

**TOWN OF BATESBURG-LEESVILLE,  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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

|   | <b>Page(s)</b> |
|---|----------------|
| <b>Independent Auditor's Report</b>   | 1-2            |
| <b>Management's Discussion and Analysis</b>   | 3-9            |
| <b>Basic Financial Statements:</b>  |                |
| <b>Government-wide Financial Statements:</b>  |                |
| Statement of Net Assets   | 10             |
| Statement of Activities   | 11             |
| <b>Fund Financial Statements:</b>   |                |
| Balance Sheet - Governmental Funds  | 12             |
| Combined Statement of Revenues, Expenditures, and Changes in Fund<br>Balance - Governmental Funds   | 13             |
| Reconciliation of Combined Statement of Revenues, Expenditures and Changes<br>in Fund Balance - Governmental Fund to Statement of Activities  | 14             |
| Statement of Net Assets - Proprietary Fund  | 15             |
| Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund  | 16             |
| Statement of Cash Flows - Proprietary Fund  | 17             |
| Statement of Fiduciary Net Assets - Agency Fund   | 18             |
| <b>Notes to Financial Statements</b>  | 19-33          |
| <b>Required Supplementary Information:</b>  |                |
| Budgetary Comparison Schedule - General Fund  | 34             |
| Budgetary Comparison Schedule - Special Revenue Fund  | 35             |
| <b>Other Supplementary Information:</b>   |                |
| Special Revenue Fund:   |                |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  | 36             |
| Fiduciary Fund:   |                |
| Agency Fund:  |                |
| Combined Statement of Changes in Assets and Liabilities   | 37             |
| Schedule of Receipts, Disbursements and Changes in Due to Fireman's Organization  | 38             |
| <b>Other Supplementary Schedules:</b>   |                |
| Schedule of Fines and Assessments   | 39             |
| <b>Report on Internal Control over Financial Reporting and on Compliance and Other<br/>Matters Based on an Audit of Financial Statements Performed in Accordance with<br/>Governmental Auditing Standards</b> | 40-41          |



DOOLEY AND COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
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INDEPENDENT AUDITORS' REPORT

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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, 2011, 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, 2011, 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 28, 2011, 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 34 through 35, 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 28, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. 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 decreased \$104,528, which represents 1% decrease from fiscal year 2010.
- General revenues account for \$2,874,108 in revenue, or 48% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,062,175 or 52% of total revenues.
- The Town had \$3,366,678 in expenses; only \$487,615 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,854,493 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,366,867 in revenues and \$3,478,600 in expenditures. The General Fund's fund balance decreased \$111,733 from \$2,097,461 to \$1,985,729.
- Long-term debt declined by \$566,939 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 - 33 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 \$12,172,923 as of June 30, 2011.

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, 2010 and 2011.

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| <b>Governmental Activities</b>   | <b>2011</b>        | <b>2010</b>        |
| Current and other assets         | \$2,110,593        | \$2,195,090        |
| Capital assets                   | <u>2,959,060</u>   | <u>2,950,102</u>   |
| Total assets                     | <u>5,069,653</u>   | <u>5,145,191</u>   |
| Long-term debt outstanding       | 574,066            | 660,068            |
| Other liabilities                | <u>122,575</u>     | <u>87,539</u>      |
| Total liabilities                | 696,640            | 747,607            |
| Net assets                       |                    |                    |
| Invested in capital assets,      |                    |                    |
| Net of related debt              | 2,468,034          | 2,376,482          |
| Restricted                       | 54,478             | 54,462             |
| Unrestricted                     | <u>1,850,502</u>   | <u>1,966,642</u>   |
| Total net assets                 | <u>4,373,013</u>   | <u>4,397,586</u>   |
| Total liabilities and net assets | <u>\$5,069,653</u> | <u>\$5,145,191</u> |
| <br>                             |                    |                    |
| <b>Business-type Activities</b>  | <b>2010</b>        | <b>2010</b>        |
| Current and other assets         | \$1,321,151        | \$1,524,820        |
| Capital assets                   | <u>7,780,795</u>   | <u>8,107,025</u>   |
| Total assets                     | <u>9,101,946</u>   | <u>9,631,845</u>   |
| Long-term debt outstanding       | 1,201,432          | 1,683,679          |
| Other liabilities                | <u>100,605</u>     | <u>68,299</u>      |
| Total liabilities                | 1,302,037          | 1,751,978          |
| Net assets                       |                    |                    |
| Invested in capital assets,      |                    |                    |
| Net of related debt              | 6,743,786          | 6,584,397          |
| Restricted                       | 413,282            | 402,413            |
| Unrestricted                     | <u>642,842</u>     | <u>893,058</u>     |
| Total net assets                 | <u>7,799,910</u>   | <u>7,879,868</u>   |
| Total liabilities and net assets | <u>\$9,101,947</u> | <u>\$9,631,845</u> |

**Changes in net assets.** The Town's total revenues for the fiscal year ended June 30, 2011 were \$5,936,283. The total cost of all programs and services was \$6,040,811. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and 2011.

