

**TOWN OF BATESBURG-LEESVILLE,
SOUTH CAROLINA
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

To the 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 the Town of Batesburg-Leesville, South Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Batesburg-Leesville, South Carolina'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, 2017, 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 41–42 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 and the schedule of expenditures of federal awards 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 5, 2017, 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 the Town of Batesburg-Leesville, South Carolina's internal control over financial reporting and compliance.


Dooley and Company, LLC

Lexington, South Carolina
December 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 \$508,305, which represents 4% increase from fiscal year 2016.
- General revenues account for \$3,470,338 in revenue, or 48% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,644,067 or 52% of total revenues.
- The Town had \$6,606,100 in expenses; only \$3,644,067 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,470,338 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,930,421 in revenues, \$4,400 in other financing sources and \$3,882,790 in expenditures. The General Fund's fund balance increased \$52,031 from \$1,471,041 to \$1,523,072.
- Long-term debt increased by \$255,839 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 - 40 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 \$11,138,957 as of June 30, 2017.

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, 2016 and 2017.

Governmental Activities	2016	2017
Current and other assets	\$1,645,878	\$1,638,658
Capital assets	<u>4,141,382</u>	<u>3,871,110</u>
Total assets	5,787,260	5,509,769
Deferred Outflow of Resources	<u>535,329</u>	<u>873,210</u>
Total Assets and Deferred Outflow	<u>\$6,322,589</u>	<u>\$6,382,978</u>
Long-term debt outstanding	3,949,082	4,417,589
Other liabilities	<u>175,784</u>	<u>116,486</u>
Total liabilities	4,124,866	4,534,075
Deferred Inflow of Resources	256,611	175,165
Net position		
Invested in capital assets, Net of related debt	3,517,852	3,338,420
Restricted		
Unrestricted	<u>(1,576,738)</u>	<u>(1,665,680)</u>
Total net position	<u>1,941,114</u>	<u>1,672,740</u>
Total liabilities, deferred inflows and net position	<u>\$6,322,590</u>	<u>\$6,382,979</u>
Business-type Activities	2016	2017
Current and other assets	\$2,266,418	\$2,152,845
Capital assets	<u>9,373,522</u>	<u>10,228,936</u>
Total assets	11,639,940	12,381,781
Deferred Outflow of Resources	<u>152,237</u>	<u>266,296</u>
Total Assets and Deferred Outflow	<u>\$11,792,177</u>	<u>\$12,648,077</u>
Long-term debt outstanding	2,895,005	2,935,618
Other liabilities	<u>145,968</u>	<u>203,215</u>
Total liabilities	3,040,973	3,138,833
Deferred Inflow of Resources	61,655	43,028
Net position		
Invested in capital assets, Net of related debt	5,266,385	5,624,685
Restricted	163,837	173,186
Unrestricted	<u>3,259,326</u>	<u>3,668,346</u>
Total net position	<u>8,689,548</u>	<u>9,466,217</u>
Total liabilities, deferred inflow and net position	<u>\$11,792,177</u>	<u>\$12,648,077</u>

Changes in net position. The Town's total revenues for the fiscal year ended June 30, 2017 were \$7,114,405. The total cost of all programs and services was \$6,606,100. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2016 and 2017.

Governmental Activities	2016	2017
Revenues		
Program revenues		
Charges for sales and services	\$378,148	\$386,958
Operating grants and contributions	28,640	37,082
Capital grants and contributions	82,447	
General revenues		
Property taxes	1,749,390	1,754,024
State Shared Revenue	155,381	130,910
Licenses, Permits and Fees	1,454,891	1,450,900
Other	<u>122,139</u>	<u>180,753</u>
Total revenues	3,971,036	3,940,628
Expenses		
General Government	944,486	648,360
Police	1,860,257	1,990,139
Municipal Court	103,282	105,484
Fire	450,207	498,861
Public Works	519,532	603,202
Fleet Services	124,219	126,286
NonDepartmental		211,199
Victim's Assistance	10,693	11,978
Interest on Long Term Debt	<u>9,763</u>	<u>13,493</u>
Total Expenses	<u>4,022,439</u>	<u>4,209,002</u>
Increase (decrease) in net position	(51,404)	(268,374)
Business-type Activities		
Revenues		
Program revenues		
Charges for sales and services	\$2,281,958	\$3,097,527
Capital grants and contributions		122,500
General revenues		
Other	<u>9,703</u>	<u>(46,250)</u>
Total revenues	2,291,661	3,173,777
Expenses		
Water & Wastewater	<u>2,281,958</u>	<u>2,397,098</u>
Total Expenses	<u>2,281,958</u>	<u>2,397,098</u>
Increase (decrease) in net position	483,463	776,679

