

**TOWN OF BATESBURG-LEESVILLE,
SOUTH CAROLINA
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

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

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, 2012, 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, 2012, 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 November 6, 2012, 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
November 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. The intent of this discussion and analysis is to look at the Town's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Town's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this Town's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the Town's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$127,235, which represents 1% increase from fiscal year 2011.
- General revenues account for \$2,998,176 in revenue, or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,179,546 or 51% of total revenues.
- The Town had \$3,485,555 in expenses; only \$491,835 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$2,966,942 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$3,325,607 in revenues and \$3,723,720 in expenditures. The General Fund's fund balance decreased \$395,067 from \$1,985,729 to \$1,590,662.
- Long-term debt declined by \$855,369 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 \$12,300,158 as of June 30, 2012.

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, 2011 and 2012.

Governmental Activities	2011	2012
Current and other assets	\$2,110,593	\$1,744,834
Capital assets	<u>2,959,060</u>	<u>2,967,644</u>
Total assets	<u>5,069,653</u>	<u>4,712,478</u>
Long-term debt outstanding	574,066	220,025
Other liabilities	<u>122,575</u>	<u>146,217</u>
Total liabilities	696,640	366,242
Net assets		
Invested in capital assets, Net of related debt	2,468,034	2,836,834
Restricted	54,478	54,488
Unrestricted	<u>1,850,502</u>	<u>1,454,913</u>
Total net assets	<u>4,373,013</u>	<u>4,346,235</u>
Total liabilities and net assets	<u>\$5,069,653</u>	<u>\$4,712,478</u>
Business-type Activities	2010	2012
Current and other assets	\$1,321,151	\$1,218,468
Capital assets	<u>7,780,795</u>	<u>7,544,388</u>
Total assets	<u>9,101,946</u>	<u>8,762,856</u>
Long-term debt outstanding	1,201,432	701,174
Other liabilities	<u>100,605</u>	<u>98,759</u>
Total liabilities	1,302,037	808,934
Net assets		
Invested in capital assets, Net of related debt	6,743,786	7,017,684
Restricted	413,282	420,450
Unrestricted	<u>642,842</u>	<u>515,788</u>
Total net assets	<u>7,799,910</u>	<u>7,953,923</u>
Total liabilities and net assets	<u>\$9,101,947</u>	<u>\$8,762,856</u>

Changes in net assets. The Town's total revenues for the fiscal year ended June 30, 2012 were \$6,177,722. The total cost of all programs and services was \$6,050,488. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and 2012.

Governmental Activities	2011	2012
Revenues		
Program revenues		
Charges for sales and services	\$324,501	\$334,264
Operating grants and contributions		
Capital grants and contributions	163,114	157,571
General revenues		
Property taxes	1,417,070	1,627,123
State Shared Revenue	155,133	138,733
Licenses, Permits and Fees	1,165,491	1,133,167
Other	<u>116,799</u>	<u>67,919</u>
Total revenues	3,342,108	3,458,777
Expenses		
General Government	514,868	565,600
Police	1,813,278	1,797,353
Fire	371,792	436,889
Streets and Sanitation	635,601	657,875
Victim's Assistance	9,275	9,222
Interest on Long Term Debt	<u>21,863</u>	<u>18,616</u>
Total Expenses	<u>3,366,678</u>	<u>3,485,555</u>
Increase (decrease) in net asset	(24,571)	(26,788)
Business-type Activities		
Revenues		
Program revenues		
Charges for sales and services	\$2,574,560	\$2,687,712
General revenues		
Other	<u>19,615</u>	<u>31,234</u>
Total revenues	2,594,175	2,718,946
Expenses		
Water & Wastewater	<u>2,674,133</u>	<u>2,564,933</u>
Total Expenses	<u>2,674,133</u>	<u>2,564,933</u>
Increase (decrease) in net asset	(79,958)	154,013

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

	Total <u>Expenses</u>	Net(Expense) <u>Revenue</u>
General Government	\$ 565,600	\$ (440,210)
Police	1,797,353	(1,662,591)
Fire	436,889	(436,889)
Streets and Sanitation	657,875	(434,187)
Victim's Assistance	9,222	(1,228)
Interest on long-term liabilities	18,616	(18,616)
Total expenses	<u>\$ 3,485,555</u>	<u>\$(2,993,720)</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 \$1,598,616, a decrease of \$389,402.

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 \$395,067.