| <b>Governmental Activities</b>     | <b>2011</b>      | <b>2010</b>      |
|------------------------------------|------------------|------------------|
| Revenues                           |                  |                  |
| Program revenues                   |                  |                  |
| Charges for sales and services     | \$324,501        | \$139,014        |
| Operating grants and contributions |                  |                  |
| Capital grants and contributions   | 163,114          | 203,772          |
| General revenues                   |                  |                  |
| Property taxes                     | 1,417,070        | 1,475,031        |
| State Shared Revenue               | 155,133          | 183,488          |
| Licenses, Permits and Fees         | 1,165,491        | 1,350,896        |
| Other                              | <u>116,799</u>   | <u>174,269</u>   |
| Total revenues                     | 3,342,108        | 3,526,471        |
| Expenses                           |                  |                  |
| General Government                 | 514,868          | 499,318          |
| Police                             | 1,813,278        | 1,701,736        |
| Fire                               | 371,792          | 299,058          |
| Streets and Sanitation             | 635,601          | 631,906          |
| Victim's Assistance                | 9,275            | 8,735            |
| Community Development              |                  | 2,316            |
| Interest on Long Term Debt         | <u>21,863</u>    | <u>24,988</u>    |
| Total Expenses                     | <u>3,366,678</u> | <u>3,168,022</u> |
| Increase (decrease) in net asset   | (24,571)         | 358,449          |
| <b>Business-type Activities</b>    |                  |                  |
| Revenues                           |                  |                  |
| Program revenues                   |                  |                  |
| Charges for sales and services     | \$2,574,560      | \$2,442,348      |
| General revenues                   |                  |                  |
| Other                              | <u>19,615</u>    | <u>(30,910)</u>  |
| Total revenues                     | 2,594,175        | 2,530,481        |
| Expenses                           |                  |                  |
| Water & Wastewater                 | <u>2,674,133</u> | <u>2,442,348</u> |
| Total Expenses                     | <u>2,674,133</u> | <u>2,442,348</u> |
| Increase (decrease) in net asset   | (79,958)         | 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<br><u>Expenses</u> | Net(Expense)<br><u>Revenue</u> |
|-----------------------------------|--------------------------|--------------------------------|
| General Government                | \$ 514,868               | \$ (514,868)                   |
| Police                            | 1,813,278                | (1,556,118)                    |
| Fire                              | 371,792                  | (371,792)                      |
| Streets and Sanitation            | 635,601                  | (412,198)                      |
| Victim's Assistance               | 9,275                    | (2,224)                        |
| Interest on long-term liabilities | <u>21,863</u>            | <u>(21,863)</u>                |
| Total expenses                    | <u>\$ 3,366,678</u>      | <u>\$(2,879,064)</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 \$1,988,018, a decrease of \$119,532.

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 \$111,733.

## **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:

- Capital expenditure were more than budgeted.
- Almost all revenue categories were less than budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the Town's total capital assets were \$10,730,880, 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, 2011 was \$12,696,035 and total depreciation expense for the year was \$594,394.

**Debt Administration.** At June 30, 2011, the Town had \$1,775,498 in long-term debt outstanding, of which \$587,170 is due within one year.

## **CURRENT ISSUES**

The millage rate for the Town of Batesburg-Leesville remained the same at 90.051. Property assessment was up from the previous year; increase in SCE&G Franchise, there was a decrease in fees collected by the Municipal Association on insurance vendors as well as state funded aid-to-subdivision. Over all these revenue streams were sufficient to meet our service and infrastructure needs and prevent us from having to raise taxes. The Enterprise fund had an increase in revenue with this increase we able to increase funds into the reserve account. All funds experienced a 5% increase in health insurance, along with a ten cent per hour raise across the board.

## **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, 2011**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>                                    |                            |                             |                      |
| <b>Current Assets</b>                            |                            |                             |                      |
| Cash and Cash Equivalents                        | \$ 1,953,158               | \$ 452,807                  | \$ 2,405,965         |
| Receivables, Net of Allowances for Uncollectable |                            |                             |                      |
| Taxes Receivable                                 | 23,142                     | -                           | 23,142               |
| State Receivables                                | 51,851                     | -                           | 51,851               |
| Other Receivables                                | 27,965                     | 319,403                     | 347,368              |
| Restricted Cash                                  | 54,478                     | 413,282                     | 467,759              |
| Inventory  | -                          | 135,660                     | 135,660              |
| <b>Total Current Assets</b>                      | <b>2,110,593</b>           | <b>1,321,151</b>            | <b>3,431,744</b>     |
| <b>Noncurrent Assets</b>                         |                            |                             |                      |
| <b>Capital Assets</b>                            |                            |                             |                      |
| Land   | 3,102,934                  | 237,055                     | 3,339,989            |
| Buildings  | 733,715                    | 3,407,309                   | 4,141,024            |
| Machinery & Equipment                            | 3,279,496                  | 755,619                     | 4,035,115            |
| Water & Wastewater System With Improvements      | -                          | 11,910,787                  | 11,910,787           |
| Accumulated Depreciation                         | (4,157,084)                | (8,538,951)                 | (12,696,035)         |
| <b>Total Capital Assets, Net of Depreciation</b> | <b>2,959,060</b>           | <b>7,771,820</b>            | <b>10,730,880</b>    |
| Bond Issuance Cost, Net                          | -                          | 8,976                       | 8,976                |
| <b>Total Noncurrent Assets</b>                   | <b>2,959,060</b>           | <b>7,780,795</b>            | <b>10,739,856</b>    |
| <b>Total Assets</b>                              | <b>5,069,654</b>           | <b>9,101,947</b>            | <b>14,171,600</b>    |
| <b>LIABILITIES</b>                               |                            |                             |                      |
| <b>Current Liabilities</b>                       |                            |                             |                      |
| Accounts Payable & Other Accrued Expenses        | 119,693                    | 80,039                      | 199,732              |
| Due to Other Governmental Units                  | 2,706                      | -                           | 2,706                |
| Internal Balances                                | 176                        | (176)                       | -                    |
| Deferred Revenue                                 | -                          | 23,188                      | 23,188               |
| Deferred Loss on Early Retirement of Debt        | -                          | (2,447)                     | (2,447)              |
| <b>Total Current Liabilities</b>                 | <b>122,575</b>             | <b>100,605</b>              | <b>223,179</b>       |
| <b>Noncurrent Liabilities</b>                    |                            |                             |                      |
| Due Within One Year:                             |                            |                             |                      |
| Interest Payable                                 | -                          | 4,118                       | 4,118                |
| Capital Leases                                   | 37,118                     | -                           | 37,118               |
| Bonds Payable                                    | 48,723                     | 501,329                     | 550,052              |
| Due In More Than One Year:                       |                            |                             |                      |
| Customer Deposits                                | -                          | 138,633                     | 138,633              |
| Compensated Absences                             | 83,039                     | 34,765                      | 117,804              |
| Capital Leases                                   | 130,810                    | -                           | 130,810              |
| Bonds Payable                                    | 274,375                    | 522,587                     | 796,962              |
| <b>Total Noncurrent Liabilities</b>              | <b>574,066</b>             | <b>1,201,432</b>            | <b>1,775,498</b>     |
| <b>Total Liabilities</b>                         | <b>696,640</b>             | <b>1,302,037</b>            | <b>1,998,677</b>     |
| <b>NET ASSETS</b>                                |                            |                             |                      |
| Investment in General Fixed Assets               | 2,468,034                  | 6,743,786                   | 9,211,820            |
| Restricted Assets                                | 54,478                     | 413,282                     | 467,759              |
| Unrestricted                                     | 1,850,502                  | 642,842                     | 2,493,344            |
| <b>Total Net Assets</b>                          | <b>\$ 4,373,013</b>        | <b>\$ 7,799,910</b>         | <b>\$ 12,172,923</b> |

