>\$ 7,879,868</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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 2,610,456
Payments to Suppliers for Goods & Services	(1,379,194)
Payments to Employees for Services	<u>(762,533)</u>
Net Cash Provided (Used) by Operating Activities	468,728

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid on Long-Term Debt	(73,064)
Principal Paid on Long-Term Debt	(461,373)
Purchases of Capital Assets	<u>(174,487)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(708,924)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividends	<u>4,497</u>
Net Cash Provided by Investing Activities	<u>4,497</u>

Net Increase (Decrease) in Cash and Cash Equivalents **(235,698)**

Cash and Cash Equivalents - Beginning of Year **1,249,331**

Cash and Cash Equivalents - End of Year **\$ 1,013,633**

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

Operating Income (Loss)	\$ 156,701
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	383,619
Change in Assets and Liabilities	
Receivables, net	(19,253)
Inventory	(1,190)
Accounts Payable & Accrued Expenses	(52,536)
Compensated Absences	(2,337)
Customer Deposits	<u>3,724</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 468,728</u>

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

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2010**

	Fire Department
ASSETS	
Current Assets	
Cash	\$ 23,694
Total Current Assets	<u>23,694</u>
Total Assets	<u><u>23,694</u></u>
LIABILITIES	
Due to Fireman's Organization	23,694
Total Net Assets	<u><u>\$ 23,694</u></u>

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

TOWN OF BATESBURG-LEESVILLE

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF BATESBURG-LEESVILLE

NOTES TO FINANCIAL STATEMENTS

I. 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 nonmajor 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.

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.

TOWN OF BATESBURG-LEESVILLE NOTES TO FINANCIAL STATEMENTS

I. 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 Assets. 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, 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.

TOWN OF BATESBURG-LEESVILLE NOTES TO FINANCIAL STATEMENTS

I. 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 is 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 (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* to account for non-exchange revenues. Nonexchange 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 nonexchange 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.

TOWN OF BATESBURG-LEESVILLE NOTES TO FINANCIAL STATEMENTS

I. 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, 2010, 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.

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.

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.

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

I. 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 assets 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 assets 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.

<u>Description</u>	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 BATESBURG-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 GASB 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 judgements, 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 Assets - Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Reservations of net assets, in the enterprise fund, are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net or 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 assets are 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.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWN OF BATESBURG-LEESVILLE NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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 nonoperating 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.

II. 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, 2010. 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.

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

III. 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, 2010, the carrying amount of the Town's deposits was \$3,115,459 and the bank balance was \$3,179,713.

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, 2013. \$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:

Emergency Damage Fund	3,223
Customer Water Deposits	129,971
Generator Depreciation	5,694
2003 Debt Reserve	<u>267,218</u>
Total	406,106

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

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 continue 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, 2010.

NOTE 3 - CAPITAL ASSETS

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

	Balance			Balance
Governmental activities:	June 30, 2009	Additions	Deletions	June 30, 2010
Capital assets not being depreciated				
Land	\$ 476,480	\$ -	\$ -	\$ 476,480
Capital assets being depreciated				
Streets & Sidewalks	2,626,454	-	-	2,626,454
Building & Improvements	703,697	11,921	-	715,618
Machinery & Equipment	3,024,198	257,495	(144,910)	3,136,783
Total being depreciated	<u>6,354,349</u>	<u>269,416</u>	<u>(144,910)</u>	<u>6,478,855</u>
Totals at historical cost	6,830,829	269,416	(144,910)	6,955,335
<i>Less accumulated depreciation</i>				
Streets & Sidewalks	1,858,914	559	-	1,859,473
Building & Improvements	97,228	18,151	-	115,379
Machinery & Equipment	1,947,285	203,972	(120,875)	2,030,382
Total accumulated depreciation	<u>3,903,427</u>	<u>222,682</u>	<u>(120,875)</u>	<u>4,005,234</u>
Governmental				
Capital Assets, Net	<u>\$ 2,927,402</u>	<u>\$ 492,098</u>	<u>\$ (265,785)</u>	<u>\$ 2,950,101</u>

Depreciation expense for governmental activities was reflected in the Statement of Activities for the year ending June 30, 2010 as follows:

Administrative	\$ 20,915
Police	78,537
Fire	85,583
Streets & Sanitation	37,646
Total	<u>\$ 222,681</u>

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (continued)

	Balance			Balance
Business-type activities:	June 30, 2009	Additions	Deletions	June 30, 2010
Capital assets being depreciated				
Land	\$ 237,055	\$ -	\$ -	\$ 237,055
Water/Wastewater System	15,115,812	164,166	-	15,279,978
Machinery & Equipment	740,772	10,321	-	751,093
Total being depreciated	<u>16,093,639</u>	<u>174,487</u>	<u>-</u>	<u>16,268,126</u>
Less accumulated depreciation				<u>(8,174,760)</u>
Business-type activities:				
Capital Assets, Net	<u>\$ 16,093,639</u>	<u>\$ 174,487</u>	<u>\$ -</u>	<u>\$ 8,093,366</u>

NOTE 4 - LONG-TERM DEBT

The following is summary of changes in long-term debt for the year ended June 30, 2010

	Balance			Balance
	June 30, 2009	Additions	Deletions	June 30, 2010
Capital Leases	\$ 238,080	\$ -	\$ (34,412)	\$ 203,668
General Obligation Bond	415,008	-	(45,056)	369,952
Compensated Absences	86,445	3	-	86,448
Total	<u>\$ 739,533</u>	<u>\$ -</u>	<u>\$ (79,468)</u>	<u>\$ 660,068</u>

Capital Leases:

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, 2010.