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:

- A bond was paid off early during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the Town's total capital assets were \$10,512,032, 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, 2012 was \$13,232,892 and total depreciation expense for the year was \$589,242.

Debt Administration. At June 30, 2012, the Town had \$930,200 in long-term debt outstanding, of which \$565,254 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 slightly from the previous year; decrease 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 overall decrease in revenue was \$74,538.00. 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 were able to sustain the reserve account. All funds experienced an increase in health insurance and state retirements contributions.

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, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,560,686	\$ 323,856	\$ 1,884,542
Receivables, Net of Allowances for Uncollectable			
Taxes Receivable	46,939	-	46,939
State Receivables	33,627	-	33,627
Other Receivables	49,093	336,785	385,879
Restricted Cash	54,488	420,450	474,939
Inventory	-	133,084	133,084
Total Current Assets	1,744,834	1,214,175	2,959,009
Noncurrent Assets			
Capital Assets			
Land	3,173,327	237,055	3,410,382
Buildings	737,961	3,423,309	4,161,269
Machinery & Equipment	3,395,450	817,705	4,213,155
Water & Wastewater System With Improvements	-	11,960,119	11,960,119
Accumulated Depreciation	(4,339,093)	(8,893,799)	(13,232,892)
Total Capital Assets, Net of Depreciation	2,967,644	7,544,388	10,512,032
Bond Issuance Cost, Net	-	4,293	4,293
Total Noncurrent Assets	2,967,644	7,548,681	10,516,325
Total Assets	4,712,478	8,762,856	13,475,334
LIABILITIES			
Current Liabilities			
Accounts Payable & Other Accrued Expenses	139,860	76,917	216,778
Due to Other Governmental Units	6,181	-	6,181
Internal Balances	176	(176)	-
Deferred Revenue	-	23,188	23,188
Deferred Loss on Early Retirement of Debt	-	(1,170)	(1,170)
Total Current Liabilities	146,217	98,759	244,976
Noncurrent Liabilities			
Due Within One Year:			
Interest Payable	-	4,118	4,118
Capital Leases	38,550	-	38,550
Bonds Payable	-	522,586	522,586
Due In More Than One Year:			
Customer Deposits	-	143,815	143,815
Compensated Absences	89,215	39,655	128,870
Capital Leases	92,260	-	92,260
Bonds Payable	-	-	-
Total Noncurrent Liabilities	220,025	710,174	930,200
Total Liabilities	366,242	808,934	1,175,176
NET ASSETS			
Investment in General Fixed Assets	2,836,834	7,017,684	9,854,518
Restricted Assets	54,488	420,450	474,939
Unrestricted	1,454,913	515,788	1,970,701
Total Net Assets	\$ 4,346,235	\$ 7,953,923	\$ 12,300,158

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, 2012**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 565,600	\$ -	\$ -	\$ 125,391	\$ (440,210)	\$ -	\$ (440,210)
Police	1,797,353	102,582	-	32,181	(1,662,591)	-	(1,662,591)
Fire	436,889	-	-	-	(436,889)	-	(436,889)
Sanitation & Streets	657,875	223,688	-	-	(434,187)	-	(434,187)
Victim's Assistance	9,222	7,994	-	-	(1,228)	-	(1,228)
Interest on Long-Term Debt	18,616	-	-	-	(18,616)	-	(18,616)
Total Governmental Activities	\$ 3,485,555	\$ 334,264	\$ -	\$ 157,571	(2,993,720)	-	(2,993,720)
Business-type Activities:							
Water & Wastewater	2,564,933	2,687,712	-	-	-	122,779	122,779
Total Primary Government	\$ 2,564,933	\$ 2,687,712	\$ -	\$ -	-	122,779	122,779
Total Primary Government	\$ 6,050,488	\$ 3,021,975	\$ -	\$ 157,571	(2,993,720)	122,779	(2,870,941)
General Revenues:							
Property Taxes Levied For:							
General Purpose					1,627,123	-	1,627,123
State Shared Revenue					138,733	-	138,733
Licenses, Permits and Fees					1,133,167	-	1,133,167
Unrestricted Interest Earnings					599	938	1,536
Miscellaneous					9,720	87,896	97,616
Transfers					57,600	(57,600)	-
Total General Revenues, Special Items, and Transfers					2,966,942	31,234	2,998,176
Change in Net Assets					(26,778)	154,013	127,235
Net Assets - Beginning					4,373,014	7,799,910	12,172,923
Net Assets - Ending					\$ 4,346,235	\$ 7,953,923	\$ 12,300,158