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, 2011**

| Function / Programs   | Expenses            | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |                                 |                     |
|---|---------------------|-------------------------|--|--|--|---------------------------------|---------------------|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Business-<br>Type<br>Activities | Total               |
| <b>Primary Government</b>                                   |                     |                         |  |  |  |                                 |                     |
| <b>Governmental Activities:</b>                             |                     |                         |  |  |  |                                 |                     |
| General Government  | \$ 514,868          | \$ -                    | \$ -                                     | \$ -                                   | \$ (514,868)                                       | \$ -                            | \$ (514,868)        |
| Police  | 1,813,278           | 94,047                  | -  | 163,114                                | (1,556,118)  | -                               | (1,556,118)         |
| Fire  | 371,792             | -                       | -  | -                                      | (371,792)  | -                               | (371,792)           |
| Sanitation & Streets  | 635,601             | 223,403                 | -  | -                                      | (412,198)  | -                               | (412,198)           |
| Victim's Assistance   | 9,275               | 7,051                   | -  | -                                      | (2,224)  | -                               | (2,224)             |
| Interest on Long-Term Debt                                  | 21,863              | -                       | -  | -                                      | (21,863)   | -                               | (21,863)            |
| <b>Total Governmental Activities</b>                        | <b>\$ 3,366,678</b> | <b>\$ 324,501</b>       | <b>\$ -</b>                              | <b>\$ 163,114</b>                      | <b>(2,879,064)</b>                                 | <b>-</b>                        | <b>(2,879,064)</b>  |
| <b>Business-type Activities:</b>                            |                     |                         |  |  |  |                                 |                     |
| Water & Wastewater  | 2,674,133           | 2,574,560               | -  | -                                      | -  | (99,573)                        | (99,573)            |
| <b>Total Primary Government</b>                             | <b>\$ 2,674,133</b> | <b>\$ 2,574,560</b>     | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>-</b>   | <b>(99,573)</b>                 | <b>(99,573)</b>     |
| <b>Total Primary Government</b>                             | <b>\$ 6,040,811</b> | <b>\$ 2,899,061</b>     | <b>\$ -</b>                              | <b>\$ 163,114</b>                      | <b>(2,879,064)</b>                                 | <b>(99,573)</b>                 | <b>(2,978,637)</b>  |
| <b>General Revenues:</b>                                    |                     |                         |  |  |  |                                 |                     |
| Property Taxes Levied For:                                  |                     |                         |  |  |  |                                 |                     |
| General Purpose   |                     |                         |  |  | 1,417,070  | -                               | 1,417,070           |
| State Shared Revenue  |                     |                         |  |  | 155,133  | -                               | 155,133             |
| Licenses, Permits and Fees                                  |                     |                         |  |  | 1,165,491  | -                               | 1,165,491           |
| Unrestricted Interest Earnings                              |                     |                         |  |  | 2,477  | 1,405                           | 3,882               |
| Miscellaneous   |                     |                         |  |  | 56,722   | 75,810                          | 132,532             |
| Transfers   |                     |                         |  |  | 57,600   | (57,600)                        | -                   |
| <b>Total General Revenues, Special Items, and Transfers</b> |                     |                         |  |  | <b>2,854,493</b>                                   | <b>19,615</b>                   | <b>2,874,108</b>    |
| <b>Change in Net Assets</b>                                 |                     |                         |  |  | <b>(24,571)</b>                                    | <b>(79,958)</b>                 | <b>(104,528)</b>    |
| <b>Net Assets - Beginning</b>                               |                     |                         |  |  | <b>4,397,584</b>                                   | <b>7,879,868</b>                | <b>12,277,451</b>   |
| <b>Net Assets - Ending</b>                                  |                     |                         |  |  | <b>\$ 4,373,013</b>                                | <b>\$ 7,799,910</b>             | <b>\$12,172,923</b> |