Fiscal Year Ending June 30

2011	42,842
2012	42,842
2013	42,842
2014	42,842
2015	42,842
2016	<u>10,711</u>
Minimum Lease Payments	224,921
Less: Interest	<u>(21,253)</u>
Minimum Lease Payment	203,668

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM DEBT (Continued)

General Obligation Bond

The Town is obligated under a general obligation bond. The Town used the proceeds to purchase a new fire department. This is a 10 year fixed rate (3.99%) bond due 12 months from from the issuance. This loan requires annual payments of \$61,614.79 and has an outstanding balance of \$415,008. Debt service to maturity on general long-term debt, including \$61,353, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	46,854	14,761	61,615
2012	48,723	12,892	61,615
2013	50,667	10,948	61,615
2014	52,689	8,926	61,615
2015	54,791	6,824	61,615
2016	56,977	4,638	61,615
2017	59,251	2,364	61,615
	\$ 369,952	\$ 61,353	\$ 431,305

NOTE 5 - LONG-TERM DEBT - ENTERPRISE FUND

Revenue Bonds - The Town issued bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2010 are as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
2003 Series	\$ 1,966,224	\$ -	\$ (461,373)	\$ 1,504,851

2003 Series - The series requires monthly payments of \$44,536, accrues interest at 4.16% and matures in June 2013. The loan is collateralized by a lien on the water works and sewer system. Revenue bond debt service to maturity, including interest of \$98,460 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	480,936	53,501	534,437
2012	501,329	33,108	534,437
2013	522,586	11,851	534,437
	\$1,504,851	\$ 98,460	\$1,603,311

On June 27, 2003, the 1975, 1991, 1992 and 2002 series bonds were paid off with the issuance of the 2003 series bond. This advanced refunding resulted in the Town paying a \$12,767 premium on the early redemption of the 2000 series bond. This premium is being amortized over the life of the new bond. \$1,277 was expensed during the current year. Expenses related to the issuance of the 2003 bond were \$46,830. This cost is being amortized over the life of the new bond. \$4,683 was expensed during the current year. The cash flow required to service the old debts over their lifetime would have been \$6,503,527. The cash flow required to service the newly issued debt over its lifetime is \$5,344,366.

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - 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 9.24% to SCRS and 10.65% 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 Officers Retirement System	
	Amount	Percentage Contributed	Amount	Percentage Contributed
Year ended June 30, 2010				
Employer	94,694	100%	91,968	100%
Year ended June 30, 2009				
Employer	93,898	100%	96,228	100%
Year ended June 30, 2008				
Employer	93,344	100%	90,962	100%

As of June 30, 2010, the Town has no outstanding pension liability or assets computed in accordance with GASB Statement No. 27.

**TOWN OF BATESBURG-LEESVILLE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - RETIREMENT BENEFITS (Continued)

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.

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 7 - 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 nongovernmental third party.

NOTE 8 - 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 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through December 9, 2010, which is the date the report was available to be issued.

**TOWN OF BATESBURG-LEESVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Property Taxes, Including Penalties	\$ 1,546,099	\$ 1,546,099	\$ 1,475,031	\$ (71,068)
Licenses, Permits and Fees	1,443,600	1,443,600	1,350,896	(92,704)
State Shared Revenue	222,861	222,861	183,488	(39,373)
Fines and Forfeitures	121,000	121,000	130,376	9,376
Grants/Donations	1,500	1,500	201,456	199,956
Management Fees	100,000	100,000	100,000	-
Interest	10,000	10,000	2,096	(7,904)
Other	14,500	14,500	89,666	75,166
TOTAL REVENUES	3,459,560	3,459,560	3,533,009	73,449
EXPENDITURES				
Current				
General Government	591,845	591,845	478,480	113,365
Police	1,638,950	1,638,950	1,623,785	15,165
Fire	313,400	313,400	212,834	100,566
Street & Sanitation	658,600	658,600	594,236	64,364
Debt Service				
Principal	-	-	79,469	(79,469)
Interest	-	-	24,988	(24,988)
Capital Improvements	255,765	255,765	269,417	(13,652)
Total Expenditures	3,458,560	3,458,560	3,283,207	175,353
Excess (deficiency) of Revenues Over Expenditures	1,000	1,000	249,802	248,802
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(5,000)	(5,000)	35	5,035
Sale of Assets	4,000	4,000	6,542	2,542
Total Other Financing Sources and Uses	(1,000)	(1,000)	6,577	7,577
Net Change in Fund Balance	-	-	256,379	256,379
Fund Balances - Beginning	-	1,841,083	1,841,083	-
Fund Balances - Ending	\$ -	\$ 1,841,083	\$ 2,097,462	\$ 256,379