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

TOWN OF BATESBURG-LEESVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	Primary Government		
	General Fund	Special Revenue Fund	Total
ASSETS			
Current Assets			
Cash on Deposit	\$ 1,560,573	\$ 113	\$ 1,560,686
Receivables, Net of Allowances for Uncollectible			
Taxes Receivable	46,939	-	46,939
State Receivables	33,627	-	33,627
Other Receivables	49,093	-	49,093
Restricted Cash	54,488	-	54,488
Due from other Funds	1,424	9,592	11,016
Total Current Assets	1,746,145	9,705	1,755,850
Total Assets	1,746,145	9,705	1,755,850
LIABILITIES			
Current Liabilities			
Accounts Payable	52,406	229	52,635
Salary and Benefits Payable	81,640	98	81,738
Due to General Fund	-	1,424	1,424
Due to Proprietary Fund	176	-	176
Due to Special Revenue Fund	9,592	-	9,592
Due to Other Governmental Units	6,181	-	6,181
Court Bonds Outstanding	5,488	-	5,488
Total Current Liabilities	155,483	1,750	157,233
Total Liabilities	155,483	1,750	157,233
FUND BALANCES			
Restricted	55,435	7,955	63,390
Unassigned	1,535,227	-	1,535,227
Total Fund Balance	1,590,662	7,955	1,598,616
Total Liabilities & Fund Balances	\$ 1,746,145	\$ 9,705	\$ 1,755,850

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. 2,967,644

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (220,025)

Net assets of governmental activities **\$ 4,346,235**

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, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Taxes	\$ 1,627,123	\$ -	\$ 1,627,123
Business Licenses, Franchise Fees, Permits	1,356,855	-	1,356,855
Fines and Forfeitures	102,582	-	102,582
State Shared Revenue	138,733	-	138,733
Management Fees	57,600	-	57,600
Grants and Donations	32,181	133,385	165,565
Interest Earnings	599	-	599
Other Revenue	9,935	-	9,935
Total Revenues	3,325,607	133,385	3,458,992
EXPENDITURES			
Current			
General Government	495,598	-	495,598
Police	1,706,130	-	1,706,130
Fire	365,891	-	365,891
Sanitation & Streets	627,890	-	627,890
Victim's Assistance	-	9,222	9,222
Grants	-	118,497	118,497
Debt Service			
Principal	360,216	-	360,216
Interest	18,616	-	18,616
Capital Improvements	149,378	-	149,378
Total Expenditures	3,723,720	127,720	3,851,439
Excess (Deficiency) of Revenues Over Expenditures	(398,112)	5,665	(392,447)
OTHER FINANCING SOURCES (USES)			
Sale of Assets	3,045	-	3,045
Transfers Out	-	-	-
Total Other Financing Sources and Uses	3,045	-	3,045
Net Change in Fund Balance	(395,067)	5,665	(389,402)
Fund Balances - Beginning	1,985,729	2,290	1,988,018
Fund Balances - Ending	\$ 1,590,662	\$ 7,955	\$ 1,598,616

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, 2012**

Total net changes in fund balance - governmental funds (389,402)

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	-	219,770
Depreciation Expense		(207,926)

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. 360,216

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. (6,176)

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. (3,260)

Change in net assets of governmental activities \$ (26,778)

TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 323,856
Receivables, Net of Allowance for Uncollectable	336,785
Restricted Cash	420,450
Inventory	133,084
Due from other Funds	<u>176</u>
Total Current Assets	1,214,351

Noncurrent Assets

Capital Assets

Land	237,055
Buildings	3,423,309
Machinery & Equipment	817,705
Water & Wastewater System With Improvements	11,960,119
Accumulated Depreciation	<u>(8,893,799)</u>
Total Capital Assets, Net of Depreciation	7,544,388

Bond Issuance Cost, net	<u>4,293</u>
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Total Noncurrent Assets	<u>7,548,681</u>
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Total Assets	<u><u>8,763,032</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable and Other Current Liabilities	76,917
Interest Payable	4,118
Deferred Revenue	23,188
Deferred Loss on Early Retirement of Debt	<u>(1,170)</u>
Total Current Liabilities	103,053

Noncurrent Liabilities

Due Within One Year	
Bonds Payable	522,586
Due in More Than One Year	
Customer Deposits	143,815
Compensated Absences	39,655
Bonds Payable	<u>-</u>
Total Noncurrent Liabilities	<u>706,056</u>