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>
Town Council	\$ 73,980	\$ (73,980)
Administration	574,380	(574,380)
Police	1,990,139	(1,821,419)
Municipal Court	105,484	(105,484)
Fire	498,861	(498,861)
Public Works	603,202	(359,906)
Fleet Services	126,286	(126,286)
NonDepartmental	211,199	(211,199)
Victim’s Assistance	11,978	46
Interest on long-term liabilities	13,493	(13,493)
Total expenses	<u>\$ 4,209,002</u>	<u>\$(3,784,962)</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 \$1,522,173, an increase of \$52,077.

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 \$52,031.

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, however, was able to spend less than was brought in thereby increasing the fund balance. 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.
- Police expenses were more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the Town's total capital assets were \$29,603,269 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, 2017 was \$15,546,972 and total depreciation expense for the year was \$710,059.

Debt Administration. At June 30, 2017, the Town had \$7,353,207 long-term debt outstanding, of which \$4,997,703 is a net pension liability. \$257,754 is due within one year.

CURRENT ISSUES

During the next fiscal year, the Town will continue to work on improvements to the water and sewer system. The Town will also continue to work on business development.

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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,539,169	\$ 1,598,462	\$ 3,137,631
Receivables, Net of Allowances for Uncollectable			
State Receivables	28,918	-	28,918
Other Receivables	70,571	227,901	298,473
Restricted Cash	-	173,186	173,186
Inventory	-	153,296	153,296
Total Current Assets	1,638,658	2,152,845	3,791,503
Noncurrent Assets			
Capital Assets			
Land	3,792,451	237,055	4,029,506
Construction In Progress	-	3,075,500	3,075,500
Buildings	1,393,087	3,708,347	5,101,433
Machinery & Equipment	3,574,604	909,185	4,483,789
Water & Wastewater System With Improvements	-	12,913,041	12,913,041
Accumulated Depreciation	(4,889,031)	(10,657,941)	(15,546,972)
Total Capital Assets, Net of Depreciation	3,871,110	10,185,186	14,056,297
Bond Issuance Cost, Net	-	43,750	43,750
Total Noncurrent Assets	3,871,110	10,228,936	14,100,047
Total Assets	5,509,769	12,381,781	17,891,550
Deferred Outflow of Resources			
Deferred Outflow of Resources Related to Pensions	873,210	266,296	1,139,506
Total Deferred Outflow of Resources	873,210	266,296	1,139,506
Total Assets and Deferred Outflow of Resources	6,382,978	12,648,077	19,031,056
LIABILITIES			
Current Liabilities			
Accounts Payable & Other Accrued Expenses	116,310	180,202	296,512
Internal Balances	176	(176)	-
Deferred Revenue	-	23,188	23,188
Total Current Liabilities	116,486	203,215	319,701
Noncurrent Liabilities			
Due Within One Year:			
Capital Leases	59,793	-	59,793
Bonds Payable	32,961	165,000	197,961
Due In More Than One Year:			
Customer Deposits	-	167,928	167,928
Compensated Absences	114,345	55,538	169,883
Capital Leases	186,576	-	186,576
Net Pension Liabilities	3,770,553	1,227,151	4,997,703
Bonds Payable	253,362	1,320,001	1,573,363
Total Noncurrent Liabilities	4,417,589	2,935,618	7,353,207
Total Liabilities	4,534,075	3,138,833	7,672,907
Deferred Inflow of Resources			
Deferred Inflow of Resources Related to Pensions	176,165	43,028	219,192
Total Deferred Inflow of Resources	176,165	43,028	219,192
NET POSITION			
Investment in General Fixed Assets	3,338,420	5,624,685	8,963,105
Restricted Assets	-	173,186	173,186
Unrestricted	(1,665,680)	3,668,346	2,002,666
Total Net Position	1,672,740	9,466,217	11,138,957
Total Liabilities, Deferred Outflow of Resources & Net Position	\$ 6,382,979	\$ 12,648,077	\$ 19,031,057