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

**TOWN OF BATESBURG-LEESVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

|  | Primary Government  |                      |                     |
|--|---------------------|----------------------|---------------------|
|  | General Fund        | Special Revenue Fund | Total               |
| <b>ASSETS</b>                                    |                     |                      |                     |
| <b>Current Assets</b>                            |                     |                      |                     |
| Cash on Deposit                                  | \$ 1,952,840        | \$ 318               | \$ 1,953,158        |
| Receivables, Net of Allowances for Uncollectible |                     |                      |                     |
| Taxes Receivable                                 | 23,142              | -                    | 23,142              |
| State Receivables                                | 51,851              | -                    | 51,851              |
| Other Receivables                                | 27,965              | -                    | 27,965              |
| Restricted Cash                                  | 54,478              | -                    | 54,478              |
| Due from other Funds                             | -                   | 2,295                | 2,295               |
| <b>Total Current Assets</b>                      | <b>2,110,275</b>    | <b>2,613</b>         | <b>2,112,888</b>    |
| <b>Total Assets</b>                              | <b>2,110,275</b>    | <b>2,613</b>         | <b>2,112,888</b>    |
| <b>LIABILITIES</b>                               |                     |                      |                     |
| <b>Current Liabilities</b>                       |                     |                      |                     |
| Accounts Payable                                 | 51,741              | 229                  | 51,970              |
| Salary and Benefits Payable                      | 62,141              | 94                   | 62,235              |
| Due to Proprietary Fund                          | 176                 | -                    | 176                 |
| Due to Special Revenue Fund                      | 2,295               | -                    | 2,295               |
| Due to Other Governmental Units                  | 2,706               | -                    | 2,706               |
| Court Bonds Outstanding                          | 5,488               | -                    | 5,488               |
| <b>Total Current Liabilities</b>                 | <b>124,547</b>      | <b>323</b>           | <b>124,870</b>      |
| <b>Total Liabilities</b>                         | <b>124,547</b>      | <b>323</b>           | <b>124,870</b>      |
| <b>FUND BALANCES</b>                             |                     |                      |                     |
| Restricted                                       | 55,435              | 2,290                | 57,725              |
| Unassigned                                       | 1,930,294           | -                    | 1,930,294           |
| <b>Total Fund Balance</b>                        | <b>1,985,729</b>    | <b>2,290</b>         | <b>1,988,018</b>    |
| <b>Total Liabilities &amp; Fund Balances</b>     | <b>\$ 2,110,275</b> | <b>\$ 2,613</b>      | <b>\$ 2,112,888</b> |

**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. 2,959,060

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (574,066)

**Net assets of governmental activities** **\$ 4,373,013**

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, 2011**

|  | General Fund        | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                                |                                |
| Local Taxes  | \$ 1,417,070        | \$ -                           | \$ 1,417,070                   |
| Business Licenses, Franchise Fees, Permits               | 1,388,894           | -                              | 1,388,894                      |
| Fines and Forfeitures                                    | 94,047              | -                              | 94,047                         |
| State Shared Revenue                                     | 155,133             | -                              | 155,133                        |
| Management Fees  | 57,600              | -                              | 57,600                         |
| Grants and Donations                                     | 163,114             | 7,051                          | 170,165                        |
| Interest Earnings  | 2,477               | -                              | 2,477                          |
| Other Revenue  | 76,828              | -                              | 76,828                         |
| <b>Total Revenues</b>                                    | <b>3,355,162</b>    | <b>7,051</b>                   | <b>3,362,214</b>               |
| <b>EXPENDITURES</b>                                      |                     |                                |                                |
| Current  |                     |                                |                                |
| General Government                                       | 481,576             | -                              | 481,576                        |
| Police   | 1,732,172           | -                              | 1,732,172                      |
| Fire   | 288,386             | -                              | 288,386                        |
| Sanitation & Streets                                     | 621,675             | -                              | 621,675                        |
| Victim's Assistance                                      | -                   | 9,275                          | 9,275                          |
| Grants   | -                   | 5,575                          | 5,575                          |
| Debt Service   |                     |                                |                                |
| Principal  | 82,593              | -                              | 82,593                         |
| Interest   | 21,863              | -                              | 21,863                         |
| Capital Improvements                                     | 250,334             | -                              | 250,334                        |
| <b>Total Expenditures</b>                                | <b>3,478,600</b>    | <b>14,850</b>                  | <b>3,493,450</b>               |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(123,438)</b>    | <b>(7,799)</b>                 | <b>(131,237)</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                     |                                |                                |
| Sale of Assets   | 11,705              | -                              | 11,705                         |
| Transfers Out  | -                   | -                              | -                              |
| <b>Total Other Financing Sources and Uses</b>            | <b>11,705</b>       | <b>-</b>                       | <b>11,705</b>                  |
| <b>Net Change in Fund Balance</b>                        | <b>(111,733)</b>    | <b>(7,799)</b>                 | <b>(119,532)</b>               |
| <b>Fund Balances - Beginning</b>                         | <b>2,097,461</b>    | <b>10,089</b>                  | <b>2,107,550</b>               |
| <b>Fund Balances - Ending</b>                            | <b>\$ 1,985,729</b> | <b>\$ 2,290</b>                | <b>\$ 1,988,018</b>            |

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, 2011**

**Total net changes in fund balance - governmental funds** (119,532)

**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       | 250,334   |
| Depreciation Expense | (209,564) |

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. 82,593

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. 3,409

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. (31,811)

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**Change in net assets of governmental activities** \$ (24,571)

**TOWN OF BATESBURG-LEESVILLE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011**

**ASSETS**

**Current Assets**

|   |                         |
|---|-------------------------|
| Cash and Cash Equivalents                       | \$ 452,807              |
| Receivables, Net of Allowance for Uncollectable | 319,403                 |
| Restricted Cash                                 | 413,282                 |
| Inventory                                       | 135,660                 |
| Due from other Funds                            | 176                     |
| <b>Total Current Assets</b>                     | <b><u>1,321,327</u></b> |

