

**TOWN OF BATESBURG-LEESVILLE,  
SOUTH CAROLINA  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013**

**TOWN OF BATESBURG-LEESVILLE  
FINANCIAL STATEMENTS & SUPPLEMENTAL INFORMATION  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Batesburg-Leesville, South Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Town of Batesburg-Leesville, South Carolina’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Batesburg-Leesville, South Carolina’s internal control over financial reporting and compliance.

Dooley and Company, LLC



Lexington, South Carolina

December 13, 2013

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

The discussion and analysis of the Town of Batesburg-Leesville, South Carolina's financial performance provides an overall narrative review of the Town's financial activities for the year ended June 30, 2013. 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 position increased \$395,661, which represents 3% increase from fiscal year 2012.
- General revenues account for \$3,033,920 in revenue, or 48% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,225,058 or 52% of total revenues.
- The Town had \$3,486,701 in expenses; only \$528,706 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,011,541 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,392,944 in revenues and \$3,393,317 in expenditures. The General Fund's fund balance increased \$2,192 from \$1,590,662 to \$1,592,853.
- Long-term debt declined by \$569,334 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 Position and Statement of Activities) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

The statement of net position presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Town that are principally supported by 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 position.** Net position may serve over time as a useful indicator of government's financial position. In the case of the Town, assets exceeded liabilities by \$12,695,819 as of June 30, 2013.

By far the largest portion of the Town net position 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 position for the fiscal years ended June 30, 2013 and 2012.

<b>Governmental Activities</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$1,766,439	\$1,744,834
Capital assets	<u>2,937,459</u>	<u>2,967,644</u>
Total assets	<u>4,703,898</u>	<u>4,712,478</u>
Long-term debt outstanding	173,277	220,025
Other liabilities	<u>130,840</u>	<u>146,217</u>
Total liabilities	304,117	366,242
Net position		
Invested in capital assets,		
Net of related debt	2,845,199	2,836,834
Restricted	54,499	54,488
Unrestricted	<u>1,500,083</u>	<u>1,454,913</u>
Total net position	<u>4,399,781</u>	<u>4,346,235</u>
Total liabilities and net position	<u>\$4,703,898</u>	<u>\$4,712,478</u>
<b>Business-type Activities</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$1,133,921	\$1,218,468
Capital assets	<u>7,471,245</u>	<u>7,544,388</u>
Total assets	<u>8,605,166</u>	<u>8,762,856</u>
Long-term debt outstanding	188,834	701,174
Other liabilities	<u>120,294</u>	<u>98,759</u>
Total liabilities	309,128	808,934
Net position		
Invested in capital assets,		
Net of related debt	7,278,279	7,017,684
Restricted	354,056	420,450
Unrestricted	<u>663,703</u>	<u>515,788</u>
Total net position	<u>8,296,038</u>	<u>7,953,923</u>
Total liabilities and net position	<u>\$8,605,166</u>	<u>\$8,762,856</u>

**Changes in net position.** The Town's total revenues for the fiscal year ended June 30, 2013 were \$6,258,977. The total cost of all programs and services was \$5,863,316. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2013 and 2012.

<b>Governmental Activities</b>	<b>2013</b>	<b>2012</b>
Revenues		
Program revenues		
Charges for sales and services	\$381,828	\$334,264
Operating grants and contributions	79,692	
Capital grants and contributions	67,186	157,571
General revenues		
Property taxes	1,575,929	1,627,123
State Shared Revenue	131,571	138,733
Licenses, Permits and Fees	1,232,762	1,133,167
Other	<u>71,280</u>	<u>67,919</u>
Total revenues	3,540,247	3,458,777
Expenses		
General Government	546,019	565,600
Police	1,783,498	1,797,353
Fire	475,828	436,889
Streets and Sanitation	668,076	657,875
Victim's Assistance	8,987	9,222
Interest on Long Term Debt	<u>4,293</u>	<u>18,616</u>
Total Expenses	<u>3,486,701</u>	<u>3,485,555</u>
Increase (decrease) in net position	53,546	(26,788)
<b>Business-type Activities</b>		
Revenues		
Program revenues		
Charges for sales and services	\$2,696,351	\$2,687,712
General revenues		
Other	<u>22,379</u>	<u>31,234</u>
Total revenues	2,718,730	2,718,946
Expenses		
Water & Wastewater	<u>2,376,615</u>	<u>2,564,933</u>
Total Expenses	<u>2,376,615</u>	<u>2,564,933</u>
Increase (decrease) in net position	342,116	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.