**TOWN OF BATESBURG-LEESVILLE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	10,042	10,042	8,639	(1,403)
Other Grants/Donations	-	-	2,316	2,316
TOTAL REVENUES	10,042	10,042	10,955	913
EXPENDITURES				
Victim's Assistance				
Personnel	8,782	8,782	8,745	37
Other Operating Expenses	1,260	1,260	(10)	1,270
Other Grants	-	-	2,281	(2,281)
Total Expenditures	10,042	10,042	11,016	(974)
Excess (deficiency) of Revenues Over Expenditures	-	-	(61)	(61)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	(35)	(35)
Total Other Financing Sources and Uses	-	-	(35)	(35)
Net Change in Fund Balance	-	-	(96)	(96)
Fund Balances - Beginning	-	10,185	10,185	-
Fund Balances - Ending	\$ -	\$ 10,185	\$ 10,089	\$ (96)

Note: Only Victim's Assistance is budgeted.

TOWN OF BATESBURG-LEESVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Victim's Assistance	Line Street	Streetscapes	Total
REVENUES				
Fines and Forfeitures	\$ 8,639	\$ -	\$ -	\$ 8,639
Community Development Block Grant	-	2,316	-	2,316
Total Revenues	8,639	2,316	-	10,955
EXPENDITURES				
Victim's Assistance	8,735	-	-	8,735
Community Development Block Grant	-	2,281	-	2,281
Total Expenditures	8,735	2,281	-	11,016
Excess (Deficiency) of Revenues Over Expenditures	(96)	35	-	(61)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(35)	-	(35)
Total Other Financing Sources and Uses	-	(35)	-	(35)
Net Change in Fund Balance	(96)	-	-	(96)
Fund Balances - Beginning	2,666	-	7,519	10,185
Fund Balances - Ending	<u>\$ 2,570</u>	<u>\$ -</u>	<u>\$ 7,519</u>	<u>\$ 10,089</u>

**TOWN OF BATESBURG-LEESVILLE
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Current Assets				
Cash	\$ 24,715	\$ 12,032	\$ (13,053)	\$ 23,694
Total Current Assets	<u>24,715</u>	<u>12,032</u>	<u>(13,053)</u>	<u>23,694</u>
Total Assets	<u>24,715</u>	<u>12,032</u>	<u>(13,053)</u>	<u>23,694</u>
LIABILITIES				
Due to Fireman's Organization	24,715	12,032	(13,053)	23,694
Total Net Assets	<u>\$ 24,715</u>	<u>\$ 12,032</u>	<u>\$ (13,053)</u>	<u>\$ 23,694</u>

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN DUE TO FIREMAN'S ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2010**

Receipts	\$	11,997
Disbursements		
Operating Expenses		<u>13,053</u>
Excess (Deficiency) of Revenues Over Expenditures		(1,055)
OTHER FINANCING SOURCES (USES)		
Interest Income		<u>35</u>
Net Change in Fund Balance		(1,021)
Fund Balances - Beginning		<u>24,715</u>
Fund Balances - Ending	\$	<u>23,694</u>

**TOWN OF BATESBURG-LEESVILLE
SCHEDULE OF FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Total Fines and Assessments	130,376
Remitted to State	77,032
Victims Assistance Fund	8,639
Fines and Assessments Retained by Town	44,705



DOOLEY AND COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

R. KEITH
DOOLEY,
CPA-PFS

AMY
SAWYER ELY,
CPA

ROD K.
DOOLEY, JR.,
CPA

MARCHETA H.
ROGERS,
CPA

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

We have audited the 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, 2010, which collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements and have issued our report thereon dated October 26, 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Members:

*American
Institute of
Certified Public
Accountants*

*South
Carolina
Association of
Certified Public
Accountants*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Batesburg-Leesville, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Batesburg-Leesville, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Batesburg-Leesville, South Carolina'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 of Batesburg-Leesville, South Carolina'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 of Batesburg-Leesville, South Carolina's financial statements that is more than inconsequential will not be prevented or detected by the Town of Batesburg-Leesville, South Carolina'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 of Batesburg-Leesville, South Carolina'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 Town of Batesburg-Leesville, South Carolina'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*.

We noted certain matters that we reported to management of Town of Batesburg-Leesville, South Carolina, in a separate letter dated December 9, 2010.

This report is intended solely for the information and use of management, Town Council, others within the entity, 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.


Dooley and Company, LLC

Columbia, South Carolina
October 26, 2010