**Noncurrent Assets**

**Capital Assets**

|  |                         |
|--|-------------------------|
| Land   | 237,055                 |
| Buildings  | 3,407,309               |
| Machinery & Equipment                            | 755,619                 |
| Water & Wastewater System With Improvements      | 11,910,787              |
| Accumulated Depreciation                         | <u>(8,538,951)</u>      |
| <b>Total Capital Assets, Net of Depreciation</b> | <b><u>7,771,820</u></b> |

|                                |                     |
|--------------------------------|---------------------|
| <b>Bond Issuance Cost, net</b> | <b><u>8,976</u></b> |
|--------------------------------|---------------------|

|                                |                         |
|--------------------------------|-------------------------|
| <b>Total Noncurrent Assets</b> | <b><u>7,780,795</u></b> |
|--------------------------------|-------------------------|

|                     |                                |
|---------------------|--------------------------------|
| <b>Total Assets</b> | <b><u><u>9,102,122</u></u></b> |
|---------------------|--------------------------------|

**LIABILITIES**

**Current Liabilities**

|  |                       |
|--|-----------------------|
| Accounts Payable and Other Current Liabilities | 80,039                |
| Interest Payable                               | 4,118                 |
| Deferred Revenue                               | 23,188                |
| Deferred Loss on Early Retirement of Debt      | <u>(2,447)</u>        |
| <b>Total Current Liabilities</b>               | <b><u>104,898</u></b> |

**Noncurrent Liabilities**

|                                     |                         |
|-------------------------------------|-------------------------|
| Due Within One Year                 |                         |
| Bonds Payable                       | 501,329                 |
| Due in More Than One Year           |                         |
| Customer Deposits                   | 138,633                 |
| Compensated Absences                | 34,765                  |
| Bonds Payable                       | <u>522,587</u>          |
| <b>Total Noncurrent Liabilities</b> | <b><u>1,197,314</u></b> |

|                          |                         |
|--------------------------|-------------------------|
| <b>Total Liabilities</b> | <b><u>1,302,212</u></b> |
|--------------------------|-------------------------|

**NET ASSETS**

|                                    |                            |
|------------------------------------|----------------------------|
| Investment in General Fixed Assets | 6,743,786                  |
| Restricted Assets                  | 413,282                    |
| Unrestricted                       | <u>642,842</u>             |
| <b>Total Net Assets</b>            | <b><u>\$ 7,799,910</u></b> |

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, 2011**

|  |                            |
|--|----------------------------|
| <b>Operating Revenues</b>                      |                            |
| Charges for Services                           | \$ 2,546,994               |
| Service Charges, Penalties and Miscellaneous   | 75,180                     |
| Impact Fees                                    | 10,964                     |
| Water and Sewer Connections                    | 16,602                     |
| <b>Total Operating Revenues</b>                | <b><u>2,649,740</u></b>    |
| <b>Operating Expenses</b>                      |                            |
| Personnel Services                             | 714,569                    |
| Materials and Supplies                         | 256,293                    |
| Contractual Services                           | 589,899                    |
| Utilities                                      | 286,686                    |
| Repairs and Maintenance                        | 251,875                    |
| Depreciation and Amortization                  | 384,830                    |
| Management Fee                                 | 57,600                     |
| Other Operating Expenses                       | 136,480                    |
| <b>Total Operating Expenses</b>                | <b><u>2,678,232</u></b>    |
| <b>Operating Income (Loss)</b>                 | <b>(28,492)</b>            |
| <b>Non-Operating Revenues (Expenses)</b>       |                            |
| Interest Earnings                              | 1,405                      |
| Interest Expense                               | (53,501)                   |
| Gain on Sale of Property                       | 630                        |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b><u>(51,466)</u></b>     |
| <b>Change in Net Assets</b>                    | <b><u>(79,958)</u></b>     |
| <b>Net Assets - Beginning</b>                  | <b><u>7,879,868</u></b>    |
| <b>Net Assets - Ending</b>                     | <b><u>\$ 7,799,910</u></b> |

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, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                       |
|---|-----------------------|
| Receipts from Customers                                 | \$ 2,713,379          |
| Payments to Suppliers for Goods & Services              | (1,550,379)           |
| Payments to Employees for Services                      | (720,818)             |
| <b>Net Cash Provided (Used) by Operating Activities</b> | <b><u>442,182</u></b> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |                         |
|--|-------------------------|
| Proceeds from Sale of Capital Assets                               | 630                     |
| Interest Paid on Long-Term Debt                                    | (53,501)                |
| Principal Paid on Long-Term Debt                                   | (480,936)               |
| Purchases of Capital Assets  | (57,324)                |
| <b>Net Cash (Used) by Capital and Related Financing Activities</b> | <b><u>(591,131)</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |                     |
|--|---------------------|
| Interest and Dividends                           | 1,405               |
| <b>Net Cash Provided by Investing Activities</b> | <b><u>1,405</u></b> |

|   |                          |
|---|--------------------------|
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>(147,543)</b>         |
| <b>Cash and Cash Equivalents - Beginning of Year</b>        | <b><u>1,013,632</u></b>  |
| <b>Cash and Cash Equivalents - End of Year</b>              | <b><u>\$ 866,089</u></b> |

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

|   |                          |
|---|--------------------------|
| Operating Income (Loss)   | \$ (28,492)              |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities |                          |
| Depreciation Expense  | 384,830                  |
| Change in Assets and Liabilities  |                          |
| Receivables, net  | 58,702                   |
| Inventory   | (2,576)                  |
| Accounts Payable & Accrued Expenses   | 31,029                   |
| Compensated Absences  | (6,248)                  |
| Customer Deposits   | 4,937                    |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                       | <b><u>\$ 442,182</u></b> |

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, 2011**

|                               | Fire<br>Department |
|-------------------------------|--------------------|
| <b>ASSETS</b>                 |                    |
| <b>Current Assets</b>         |                    |
| Cash                          | \$ 9,822           |
| <b>Total Current Assets</b>   | <u>9,822</u>       |
| <b>Total Assets</b>           | <u>9,822</u>       |
| <b>LIABILITIES</b>            |                    |
| Due to Fireman's Organization | 9,822              |
| <b>Total Net Assets</b>       | <u>\$ 9,822</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 of 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, 2011, 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>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|---|
| Land Improvements          | 15-40 years  | 15-40 years   |
| Building &<br>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** - The Governmental Accounting Standards Board (GASB) 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. Nonspendable, 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 classification 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 BATESBURG-LEESVILLE  
NOTES TO FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Fund Balances, Equity and Net Assets*** - (Continued)

Net assets represent the difference between assets and liabilities. Net assets 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 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.