	<u>Total</u> <u>Expenses</u>	<u>Net(Expense)</u> <u>Revenue</u>
General Government	\$ 546,019	\$ (483,809)
Police	1,783,498	(1,555,696)
Fire	475,828	(475,828)
Streets and Sanitation	668,076	(439,416)
Victim’s Assistance	8,987	1,047
Interest on long-term liabilities	<u>4,293</u>	<u>(4,293)</u>
Total expenses	<u>\$ 3,486,701</u>	<u>\$(2,957,995)</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 \$1,635,599, an increase of \$36,982.

The General Fund is the principal operating fund of the Town. The increase in fund balance in the General Fund for the fiscal year was \$2,192.

## **BUDGETARY HIGHLIGHTS**

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

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the Town's total capital assets were \$10,408,704, 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, 2013 was \$13,785,058 and total depreciation expense for the year was \$587,674.

**Debt Administration.** At June 30, 2013, the Town had \$362,110 long-term debt outstanding, of which \$40,136 is due within one year.

## **CURRENT ISSUES**

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

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact:

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

**TOWN OF BATESBURG-LEESVILLE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,607,113	\$ 201,826	\$ 1,808,940
Receivables, Net of Allowances for Uncollectable			
Taxes Receivable	34,197	-	34,197
State Receivables	33,334	-	33,334
Other Receivables	37,296	436,147	473,443
Restricted Cash	54,499	354,056	408,556
Inventory	-	141,891	141,891
<b>Total Current Assets</b>	<b>1,766,439</b>	<b>1,133,921</b>	<b>2,900,360</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	3,226,901	237,055	3,463,956
Construction In Progress	-	192,966	192,966
Buildings	804,651	3,423,309	4,227,960
Machinery & Equipment	3,425,422	845,867	4,271,289
Water & Wastewater System With Improvements	-	12,037,590	12,037,590
Accumulated Depreciation	(4,519,516)	(9,265,542)	(13,785,058)
<b>Total Capital Assets, Net of Depreciation</b>	<b>2,937,459</b>	<b>7,471,245</b>	<b>10,408,704</b>
<b>Total Noncurrent Assets</b>	<b>2,937,459</b>	<b>7,471,245</b>	<b>10,408,704</b>
<b>Total Assets</b>	<b>4,703,898</b>	<b>8,605,166</b>	<b>13,309,063</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable & Other Accrued Expenses	126,132	97,282	223,414
Due to Other Governmental Units	4,533	-	4,533
Internal Balances	176	(176)	-
Deferred Revenue	-	23,188	23,188
<b>Total Current Liabilities</b>	<b>130,840</b>	<b>120,294</b>	<b>251,134</b>
<b>Noncurrent Liabilities</b>			
Due Within One Year:			
Capital Leases	40,136	-	40,136
Due In More Than One Year:			
Customer Deposits	-	146,979	146,979
Compensated Absences	81,017	41,855	122,871
Capital Leases	52,124	-	52,124
<b>Total Noncurrent Liabilities</b>	<b>173,277</b>	<b>188,834</b>	<b>362,110</b>
<b>Total Liabilities</b>	<b>304,117</b>	<b>309,128</b>	<b>613,245</b>
<b>NET POSITION</b>			
Investment in General Fixed Assets	2,845,199	7,278,279	10,123,477
Restricted Assets	54,499	354,056	408,556
Unrestricted	1,500,083	663,703	2,163,786
<b>Total Net Position</b>	<b>\$ 4,399,781</b>	<b>\$ 8,296,038</b>	<b>\$ 12,695,819</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, 2013**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 546,019	\$ -	\$ -	\$ 62,210	\$ (483,809)	\$ -	\$ (483,809)
Police	1,783,498	143,135	79,692	4,975	(1,555,696)	-	(1,555,696)
Fire	475,828	-	-	-	(475,828)	-	(475,828)
Sanitation & Streets	668,076	228,660	-	-	(439,416)	-	(439,416)
Victim's Assistance	8,987	10,034	-	-	1,047	-	1,047
Interest on Long-Term Debt	4,293	-	-	-	(4,293)	-	(4,293)
<b>Total Governmental Activities</b>	<b>\$ 3,486,701</b>	<b>\$ 381,828</b>	<b>\$ 79,692</b>	<b>\$ 67,186</b>	<b>(2,957,995)</b>	<b>-</b>	<b>(2,957,995)</b>
<b>Business-type Activities:</b>							
Water & Wastewater	2,376,615	2,696,351	-	-	-	319,736	319,736
<b>Total Primary Government</b>	<b>\$ 2,376,615</b>	<b>\$ 2,696,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>319,736</b>	<b>319,736</b>
<b>Total Primary Government</b>	<b>\$ 5,863,316</b>	<b>\$ 3,078,180</b>	<b>\$ 79,692</b>	<b>\$ 67,186</b>	<b>(2,957,995)</b>	<b>319,736</b>	<b>(2,638,259)</b>
<b>General Revenues:</b>							
Property Taxes Levied For:							
General Purpose					1,575,929	-	1,575,929
State Shared Revenue					131,571	-	131,571
Licenses, Permits and Fees					1,232,762	-	1,232,762
Unrestricted Interest Earnings					211	480	691
Miscellaneous					13,469	79,499	92,968
Transfers					57,600	(57,600)	-
<b>Total General Revenues, Special Items, and Transfers</b>					<b>3,011,541</b>	<b>22,379</b>	<b>3,033,920</b>
<b>Change in Net Assets</b>					<b>53,546</b>	<b>342,116</b>	<b>395,661</b>
<b>Net Position - Beginning</b>					<b>4,346,235</b>	<b>7,953,923</b>	<b>12,300,158</b>
<b>Net Position - Ending</b>					<b>\$ 4,399,781</b>	<b>\$ 8,296,038</b>	<b>\$ 12,695,819</b>