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, 2017**

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:							
Town Council	\$ 73,980	\$ -	\$ -	\$ -	\$ (73,980)	\$ -	\$ (73,980)
Administration	574,380	-	-	-	(574,380)	-	(574,380)
Fire	498,861	-	-	-	(498,861)	-	(498,861)
Municipal Court	105,484	-	-	-	(105,484)	-	(105,484)
Police	1,990,139	131,638	37,082	-	(1,821,419)	-	(1,821,419)
Public Works	603,202	243,296	-	-	(359,906)	-	(359,906)
Fleet Services	126,286	-	-	-	(126,286)	-	(126,286)
NonDepartmental	211,199	-	-	-	(211,199)	-	(211,199)
Victim's Assistance	11,978	12,024	-	-	46	-	46
Interest on Long-Term Debt	13,493	-	-	-	(13,493)	-	(13,493)
Total Governmental Activities	\$ 4,209,002	\$ 386,958	\$ 37,082	\$ -	(3,784,962)	-	(3,784,962)
Business-type Activities:							
Water & Wastewater	2,397,098	3,097,527	-	122,500	-	822,929	822,929
Total Primary Government	\$ 2,397,098	\$ 3,097,527	\$ -	\$ 122,500	-	822,929	822,929
Total Primary Government	\$ 6,606,100	\$ 3,484,485	\$ 37,082	\$ 122,500	(3,784,962)	822,929	(2,962,033)
General Revenues:							
Property Taxes Levied For:							
General Purpose					1,754,024	-	1,754,024
State Shared Revenue					130,910	-	130,910
Licenses, Permits and Fees					1,450,900	-	1,450,900
Unrestricted Interest Earnings					646	869	1,515
Miscellaneous					89,696	43,292	132,989
Transfers					90,411	(90,411)	(0)
Total General Revenues, Special Items, and Transfers					3,516,588	(46,250)	3,470,338
Change in Net Assets					(268,374)	776,679	508,305
Net Position - Beginning					1,941,114	8,689,538	10,630,653
Net Position - Ending					\$ 1,672,740	\$ 9,466,217	\$ 11,138,957

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

**TOWN OF BATESBURG-LEESVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Primary Government		
	General Fund	Special Revenue Fund - Victims' Assistance	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,538,956	\$ 214	\$ 1,539,170
Receivables, Net of Allowances for Uncollectible			
State Receivables	28,918		28,918
Other Receivables	70,571	-	70,571
Due from other Funds	1,412	898	2,310
Total Current Assets	1,639,857	1,112	1,640,969
Total Assets	1,639,857	1,112	1,640,969
LIABILITIES			
Current Liabilities			
Accounts Payable	67,835	600	68,435
Salary and Benefits Payable	47,876	-	47,876
Due to General Fund	-	1,412	1,412
Due to Proprietary Fund	176	-	176
Due to Special Revenue Fund	898	-	898
Total Current Liabilities	116,785	2,011	118,796
Total Liabilities	116,785	2,011	118,796
FUND BALANCES			
Restricted	-	(899)	(899)
Unassigned	1,523,072	-	1,523,072
Total Fund Balance	1,523,072	(899)	1,522,173
Total Liabilities & Fund Balances	\$ 1,639,857	\$ 1,112	\$ 1,640,969

Amounts reported for governmental activities in the Statement of

Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,871,110
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	697,044
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,417,589)
Net position of governmental activities	\$ 1,672,739

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, 2017**

	General Fund	Victims' Assistance Fund	Total Governmental Funds
REVENUES			
Local Taxes	\$ 1,754,024	\$ -	\$ 1,754,024
Business Licenses, Franchise Fees, Permits	1,694,196	-	1,694,196
Fines and Forfeitures	131,638	-	131,638
State Shared Revenue	130,910	-	130,910
Management Fees	90,411	-	90,411
Grants and Donations	-	12,024	12,024
Interest Earnings	646	-	646
Other Revenue	128,595	-	128,595
Total Revenues	3,930,421	12,024	3,942,445
EXPENDITURES			
Current			
Town Council	72,486	-	72,486
Administration	497,696	-	497,696
Fire	399,506	-	399,506
Municipal Court	98,367	-	98,367
Police	1,807,743	-	1,807,743
Public Works	570,476	-	570,476
Fleet Service	120,985	-	120,985
NonDepartmental	211,199	-	211,199
Victim's Assistance	-	11,978	11,978
Debt Service			
Principal	90,839	-	90,839
Interest	13,493	-	13,493
Total Expenditures	3,882,790	11,978	3,894,768
Excess (Deficiency) of Revenues Over Expenditures	47,631	46	47,677
OTHER FINANCING SOURCES (USES)			
Sale of Assets	4,400	-	4,400
Total Other Financing Sources and Uses	4,400	-	4,400
Net Change in Fund Balance	52,031	46	52,077
Fund Balances - Beginning	1,471,041	(945)	1,470,096
Fund Balances - Ending	\$ 1,523,072	\$ (899)	\$ 1,522,173