***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.

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

**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, 2011. 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, 2011, the carrying amount of the Town's deposits was \$2,883,547 and the bank balance was \$2,897,262.

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   | 3,771          |
| Customer Water Deposits | 138,633        |
| Generator Depreciation  | 3,660          |
| 2003 Debt Reserve       | <u>267,218</u> |
| Total                   | 413,282        |

**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, 2011.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

|   | <b>Balance</b>             |                          |                            | <b>Balance</b>             |
|---|----------------------------|--------------------------|----------------------------|----------------------------|
| <b>Governmental activities:</b>             | <b>June 30, 2010</b>       | <b>Additions</b>         | <b>Deletions</b>           | <b>June 30, 2011</b>       |
| <b>Capital assets not being depreciated</b> |                            |                          |                            |                            |
| Land  | \$ 476,480                 | \$ -                     | \$ -                       | \$ 476,480                 |
| <b>Capital assets being depreciated</b>     |                            |                          |                            |                            |
| Streets & Sidewalks                         | 2,626,454                  | -                        | -                          | 2,626,454                  |
| Building & Improvements                     | 715,618                    | 18,097                   | -                          | 733,715                    |
| Machinery & Equipment                       | 3,136,783                  | 232,236                  | (89,524)                   | 3,279,495                  |
| Total being depreciated                     | <u>6,478,855</u>           | <u>250,333</u>           | <u>(89,524)</u>            | <u>6,639,664</u>           |
| Totals at historical cost                   | 6,955,335                  | 250,333                  | (89,524)                   | 7,116,144                  |
| <i>Less accumulated depreciation</i>        |                            |                          |                            |                            |
| Streets & Sidewalks                         | 1,859,473                  | 559                      | -                          | 1,860,032                  |
| Building & Improvements                     | 115,379                    | 18,957                   | -                          | 134,336                    |
| Machinery & Equipment                       | 2,030,382                  | 190,049                  | (57,713)                   | 2,162,718                  |
| Total accumulated depreciation              | <u>4,005,234</u>           | <u>209,565</u>           | <u>(57,713)</u>            | <u>4,157,086</u>           |
| <b>Governmental</b>                         |                            |                          |                            |                            |
| <b>Capital Assets, Net</b>                  | <b><u>\$ 2,950,101</u></b> | <b><u>\$ 459,898</u></b> | <b><u>\$ (147,237)</u></b> | <b><u>\$ 2,959,058</u></b> |

Depreciation expense for governmental activities was reflected in the Statement of Activities for the year ending June 30, 2011 as follows:

|                      |                   |
|----------------------|-------------------|
| Administrative       | \$ 19,938         |
| Police               | 79,731            |
| Fire                 | 77,951            |
| Streets & Sanitation | 31,944            |
| Total                | <u>\$ 209,564</u> |

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

**NOTE 3 - CAPITAL ASSETS (continued)**

|   | <b>Balance<br/>June 30, 2010</b> | <b>Additions</b>        | <b>Deletions</b>          | <b>Balance<br/>June 30, 2011</b> |
|---|----------------------------------|-------------------------|---------------------------|----------------------------------|
| <b>Business-type activities:</b>        |                                  |                         |                           |                                  |
| <b>Capital assets being depreciated</b> |                                  |                         |                           |                                  |
| Land                                    | \$ 237,055                       | \$ -                    | \$ -                      | \$ 237,055                       |
| Water/Wastewater System                 | 15,279,978                       | 38,118                  | -                         | 15,318,096                       |
| Machinery & Equipment                   | 751,093                          | 19,206                  | (14,680)                  | 755,619                          |
| Total being depreciated                 | <u>16,268,126</u>                | <u>57,324</u>           | <u>(14,680)</u>           | 16,310,770                       |
| Less accumulated depreciation           |                                  |                         | -                         | <u>(8,538,950)</u>               |
| <b>Business-type activities:</b>        |                                  |                         |                           |                                  |
| <b>Capital Assets, Net</b>              | <b><u>\$ 16,268,126</u></b>      | <b><u>\$ 57,324</u></b> | <b><u>\$ (14,680)</u></b> | <b><u>\$ 7,771,820</u></b>       |

**NOTE 4 - LONG-TERM DEBT**

The following is summary of changes in long-term debt for the year ended June 30, 2011

|                         | <b>Balance<br/>June 30, 2010</b> | <b>Additions</b>   | <b>Deletions</b>          | <b>Balance<br/>June 30, 2011</b> |
|-------------------------|----------------------------------|--------------------|---------------------------|----------------------------------|
| Capital Leases          | \$ 203,668                       | \$ -               | \$ (35,740)               | \$ 167,928                       |
| General Obligation Bond | 369,952                          | -                  | (46,854)                  | 323,098                          |
| Compensated Absences    | 86,448                           | -                  | (3,409)                   | 83,039                           |
| <b>Total</b>            | <b><u>\$ 660,068</u></b>         | <b><u>\$ -</u></b> | <b><u>\$ (86,003)</u></b> | <b><u>\$ 574,065</u></b>         |

**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, 2011.

| <b>Fiscal Year Ending June 30</b> |                        |
|-----------------------------------|------------------------|
| 2012                              | 42,842                 |
| 2013                              | 42,842                 |
| 2014                              | 42,842                 |
| 2015                              | 42,842                 |
| 2016                              | <u>10,711</u>          |
| <b>Minimum Lease Payments</b>     | <b>182,079</b>         |
| <b>Less: Interest</b>             | <b><u>(14,151)</u></b> |
| <b>Minimum Lease Payment</b>      | <b>167,928</b>         |