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

**TOWN OF BATESBURG-LEESVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	Primary Government		
	General Fund	Special Revenue Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,607,004	\$ 110	\$ 1,607,113
Receivables, Net of Allowances for Uncollectible			
Taxes Receivable	34,197	-	34,197
State Receivables	33,334	-	33,334
Other Receivables	37,296	-	37,296
Restricted Cash	54,499	-	54,499
Due from other Funds	230	43,202	43,432
<b>Total Current Assets</b>	<b>1,766,559</b>	<b>43,311</b>	<b>1,809,870</b>
<b>Total Assets</b>	<b>1,766,559</b>	<b>43,311</b>	<b>1,809,870</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	60,498	229	60,726
Salary and Benefits Payable	65,298	107	65,405
Due to General Fund	-	230	230
Due to Proprietary Fund	176	-	176
Due to Special Revenue Fund	43,202	-	43,202
Due to Other Governmental Units	4,533	-	4,533
<b>Total Current Liabilities</b>	<b>173,706</b>	<b>566</b>	<b>174,272</b>
<b>Total Liabilities</b>	<b>173,706</b>	<b>566</b>	<b>174,272</b>
<b>FUND BALANCES</b>			
Restricted	55,435	42,745	98,180
Unassigned	1,537,419	-	1,537,419
<b>Total Fund Balance</b>	<b>1,592,853</b>	<b>42,745</b>	<b>1,635,598</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 1,766,559</b>	<b>\$ 43,311</b>	<b>\$ 1,809,870</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,937,459

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (173,277)