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, 2017

Total net changes in fund balance - governmental funds 52,077

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	-	26,516
Depreciation Expense		(290,571)

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. 90,839

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. (7,071)

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. (6,217)

Governmental funds report pension contributions as expenditures, however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. (133,947)

Change in net position of governmental activities \$ (268,374)

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,598,462
Receivables, Net of Allowance for Uncollectable	227,901
Retricted Cash	173,186
Inventory	153,296
Due from other Funds	176
Total Current Assets	<u>2,153,021</u>

Noncurrent Assets

Capital Assets

Land	237,055
Construction In Progress	3,075,500
Buildings	3,708,347
Machinery & Equipment	909,185
Water & Wastewater System With Improvements	12,913,041
Accumulated Depreciation	<u>(10,657,941)</u>
Total Capital Assets, Net of Depreciation	10,185,186

Bond Issuance Cost, net	<u>43,750</u>
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Total Noncurrent Assets	<u>10,228,936</u>
--------------------------------	--------------------------

Total Assets	12,381,957
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Deferred Outflow of Resources

Deferred Outflow of Resources Related to Pensions	<u>266,296</u>
---	----------------

Total Deferred Outflow of Resources	<u>266,296</u>
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Total Assets and Deferred Outflow of Resources	<u><u>12,648,253</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable and Other Current Liabilities	180,202
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Deferred Revenue	<u>23,188</u>
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Total Current Liabilities	203,390
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Noncurrent Liabilities

Due Within One Year	
Bonds Payable	165,000

Due in More Than One Year	
Customer Deposits	167,928

Compensated Absences	55,538
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Net Pension Liabilities	1,227,151
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Bonds Payable	<u>1,320,001</u>
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Total Noncurrent Liabilities	<u>2,935,618</u>
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Total Liabilities	3,139,008
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Deferred Inflow of Resources

Deferred Inflow of Resources Related to Pensions	<u>43,028</u>
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Total Deferred Inflow of Resources	43,028
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NET POSITION

Investment in General Fixed Assets	5,624,685
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Restricted Assets	173,186
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Unrestricted	<u>3,668,346</u>
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Total Net Position	<u>\$ 9,466,217</u>
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Total Liabilities, Deferred Inflows and Net Position	<u>\$ 12,648,253</u>
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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, 2017**

Operating Revenues	
Charges for Services	\$ 2,971,932
Service Charges, Penalties and Miscellaneous	71,721
Impact Fees	47,624
Water and Sewer Connections	77,971
Total Operating Revenues	<u>3,169,248</u>
 Operating Expenses	
Personnel Services	904,277
Departmental	591,159
Vehicle	25,935
Building	39,701
Utilities	310,344
Capital	12,500
Miscellaneous	49,823
General Fund Participation	90,411
Depreciation and Amortization	425,738
Total Operating Expenses	<u>2,449,889</u>
 Operating Income (Loss)	 719,359
 Non-Operating Revenues (Expenses)	
Interest Earnings	869
Interest Expense	(37,620)
Gain (Loss) on Sale of Property	(28,429)
Grant Income	122,500
Total Non-Operating Revenues (Expenses)	<u>57,320</u>
 Change in Net Assets	 <u>776,679</u>
 Net Position - Beginning	 <u>8,689,538</u>
 Net Position - Ending	 <u><u>\$ 9,466,217</u></u>

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

**TOWN OF BATESBURG-LEESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 3,191,387
Payments to Suppliers for Goods & Services	(1,073,279)
Payments to Employees for Services	<u>(840,466)</u>
Net Cash Provided (Used) by Operating Activities	1,277,642

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid on Long-Term Debt	(37,620)
Principal Paid on Long-Term Debt	(165,000)
Grants Received	122,500
Purchases of Capital Assets	<u>(1,309,581)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,389,701)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividends	<u>869</u>
Net Cash Provided by Investing Activities	<u>869</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(111,190)
Cash and Cash Equivalents - Beginning of Year	<u>1,882,838</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,771,648</u></u>

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

Operating Income (Loss)	\$ 719,359
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	425,738
Change in Assets and Liabilities	
Receivables, net	13,035
Inventory	(10,651)
Accounts Payable & Accrued Expenses	110,017
Compensated Absences	11,041
Customer Deposits	<u>9,104</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,277,642</u></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, 2017**

	Fire Department
ASSETS	
Current Assets	
Cash	\$ 9,589
Total Current Assets	<u>9,589</u>
Total Assets	<u><u>9,589</u></u>
LIABILITIES	
Due to Fireman's Organization	9,589
Total Net Assets	<u><u>\$ 9,589</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 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 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, 2017, 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 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
Water & Sewer Improvements		20-30 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 fund s 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.