**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 interest of \$46,592, are as follows:

| Fiscal Year Ending June 30 | Principal  | Interest  | Total      |
|----------------------------|------------|-----------|------------|
| 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     |
|                            | \$ 323,098 | \$ 46,592 | \$ 369,690 |

**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, 2011 are as follows:

|             | Balance<br>June 30, 2010 | Additions | Deletions    | Balance<br>June 30, 2011 |
|-------------|--------------------------|-----------|--------------|--------------------------|
| 2003 Series | \$ 1,504,851             | \$ -      | \$ (480,936) | \$ 1,023,915             |

**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 \$44,959 are as follows:

| Fiscal Year Ending June 30 | Principal   | Interest  | Total       |
|----------------------------|-------------|-----------|-------------|
| 2012                       | 501,329     | 33,108    | 534,437     |
| 2013                       | 522,586     | 11,851    | 534,437     |
|                            | \$1,023,915 | \$ 44,959 | \$1,068,874 |

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 11.13% to the PORS. In addition, participating employers of the SCRS contribute .15% of payroll to provide group life insurance benefits for their participants.

|                          | <b>South Carolina<br/>Retirement System</b> |                                   | <b>South Carolina<br/>Police Officers<br/>Retirement System</b> |                                   |
|--------------------------|---|-----------------------------------|---|-----------------------------------|
|                          | <b>Amount</b>                               | <b>Percentage<br/>Contributed</b> | <b>Amount</b>   | <b>Percentage<br/>Contributed</b> |
| Year ended June 30, 2011 |   |                                   |   |                                   |
| Employer                 | 95,497                                      | 100%                              | 108,483   | 100%                              |
| Year ended June 30, 2010 |   |                                   |   |                                   |
| Employer                 | 94,694                                      | 100%                              | 91,968  | 100%                              |
| Year ended June 30, 2009 |   |                                   |   |                                   |
| Employer                 | 93,898                                      | 100%                              | 96,228  | 100%                              |

As of June 30, 2011, 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 November 9, 2011, 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, 2011**

|  | Budgeted Amounts |                     | Actual<br>Amounts   | Variance<br>with Final<br>Over /<br>(Under) |
|--|------------------|---------------------|---------------------|---|
|  | Original         | Final               |                     |   |
| <b>REVENUES</b>  |                  |                     |                     |   |
| Property Taxes, Including Penalties                      | \$ 1,579,363     | \$ 1,579,363        | \$ 1,417,070        | \$ (162,293)                                |
| Licenses, Permits and Fees                               | 1,432,224        | 1,432,224           | 1,388,894           | (43,330)                                    |
| State Shared Revenue                                     | 167,861          | 167,861             | 155,133             | (12,728)                                    |
| Fines and Forfeitures                                    | 138,000          | 138,000             | 94,047              | (43,953)                                    |
| Grants/Donations   | 1,500            | 1,500               | 163,114             | 161,614                                     |
| Management Fees  | 57,600           | 57,600              | 57,600              | -   |
| Interest   | 1,600            | 1,600               | 2,477               | 877   |
| Other  | 67,300           | 67,300              | 76,828              | 9,528                                       |
| <b>TOTAL REVENUES</b>                                    | <b>3,445,448</b> | <b>3,445,448</b>    | <b>3,355,162</b>    | <b>(90,286)</b>                             |
| <b>EXPENDITURES</b>                                      |                  |                     |                     |   |
| Current  |                  |                     |                     |   |
| General Government                                       | 551,249          | 551,249             | 481,576             | 69,673                                      |
| Police   | 1,651,200        | 1,651,200           | 1,732,172           | (80,972)                                    |
| Fire   | 323,732          | 323,732             | 288,386             | 35,346                                      |
| Street & Sanitation                                      | 665,852          | 665,852             | 621,675             | 44,177                                      |
| Debt Service   |                  |                     |                     |   |
| Principal  | 104,615          | 104,615             | 82,593              | 22,022                                      |
| Interest   | -                | -                   | 21,863              | (21,863)                                    |
| Capital Improvements                                     | 148,800          | 148,800             | 250,334             | (101,534)                                   |
| <b>Total Expenditures</b>                                | <b>3,445,448</b> | <b>3,445,448</b>    | <b>3,478,600</b>    | <b>(33,152)</b>                             |
| <b>Excess (deficiency) of Revenues Over Expenditures</b> | -                | -                   | <b>(123,438)</b>    | <b>(123,438)</b>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                  |                     |                     |   |
| Transfers In (Out)                                       | (5,000)          | (5,000)             | -                   | 5,000                                       |
| Sale of Assets   | 5,000            | 5,000               | 11,705              | 6,705                                       |
| <b>Total Other Financing Sources and Uses</b>            | -                | -                   | <b>11,705</b>       | <b>11,705</b>                               |
| <b>Net Change in Fund Balance</b>                        | -                | -                   | <b>(111,733)</b>    | <b>(111,733)</b>                            |
| <b>Fund Balances - Beginning</b>                         | -                | <b>2,097,461</b>    | <b>2,097,461</b>    | -   |
| <b>Fund Balances - Ending</b>                            | <b>\$ -</b>      | <b>\$ 2,097,461</b> | <b>\$ 1,985,729</b> | <b>\$ (111,733)</b>                         |