**Net position of governmental activities** **\$ 4,399,781**

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, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Local Taxes	\$ 1,575,929	\$ -	\$ 1,575,929
Business Licenses, Franchise Fees, Permits	1,461,422	-	1,461,422
Fines and Forfeitures	143,135	-	143,135
State Shared Revenue	131,571	-	131,571
Management Fees	57,600	-	57,600
Grants and Donations	10,425	146,486	156,911
Interest Earnings	211	-	211
Other Revenue	12,652	-	12,652
<b>Total Revenues</b>	<b>3,392,944</b>	<b>146,486</b>	<b>3,539,430</b>
<b>EXPENDITURES</b>			
Current			
General Government	504,814	-	504,814
Police	1,673,931	-	1,673,931
Fire	377,512	-	377,512
Sanitation & Streets	638,304	-	638,304
Victim's Assistance	-	8,987	8,987
Grants	-	102,708	102,708
Debt Service			
Principal	38,550	-	38,550
Interest	4,293	-	4,293
Capital Improvements	155,914	-	155,914
<b>Total Expenditures</b>	<b>3,393,317</b>	<b>111,695</b>	<b>3,505,012</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(372)</b>	<b>34,791</b>	<b>34,418</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Assets	2,564	-	2,564
Transfers Out	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>2,564</b>	<b>-</b>	<b>2,564</b>
<b>Net Change in Fund Balance</b>	<b>2,192</b>	<b>34,791</b>	<b>36,982</b>
<b>Fund Balances - Beginning</b>	<b>1,590,662</b>	<b>7,955</b>	<b>1,598,616</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,592,853</b>	<b>\$ 42,745</b>	<b>\$ 1,635,599</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, 2013**

**Total net changes in fund balance - governmental funds** 36,982

**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	-	183,580
Depreciation Expense		(210,468)

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. 38,550

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. 8,199

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. (3,298)

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**Change in net position of governmental activities** **\$ 53,545**

**TOWN OF BATESBURG-LEESVILLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 201,826
Receivables, Net of Allowance for Uncollectable	436,147
Restricted Cash	354,056
Inventory	141,891
Due from other Funds	176
<b>Total Current Assets</b>	<b><u>1,134,097</u></b>

**Noncurrent Assets**

**Capital Assets**

Land	237,055
Construction In Progress	192,966
Buildings	3,423,309
Machinery & Equipment	845,867
Water & Wastewater System With Improvements	12,037,590
Accumulated Depreciation	<u>(9,265,542)</u>
<b>Total Capital Assets, Net of Depreciation</b>	<b><u>7,471,245</u></b>
<b>Total Noncurrent Assets</b>	<b><u>7,471,245</u></b>
<b>Total Assets</b>	<b><u><u>8,605,342</u></u></b>

**LIABILITIES**

**Current Liabilities**

Accounts Payable and Other Current Liabilities	97,282
Deferred Revenue	<u>23,188</u>
<b>Total Current Liabilities</b>	<b>120,470</b>

**Noncurrent Liabilities**

Due Within One Year	
Due in More Than One Year	
Customer Deposits	146,979
Compensated Absences	<u>41,855</u>
<b>Total Noncurrent Liabilities</b>	<b><u>188,834</u></b>
<b>Total Liabilities</b>	<b>309,304</b>

**NET POSITION**

Investment in General Fixed Assets	7,278,279
Restricted Assets	354,056
Unrestricted	<u>663,703</u>
<b>Total Net Position</b>	<b><u><u>\$ 8,296,038</u></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 POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Operating Revenues</b>	
Charges for Services	\$ 2,684,689
Service Charges, Penalties and Miscellaneous	79,499
Impact Fees	4,299
Water and Sewer Connections	<u>7,363</u>
<b>Total Operating Revenues</b>	<b><u>2,775,851</u></b>
<b>Operating Expenses</b>	
Personnel Services	783,445
Materials and Supplies	302,062
Contractual Services	98,811
Utilities	306,510
Repairs and Maintenance	349,684
Depreciation and Amortization	377,206
Management Fee	57,600
Other Operating Expenses	<u>151,166</u>
<b>Total Operating Expenses</b>	<b><u>2,426,483</u></b>
<b>Operating Income (Loss)</b>	<b>349,368</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Earnings	480
Interest Expense	<u>(7,732)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(7,252)</u></b>
<b>Change in Net Assets</b>	<b><u>342,116</u></b>
<b>Net Position - Beginning</b>	<b><u>7,953,923</u></b>
<b>Net Position - Ending</b>	<b><u>\$ 8,296,038</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, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 2,679,653
Payments to Suppliers for Goods & Services	(1,258,393)
Payments to Employees for Services	<u>(781,245)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>640,015</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