Total Liabilities	809,109
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NET ASSETS

Investment in General Fixed Assets	7,017,684
Restricted Assets	420,450
Unrestricted	<u>515,788</u>
Total Net Assets	<u>\$ 7,953,923</u>

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

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating Revenues	
Charges for Services	\$ 2,664,288
Service Charges, Penalties and Miscellaneous	84,141
Impact Fees	7,876
Water and Sewer Connections	15,548
Total Operating Revenues	<u>2,771,852</u>
Operating Expenses	
Personnel Services	735,770
Materials and Supplies	300,910
Contractual Services	313,670
Utilities	274,299
Repairs and Maintenance	389,930
Depreciation and Amortization	381,316
Management Fee	57,600
Other Operating Expenses	135,930
Total Operating Expenses	<u>2,589,426</u>
Operating Income (Loss)	182,427
Non-Operating Revenues (Expenses)	
Interest Earnings	938
Interest Expense	(33,107)
Gain on Sale of Property	3,756
Total Non-Operating Revenues (Expenses)	<u>(28,414)</u>
Change in Net Assets	<u>154,013</u>
Net Assets - Beginning	<u>7,799,910</u>
Net Assets - Ending	<u>\$ 7,953,923</u>

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

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 2,759,652
Payments to Suppliers for Goods & Services	(1,472,886)
Payments to Employees for Services	(730,880)
Net Cash Provided (Used) by Operating Activities	<u>555,886</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Sale of Capital Assets	3,756
Interest Paid on Long-Term Debt	(33,107)
Principal Paid on Long-Term Debt	(501,329)
Loss on Disposal of Capital Assets	2,619
Purchases of Capital Assets	(150,545)
Net Cash (Used) by Capital and Related Financing Activities	<u>(678,606)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividends	938
Net Cash Provided by Investing Activities	<u>938</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(121,783)
Cash and Cash Equivalents - Beginning of Year	<u>866,089</u>
Cash and Cash Equivalents - End of Year	<u>\$ 744,306</u>

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

Operating Income (Loss)	\$ 182,427
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	381,316
Change in Assets and Liabilities	
Receivables, net	(17,383)
Inventory	2,576
Accounts Payable & Accrued Expenses	(3,122)
Compensated Absences	4,890
Customer Deposits	5,182
Net Cash Provided (Used) by Operating Activities	<u>\$ 555,886</u>

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

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2012**

	<u>Fire Department</u>
ASSETS	
Current Assets	
Cash	\$ 17,324
Total Current Assets	<u>17,324</u>
Total Assets	<u>17,324</u>
LIABILITIES	
Due to Fireman's Organization	17,324
Total Net Assets	<u>\$ 17,324</u>

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

TOWN OF BATESBURG-LEESVILLE NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

B. Basis of Presentation

The statements of the Town are presented as follows:

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

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

TOWN OF BATESBURG-LEESVILLE

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) where the governing body has decided that periodical determination or revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Department of Public Works is the Town's only enterprise fund.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

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

Basis of Accounting

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2012, 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 Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	15-40 years	15-40 years
Building & Improvements	15-40 years	15-40 years
Furniture & Equipment	5-10 years	5-10 years
Vehicles	10 years	10 years

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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

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

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

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

Fund Balances, Equity and Net Assets - 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, 2012. 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, 2012, the carrying amount of the Town's deposits was \$2,376,805 and the bank balance was \$2,412,829.

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	6,771
Customer Water Deposits	143,815
Generator Depreciation	2,646
2003 Debt Reserve	<u>267,218</u>
Total	420,450

**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, 2012.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance			Balance
Governmental activities:	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated				
Land	\$ 476,480	\$ -	\$ -	\$ 476,480
Capital assets being depreciated				
Streets & Sidewalks	2,626,454	70,393	-	2,696,847
Building & Improvements	733,715	4,246	-	737,961
Machinery & Equipment	3,279,495	145,132	(29,178)	3,395,449
Total being depreciated	<u>6,639,664</u>	<u>219,771</u>	<u>(29,178)</u>	<u>6,830,257</u>
Totals at historical cost	7,116,144	149,378	(29,178)	7,306,737
<i>Less accumulated depreciation</i>				
Streets & Sidewalks	1,860,032	1,585	-	1,861,617
Building & Improvements	134,336	19,405	-	153,741
Machinery & Equipment	2,162,718	186,936	(25,919)	2,323,735
Total accumulated depreciation	<u>4,157,086</u>	<u>207,926</u>	<u>(25,919)</u>	<u>4,339,093</u>
Governmental				
Capital Assets, Net	<u>\$ 2,959,058</u>	<u>\$ 357,304</u>	<u>\$ (55,097)</u>	<u>\$ 2,967,644</u>