**TOWN OF BATESBURG-LEESVILLE  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with Final<br/>Over /<br/>(Under)</u> |
|--|-------------------------|------------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                           |   |
| <b>REVENUES</b>  |                         |                  |                           |   |
| Fines and Forfeitures  | 9,500                   | 9,500            | 7,051                     | (2,449)   |
| <b>TOTAL REVENUES</b>  | <b>9,500</b>            | <b>9,500</b>     | <b>7,051</b>              | <b>(2,449)</b>  |
| <b>EXPENDITURES</b>  |                         |                  |                           |   |
| Victim's Assistance  |                         |                  |                           |   |
| Personnel  | 9,015                   | 9,015            | 9,008                     | 7   |
| Other Operating Expenses   | 485                     | 485              | 267                       | 218   |
| Other Grants   | -                       | -                | 5,575                     | (5,575)   |
| <b>Total Expenditures</b>  | <b>9,500</b>            | <b>9,500</b>     | <b>14,850</b>             | <b>(5,350)</b>  |
| <b>Excess (deficiency) of Revenues Over<br/>    Expenditures</b> | <b>-</b>                | <b>-</b>         | <b>(7,799)</b>            | <b>(7,799)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                         |                  |                           |   |
| <b>Total Other Financing Sources and Uses</b>                    | <b>-</b>                | <b>-</b>         | <b>-</b>                  | <b>-</b>  |
| <b>Net Change in Fund Balance</b>                                | <b>-</b>                | <b>-</b>         | <b>(7,799)</b>            | <b>(7,799)</b>  |
| <b>Fund Balances - Beginning</b>                                 | <b>-</b>                | <b>10,089</b>    | <b>10,089</b>             | <b>-</b>  |
| <b>Fund Balances - Ending</b>                                    | <b>\$ -</b>             | <b>\$ 10,089</b> | <b>\$ 2,290</b>           | <b>\$ (7,799)</b>                                     |

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, 2011**

|  | Victim's<br>Assistance | Streetscapes    | Total           |
|--|------------------------|-----------------|-----------------|
| <b>REVENUES</b>  |                        |                 |                 |
| Fines and Forfeitures                                    | \$ 7,051               | \$ -            | \$ 7,051        |
| <b>Total Revenues</b>                                    | <b>7,051</b>           | <b>-</b>        | <b>7,051</b>    |
| <b>EXPENDITURES</b>                                      |                        |                 |                 |
| Victim's Assistance                                      | 9,275                  | -               | 9,275           |
| Oak Street   | -                      | 5,575           | 5,575           |
| <b>Total Expenditures</b>                                | <b>9,275</b>           | <b>5,575</b>    | <b>14,850</b>   |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(2,224)</b>         | <b>(5,575)</b>  | <b>(7,799)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                        |                 |                 |
| Transfers Out  | -                      | -               | -               |
| <b>Total Other Financing Sources and Uses</b>            | <b>-</b>               | <b>-</b>        | <b>-</b>        |
| <b>Net Change in Fund Balance</b>                        | <b>(2,224)</b>         | <b>(5,575)</b>  | <b>(7,799)</b>  |
| <b>Fund Balances - Beginning</b>                         | <b>2,570</b>           | <b>7,519</b>    | <b>10,089</b>   |
| <b>Fund Balances - Ending</b>                            | <b>\$ 346</b>          | <b>\$ 1,944</b> | <b>\$ 2,290</b> |

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

|                               | Balance<br>June 30, 2010 | Additions            | Deductions             | Balance<br>June 30, 2011 |
|-------------------------------|--------------------------|----------------------|------------------------|--------------------------|
| <b>ASSETS</b>                 |                          |                      |                        |                          |
| <b>Current Assets</b>         |                          |                      |                        |                          |
| Cash                          | \$ 23,694                | \$ 11,852            | \$ (25,724)            | \$ 9,822                 |
| Total Current Assets          | <u>23,694</u>            | <u>11,852</u>        | <u>(25,724)</u>        | <u>9,822</u>             |
| <br>                          |                          |                      |                        |                          |
| <b>Total Assets</b>           | <u><u>23,694</u></u>     | <u><u>11,852</u></u> | <u><u>(25,724)</u></u> | <u><u>9,822</u></u>      |
| <br>                          |                          |                      |                        |                          |
| <b>LIABILITIES</b>            |                          |                      |                        |                          |
| Due to Fireman's Organization | 23,694                   | 11,852               | (25,724)               | 9,822                    |
| Total Net Assets              | <u>\$ 23,694</u>         | <u>\$ 11,852</u>     | <u>\$ (25,724)</u>     | <u>\$ 9,822</u>          |

**TOWN OF BATESBURG-LEESVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN DUE TO FIREMAN'S ORGANIZATION  
FOR THE YEAR ENDED JUNE 30, 2011**

|  |           |                 |
|--|-----------|-----------------|
| <b>Receipts</b>  | <b>\$</b> | <b>11,835</b>   |
| <br>   |           |                 |
| <b>Disbursements</b>                                     |           |                 |
| Operating Expenses                                       |           | 25,724          |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> |           | <b>(13,889)</b> |
| <br>   |           |                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |           |                 |
| Interest Income  |           | 17              |
| <br>   |           |                 |
| <b>Net Change in Fund Balance</b>                        |           | <b>(13,872)</b> |
| <b>Fund Balances - Beginning</b>                         |           | <b>23,694</b>   |
| <b>Fund Balances - Ending</b>                            | <b>\$</b> | <b>9,822</b>    |

**TOWN OF BATESBURG-LEESVILLE  
SCHEDULE OF FINES AND ASSESSMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

|   |        |
|---|--------|
| <b>Total Fines and Assessments</b>            | 94,047 |
| <b>Remitted to State</b>                      | 53,272 |
| <b>Victims Assistance Fund</b>                | 7,051  |
| <b>Fines and Assessments Retained by Town</b> | 33,723 |



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, 2011, which collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements and have issued our report thereon dated October 28, 2011. 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 November 10, 2011.

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*  
Dooley and Company, LLC

Columbia, South Carolina  
October 28, 2011