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

Interest Paid on Long-Term Debt	(7,732)
Principal Paid on Long-Term Debt	(522,586)
Purchases of Capital Assets	<u>(298,600)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b><u>(828,918)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and Dividends	<u>480</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>480</u></b>

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(188,424)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>744,306</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u><u>\$ 555,882</u></u></b>

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

Operating Income (Loss)	\$ 349,368
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	377,206
Change in Assets and Liabilities	
Receivables, net	(99,362)
Inventory	(8,808)
Accounts Payable & Accrued Expenses	16,247
Compensated Absences	2,200
Customer Deposits	<u>3,164</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u><u>\$ 640,015</u></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, 2013**

	<b>Fire Department</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 8,199
<b>Total Current Assets</b>	<u><b>8,199</b></u>
<b>Total Assets</b>	<u><u><b>8,199</b></u></u>
<b>LIABILITIES</b>	
Due to Fireman's Organization	8,199
<b>Total Net Assets</b>	<u><u><b>\$ 8,199</b></u></u>

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

# TOWN OF BATESBURG-LEESVILLE

## NOTES TO FINANCIAL STATEMENTS

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### B. Basis of Presentation

The statements of the Town are presented as follows:

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

The government-wide statements are prepared using economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations 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 Position. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Sales for water and sewer service represent the operating revenue of the Town's proprietary fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

**Enterprise Funds** - to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) where the governing body has decided that periodical determination 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, 2013, but which have not met the revenue recognition criteria, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

#### ***New Accounting Pronouncements Implemented:***

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

#### D. Assets, Liabilities and Equity

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

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

***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 position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

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

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

<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 Position** - 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)

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

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

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

Exchange transactions between funds are reported as revenue in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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 form 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, 2013. 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, 2013, the carrying amount of the Town's deposits was \$2,229,694 and the bank balance was \$2,311,960.

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	5,771
Customer Water Deposits	146,979
Generator Depreciation	1,306
2003 Debt Reserve	<u>200,000</u>
Total	354,056

**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, 2013.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b>Balance</b>			<b>Balance</b>
<b>Governmental activities:</b>	<b>June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2013</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 476,480	\$ -	\$ -	\$ 476,480
<b>Capital assets being depreciated</b>				
Streets & Sidewalks	2,696,847	53,574	-	2,750,421
Building & Improvements	737,961	66,691	-	804,652
Machinery & Equipment	3,395,449	63,314	(33,342)	3,425,421
Total being depreciated	<u>6,830,257</u>	<u>183,579</u>	<u>(33,342)</u>	<u>6,980,494</u>
Totals at historical cost	7,306,737	130,005	(33,342)	7,456,974
<i>Less accumulated depreciation</i>				
Streets & Sidewalks	1,861,617	3,434	-	1,865,051
Building & Improvements	153,741	20,300	-	174,041
Machinery & Equipment	2,323,735	186,734	(30,046)	2,480,423
Total accumulated depreciation	<u>4,339,093</u>	<u>210,468</u>	<u>(30,046)</u>	<u>4,519,515</u>
<b>Governmental</b>				
<b>Capital Assets, Net</b>	<b><u>\$ 2,967,644</u></b>	<b><u>\$ 340,473</u></b>	<b><u>\$ (63,388)</u></b>	<b><u>\$ 2,937,459</u></b>

Depreciation expense for governmental activities was reflected in the Statement of Activities for the year ending June 30, 2013 as follows:

Administrative	\$ 20,842
Police	88,381
Fire	70,475
Streets & Sanitation	30,770
Total	<u>\$ 210,468</u>

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

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

	<b>Balance</b>			<b>Balance</b>
<b>Business-type activities:</b>	<b>June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2013</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 237,055	\$ -	\$ -	\$ 237,055
Construction in Progress	-	192,966	-	192,966
<b>Capital assets being depreciated</b>				
Water/Wastewater System	15,373,578	77,472	-	15,451,050
Machinery & Equipment	827,554	28,162	-	855,716
Total being depreciated	<u>16,201,132</u>	<u>105,634</u>	<u>-</u>	<u>16,306,766</u>
Less accumulated depreciation				<u>(9,265,542)</u>
<b>Business-type activities:</b>				
<b>Capital Assets, Net</b>	<b><u>\$ 16,438,187</u></b>	<b><u>\$ 298,600</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,471,245</u></b>