Deferred Outflows and Inflows of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town's one item that meets the criteria for this category is deferrals relating to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial section, *Deferred Inflows of Resources*, represents acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town's one item that qualifies for reporting in this category is deferral relating to pensions.

Pensions - For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as that are reported in the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 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.

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.

TOWN OF BATESBURG-LEESVILLE

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Bond Issuance Costs - Bond issuance costs from the issuance of the 2015 Bond are capitalized and amortized over the term of the bond using the straight line method.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting- State statutes require a budget for operations be approved before any expenditures are made. The Council will usually approve the operating budget in May for the fiscal year beginning July 1. A budget is adopted by July 1 of each fiscal year for the General Fund and Special Revenue Funds, on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. Budget and actual comparisons are presented in the accompanying fund financial statements for the general and special revenue funds. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts adopted in the original appropriations. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended budget issued during the year ended June 30, 2017. 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, 2017, the carrying amount of the Town's deposits was \$3,310,817 and the bank balance was \$3,369,990. .

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	\$ 5,013
Customer Water Deposits	<u>168,173</u>
	<u>\$173,186</u>

Concentration of Credit Risk

The Town's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk-deposits.

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. It is the policy of the Town to obtain adequate collateralization on all deposits that exceed FDIC insurance coverage. As of June 30, 2017, \$-0- was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 2 - PROPERTY TAXES

Property tax levies have a tax calendar from October 1 to September 30 each fiscal year; however, motor vehicle taxes are levied each month. Real property collections start September 30 and continue to 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 fifteen 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, 2017.

NOTE 3 – ACCOUNTS RECEIVABLE

Water and Sewer accounts receivable of \$227,901 is net of an allowance for uncollectible of \$7,547.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated				
Land	\$814,932			\$814,932
Capital assets being depreciated				
Streets & Sidewalks	2,977,518			2,977,518
Buildings & Improvements	1,393,087			1,393,087
Equipment/Vehicles	3,625,895	\$26,516	\$77,808	3,574,604
Total being depreciated	<u>7,996,500</u>	<u>26,516</u>	<u>77,808</u>	<u>7,945,209</u>
Totals at historical cost	8,811,432	26,516	77,808	8,760,141
<i>Less accumulated depreciation</i>				
Streets & Sidewalks				(1,940,241)
Buildings				(282,024)
Equipment/Vehicles				<u>(2,666,766)</u>
Total accumulated depreciation				<u>(4,889,031)</u>
Governmental activities capital assets, net				\$3,871,110
Business-type activities:				
Capital assets not being depreciated				
Land	\$237,055			\$237,055
Construction in Progress	2,407,136	\$856,489	\$188,125	3,075,500
Capital assets being depreciated				
Water/Wastewater System With Improvements	12,653,474	582,298		13,235,772
Buildings	3,394,831			3,394,831
Equipment/Vehicles	885,554	58,918	44,505	899,969
Total being depreciated	<u>16,933,859</u>	<u>641,216</u>	<u>44,505</u>	<u>17,530,572</u>
Totals at historical cost	19,578,050	1,497,705	232,630	20,843,127
<i>Less accumulated depreciation</i>				<u>(10,657,941)</u>
Business-type activities capital assets, net				\$10,185,186

Depreciation expense for governmental activities was \$284,646 for the year ended June 30, 2017.

Depreciation expense was allocated by department on the statement of activities as follows:

Administrative	\$59,583
Police	106,781
Fire	86,211
Public Works and Fleet	37,996
Total	<u>\$290,571</u>

Depreciation expense for business type activities was \$419,488 for the year ended June 30, 2017.

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

NOTE 5 - LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Leases	\$305,000		\$58,632	\$246,368
General Obligation Bond	318,529		32,207	286,322
Compensated Absences	107,274	\$7,071		114,345
Total	\$730,803	\$7,071	\$90,839	\$645,035

Capital Lease

The Town is obligated under one non-cancelable 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, 2017.