Depreciation expense for governmental activities was reflected in the Statement of Activities for the year ending June 30, 2012 as follows:

Administrative	\$ 20,713
Police	87,566
Fire	69,416
Streets & Sanitation	30,232
Total	<u>\$ 207,926</u>

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

NOTE 3 - CAPITAL ASSETS (continued)

	Balance			Balance
Business-type activities:	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets being depreciated				
Land	\$ 237,055	\$ -	\$ -	\$ 237,055
Water/Wastewater System	15,318,096	55,482	-	15,373,578
Machinery & Equipment	755,619	95,063	(23,128)	827,554
Total being depreciated	<u>16,310,770</u>	<u>150,545</u>	<u>(23,128)</u>	<u>16,438,187</u>
Less accumulated depreciation				<u>(8,893,799)</u>
Business-type activities:				
Capital Assets, Net	<u>\$ 16,310,770</u>	<u>\$ 150,545</u>	<u>\$ (23,128)</u>	<u>\$ 7,544,388</u>

NOTE 4 - LONG-TERM DEBT

The following is summary of changes in long-term debt for the year ended June 30, 2012

	Balance			Balance
	June 30, 2011	Additions	Deletions	June 30, 2012
Capital Leases	\$ 167,928	\$ -	\$ (37,118)	\$ 130,810
General Obligation Bond	323,098	-	(323,098)	-
Compensated Absences	83,039	6,176	-	89,215
Total	<u>\$ 574,065</u>	<u>\$ 6,176</u>	<u>\$ (360,216)</u>	<u>\$ 220,025</u>

Capital Leases:

The Town is obligated under one non-cancellable lease accounted for as a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net value of the minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30

2013	42,842
2014	42,842
2015	42,842
2016	<u>10,711</u>
Minimum Lease Payments	139,237
Less: Interest	<u>(8,427)</u>
Minimum Lease Payment	130,810

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

NOTE 4 - LONG-TERM DEBT (Continued)

General Obligation Bond

The Town was obligated under a general obligation bond. The Town used the proceeds to purchase a new fire department. This was a 10 year fixed rate (3.99%) bond due 12 months from from the issuance. This loan required annual payments of \$61,614.79. This loan was paid off during the year ending June 30, 2012.

NOTE 5 - LONG-TERM DEBT - ENTERPRISE FUND

Revenue Bonds - The Town issued bonds where the Town pledges income dereived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2012 are as follows:

	Balance			Balance
	June 30, 2011	Additions	Deletions	June 30, 2012
2003 Series	\$ 1,023,915	\$ -	\$ (501,329)	\$ 522,586

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
2013	<u>522,586</u>	<u>11,851</u>	<u>534,437</u>
	\$ 522,586	\$ 11,851	\$ 534,437

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 9.385% to SCRS and 11.363% to the PORS. In addition, participating employers of the SCRS contribute .15% of payroll to provide group life insurance benefits for their participants.

	South Carolina Retirement System		South Carolina Police Officers Retirement System	
	Amount	Percentage Contributed	Amount	Percentage Contributed
Year ended June 30, 2012				
Employer	94,549	100%	112,849	100%
Year ended June 30, 2011				
Employer	95,497	100%	108,483	100%
Year ended June 30, 2010				
Employer	94,694	100%	91,968	100%