**NOTE 4 - LONG-TERM DEBT**

The following is summary of changes in long-term debt for the year ended June 30, 2013

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2013</b>
Capital Leases	\$ 130,810	\$ -	\$ (38,550)	\$ 92,260
Compensated Absences	89,215	-	(8,198)	81,017
<b>Total</b>	<b><u>\$ 220,025</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (46,748)</u></b>	<b><u>\$ 173,277</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, 2013.

**Fiscal Year Ending June 30**

<b>2014</b>	42,842
<b>2015</b>	42,842
<b>2016</b>	<u>10,711</u>
<b>Minimum Lease Payments</b>	<b>96,395</b>
<b>Less: Interest</b>	<b><u>(4,135)</u></b>
<b>Capital Lease Payable</b>	<b>92,260</b>

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

**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, 2013 are as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
2003 Series	\$ 522,586	\$ -	\$ (522,586)	\$ -

**2003 Series** - The series required monthly payments of \$44,536, accrues interest at 4.16% and matures in June 2013. The loan was collateralized by a lien on the water works and sewer system.

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. \$5,463 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.

**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.

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

**NOTE 6 - RETIREMENT BENEFITS (Continued)**

	<b>South Carolina Retirement System</b>		<b>South Carolina Police Officers Retirement System</b>	
	Amount	Percentage Contributed	Amount	Percentage Contributed
Year ended June 30, 2013				
Employer	99,006	100%	110,772	100%
Year ended June 30, 2012				
Employer	94,549	100%	112,849	100%
Year ended June 30, 2011				
Employer	95,497	100%	108,483	100%

As of June 30, 2013, the Town has no outstanding pension liability or assets computed in accordance with GASB Statement No. 27.

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

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.

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

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes, Including Penalties	\$ 1,615,613	\$ 1,615,613	\$ 1,575,929	\$ (39,684)
Licenses, Permits and Fees	1,407,302	1,407,302	1,461,422	54,120
State Shared Revenue	145,000	145,000	131,571	(13,429)
Fines and Forfeitures	110,000	110,000	143,135	33,135
Grants/Donations	10,000	10,000	10,425	425
Management Fees	57,600	57,600	57,600	-
Interest	-	-	211	211
Other	18,500	18,500	12,652	(5,848)
<b>TOTAL REVENUES</b>	<b>3,364,015</b>	<b>3,364,015</b>	<b>3,392,944</b>	<b>28,929</b>
<b>EXPENDITURES</b>				
Current				
General Government	557,472	557,472	504,814	52,658
Police	1,644,560	1,644,560	1,673,931	(29,371)
Fire	339,610	339,610	377,512	(37,902)
Street & Sanitation	670,030	670,030	638,304	31,726
Debt Service				
Principal	42,843	42,843	38,550	4,293
Interest	-	-	4,293	(4,293)
Capital Improvements	116,500	116,500	155,914	(39,414)
<b>Total Expenditures</b>	<b>3,371,015</b>	<b>3,371,015</b>	<b>3,393,317</b>	<b>(22,302)</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(372)</b>	<b>6,628</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	7,000	7,000	2,564	(4,436)
<b>Total Other Financing Sources and Uses</b>	<b>7,000</b>	<b>7,000</b>	<b>2,564</b>	<b>(4,436)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>2,192</b>	<b>2,192</b>
<b>Fund Balances - Beginning</b>	<b>-</b>	<b>1,590,662</b>	<b>1,590,662</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ 1,590,662</b>	<b>\$ 1,592,853</b>	<b>\$ 2,192</b>

**TOWN OF BATESBURG-LEESVILLE  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
<b>REVENUES</b>				
Fines and Forfeitures	9,349	9,349	10,034	685
Other Grants/Donations	-	-	136,452	136,452
<b>TOTAL REVENUES</b>	<b>9,349</b>	<b>9,349</b>	<b>146,486</b>	<b>137,137</b>
<b>EXPENDITURES</b>				
Victim's Assistance				
Personnel	9,349	9,349	8,987	362
Other Grants	-	-	102,708	(102,708)
<b>Total Expenditures</b>	<b>9,349</b>	<b>9,349</b>	<b>111,695</b>	<b>(102,346)</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>34,791</b>	<b>34,791</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>34,791</b>	<b>34,791</b>
<b>Fund Balances - Beginning</b>	<b>-</b>	<b>7,955</b>	<b>7,955</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ 7,955</b>	<b>\$ 42,745</b>	<b>\$ 34,791</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, 2013**

	Victim's Assistance	Streetscapes	CDV/ Child Abuse	Narrow- banding	Total
<b>REVENUES</b>					
Fines and Forfeitures	\$ 10,034	\$ -	\$ -	\$ -	\$ 10,034
CDV/Child Abuse	-	-	73,104	-	73,104
Narrowbanding	-	-	-	1,138	1,138
Oak Street Project	-	62,210	-	-	62,210
<b>Total Revenues</b>	<b>10,034</b>	<b>62,210</b>	<b>73,104</b>	<b>1,138</b>	<b>146,486</b>
<b>EXPENDITURES</b>					
Victim's Assistance	8,987	-	-	-	8,987
CDV/Child Abuse	-	-	41,073	-	41,073
Narrowbanding	-	-	-	1,138	1,138
Oak Street	-	60,498	-	-	60,498
<b>Total Expenditures</b>	<b>8,987</b>	<b>60,498</b>	<b>41,073</b>	<b>1,138</b>	<b>111,695</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,047</b>	<b>1,713</b>	<b>32,031</b>	<b>-</b>	<b>34,791</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1,047</b>	<b>1,713</b>	<b>32,031</b>	<b>-</b>	<b>34,791</b>
Fund Balances - Beginning	(882)	8,837	-	-	7,955
<b>Fund Balances - Ending</b>	<b>\$ 164</b>	<b>\$ 10,550</b>	<b>\$ 32,031</b>	<b>\$ -</b>	<b>\$ 42,745</b>

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

**AGENCY FUNDS**

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 17,324	\$ 10,856	\$ (19,982)	\$ 8,199
<b>Total Current Assets</b>	<u>17,324</u>	<u>10,856</u>	<u>(19,982)</u>	<u>8,199</u>
<b>Total Assets</b>	<u>17,324</u>	<u>10,856</u>	<u>(19,982)</u>	<u>8,199</u>
<b>LIABILITIES</b>				
Due to Fireman's Organization	17,324	10,856	(19,982)	8,199
<b>Total Net Assets</b>	<u>\$ 17,324</u>	<u>\$ 10,856</u>	<u>\$ (19,982)</u>	<u>\$ 8,199</u>

**TOWN OF BATESBURG-LEESVILLE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN DUE TO FIREMAN'S ORGANIZATION  
 FOR THE YEAR ENDED JUNE 30, 2013**

Receipts	\$	10,856
<b>Disbursements</b>		
Operating Expenses		<u>19,982</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>		<b>(9,126)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Net Change in Fund Balance		(9,126)
Fund Balances - Beginning		<u>17,324</u>
Fund Balances - Ending	\$	<u><u>8,199</u></u>

**TOWN OF BATESBURG-LEESVILLE  
SCHEDULE OF FINES AND ASSESSMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Total Fines and Assessments</b>	143,135
<b>Remitted to State</b>	76,782
<b>Victims Assistance Fund</b>	10,034
<b>Fines and Assessments Retained by Town</b>	56,319

**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Batesburg-Leesville, South Carolina's basic financial statements, and have issued our report thereon dated December 13, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Batesburg-Leesville, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Batesburg-Leesville, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Batesburg-Leesville, South Carolina's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

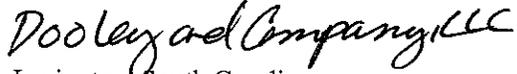
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Batesburg-Leesville, South Carolina's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dooley and Company, LLC

A handwritten signature in black ink that reads "Dooley and Company, LLC". The signature is written in a cursive, flowing style.

Lexington, South Carolina

December 13, 2013