As of June 30, 2012, 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 the date of the auditors' report, 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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Property Taxes, Including Penalties	\$ 1,649,513	\$ 1,649,513	\$ 1,627,123	\$ (22,390)
Licenses, Permits and Fees	1,420,624	1,420,624	1,356,855	(63,769)
State Shared Revenue	139,616	139,616	138,733	(883)
Fines and Forfeitures	133,000	133,000	102,582	(30,418)
Grants/Donations	10,000	10,000	32,181	22,181
Management Fees	57,600	57,600	57,600	-
Interest	1,950	1,950	599	(1,351)
Other	19,800	19,800	9,935	(9,865)
TOTAL REVENUES	3,432,103	3,432,103	3,325,607	(106,496)
EXPENDITURES				
Current				
General Government	551,294	551,294	495,598	55,696
Police	1,626,732	1,626,732	1,706,130	(79,398)
Fire	327,392	327,392	365,891	(38,499)
Street & Sanitation	669,270	669,270	627,890	41,380
Debt Service				
Principal	104,615	104,615	360,216	(255,601)
Interest	-	-	18,616	(18,616)
Capital Improvements	159,800	159,800	149,378	10,422
Total Expenditures	3,439,103	3,439,103	3,723,720	(284,617)
Excess (deficiency) of Revenues Over Expenditures	(7,000)	(7,000)	(398,112)	(391,112)
OTHER FINANCING SOURCES (USES)				
Sale of Assets	7,000	7,000	3,045	(3,955)
Total Other Financing Sources and Uses	7,000	7,000	3,045	(3,955)
Net Change in Fund Balance	-	-	(395,067)	(395,067)
Fund Balances - Beginning	-	1,985,729	1,985,729	-
Fund Balances - Ending	\$ -	\$ 1,985,729	\$ 1,590,662	\$ (395,067)

**TOWN OF BATESBURG-LEESVILLE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	9,500	9,500	7,994	(1,506)
Other Grants/Donations	-	-	125,391	125,391
TOTAL REVENUES	9,500	9,500	133,385	123,885
EXPENDITURES				
Victim's Assistance				
Personnel	9,251	9,251	9,262	(11)
Other Operating Expenses	249	249	(40)	289
Other Grants	-	-	118,497	(118,497)
Total Expenditures	9,500	9,500	127,720	(118,220)
Excess (deficiency) of Revenues Over Expenditures	-	-	5,665	5,665
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balance	-	-	5,665	5,665
Fund Balances - Beginning	-	2,290	2,290	-
Fund Balances - Ending	\$ -	\$ 2,290	\$ 7,955	\$ 5,665

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, 2012**

	Victim's Assistance	Streetscapes	Total
REVENUES			
Fines and Forfeitures	\$ 7,994	\$ -	\$ 7,994
Oak Street Project	-	125,391	125,391
Total Revenues	7,994	125,391	133,385
EXPENDITURES			
Victim's Assistance	9,222	-	9,222
Oak Street	-	118,497	118,497
Total Expenditures	9,222	118,497	127,720
Excess (Deficiency) of Revenues Over Expenditures	(1,228)	6,893	5,665
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	-
Total Other Financing Sources and Uses	-	-	-
Net Change in Fund Balance	(1,228)	6,893	5,665
Fund Balances - Beginning	346	1,944	2,290
Fund Balances - Ending	<u>\$ (882)</u>	<u>\$ 8,837</u>	<u>\$ 7,955</u>

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

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Current Assets				
Cash	\$ 9,822	\$ 14,956	\$ (7,453)	\$ 17,324
Total Current Assets	<u>9,822</u>	<u>14,956</u>	<u>(7,453)</u>	<u>17,324</u>
Total Assets	<u>9,822</u>	<u>14,956</u>	<u>(7,453)</u>	<u>17,324</u>
LIABILITIES				
Due to Fireman's Organization	<u>9,822</u>	<u>14,956</u>	<u>(7,453)</u>	<u>17,324</u>
Total Net Assets	<u>\$ 9,822</u>	<u>\$ 14,956</u>	<u>\$ (7,453)</u>	<u>\$ 17,324</u>

**TOWN OF BATESBURG-LEESVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN DUE TO FIREMAN'S ORGANIZATION
 FOR THE YEAR ENDED JUNE 30, 2012**

Receipts		\$ 14,954
Disbursements		
Operating Expenses		7,453
Excess (Deficiency) of Revenues Over Expenditures		<u>7,500</u>
OTHER FINANCING SOURCES (USES)		
Interest Income		<u>2</u>
Net Change in Fund Balance		7,502
Fund Balances - Beginning		<u>9,822</u>
Fund Balances - Ending		<u><u>\$ 17,324</u></u>

**TOWN OF BATESBURG-LEESVILLE
SCHEDULE OF FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Total Fines and Assessments	102,582
Remitted to State	61,655
Victims Assistance Fund	7,994
Fines and Assessments Retained by Town	32,933



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, 2012, which collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements and have issued our report thereon dated November 6, 2012. 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 6, 2012.

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
November 6, 2012