<u>Fiscal Year Ending June 30</u>	
Minimum Lease Payments for all capital leases	
2018	\$64,671
2019	64,671
2020	64,671
2021	64,671
Less: Amount representing Interest at the Town's incremental borrowing rate of interest	<u>(12,316)</u>
Present value of minimum lease payments	<u>\$246,368</u>

General Obligation Bond

2015 Series – The series requires annual payments of \$30,964, accrues interest at 2.34% and matures in April 2025. The loan is collateralized by a lien on the Town Hall.

Revenue bond debt service to maturity, including interest of \$37,417, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	32,961	6,700	39,661
2019	33,732	5,929	39,661
2020	34,521	5,139	39,661
2021	35,329	4,332	39,661
2022	36,156	3,505	39,661
2023-2025	113,623	5,359	118,982
Total	\$286,322	\$30,964	\$317,286

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 6 – LONG-TERM DEBT – ENTERPRISE FUND

Revenue Bonds – The Town issued a bond where the Town pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
2015 Series	\$1,650,000		\$165,000	\$1,485,000
Total	\$1,650,000		\$165,000	\$1,485,000

2015 Series – The series requires annual payments of varying amount and semi-annual interest payments, accrues interest at 2.28% and matures in March 2025. The loan is collateralized by a lien on the water works and sewer system.

Revenue bond debt service to maturity, including interest of \$158,004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$165,000	\$33,858	\$198,858
2019	170,000	30,096	200,096
2020	175,000	26,220	201,220
2021	185,000	22,230	207,230
2022	190,000	18,012	208,012
2023-2025	600,000	27,588	627,588
Total	\$1,485,000	\$158,004	\$1,643,004

Bond issuance costs of \$62,500 are being amortized over the life of the bond

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 dependents based on 100% (Cobra) premium rates.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS

Substantially all Town's employees are members of the South Carolina Retirement Systems (SCRS) or the South Carolina Police Officers Retirement System.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below:

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution), if applicable, which is retained by SCRS.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee of the system with an effective date of membership on or after July 1, 2012, is a Class Three Member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit is presented below:

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

The retirement allowance of eligible retirees or their surviving annuitant is increased by the lesser of the one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one half of one percent per year.

- Required employee contribution rates¹ are as follows:

	Fiscal Year 2016	Fiscal Year 2017
SCRS		
Employee Class Two	8.16%	8.66%
Employee Class Three	8.16%	8.66%
State ORP Employee		
Employee	8.16%	8.66%
PORS		
Employee Class Two	8.74%	9.24%
Employee Class Three	8.74%	9.24%

- Required employer contributions rates¹ are as follows:

	Fiscal Year 2016	Fiscal Year 2017
SCRS		
Employee Class Two	10.91%	11.41%
Employee Class Three	10.91%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP Employee		
Employee ²	10.91%	11.41%
Employer Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	13.34%	13.84%
Employee Class Three	13.34%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Law

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

Actuarial Assumptions and Methods Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, with included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 2014, valuations for SCRS:

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return ¹	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	4.0% to 10.0% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹ Includes inflation at 2.75%

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows.

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. At June 30, 2017, the Town reported a liability of \$2,788,956 for its proportionate share of the SRRS' net pension liability. The Town's proportion measured as of June 30, 2016 was 0.013057%. At June 30, 2016, the Town reported a liability of \$2,208,737 for its proportionate share of the PORS' net pension liability. The Town's proportion measured as of June 30, 2016 was 0.08708%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$3,479,146	\$2,788,956	\$2,214,399
PORS	\$2,894,739	\$2,208,737	\$1,592,235

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primary based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash & Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Water and Sewer Fund - SCRS

Year ending June 30	Deferred Outflows	Deferred Inflows
2018	\$(209,848)	\$9,466
2019	(15,921)	9,466
2020	(15,921)	9,466
2021	(24,606)	14,630
	\$(266,296)	\$43,028

General Fund - SCRS

Year ending June 30	Deferred Outflows	Deferred Inflows
2018	\$ (269,578)	\$12,048
2019	(22,761)	12,048
2020	(22,761)	12,048
2021	(35,175)	18,619
	\$(350,275)	\$54,762

General Fund - PORS

Year ending June 30	Deferred Outflows	Deferred Inflows
2018	\$(414,355)	\$26,708
2019	(30,625)	26,708
2020	(30,625)	26,708
2021	(47,330)	41,277
	\$(522,935)	\$121,402

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 9 – RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the Town recognized pension expense for SCRS of \$316,061. This total is allocated as \$74,735 to the Water and Sewer Fund and \$241,326 to the Town. The Town recognized pension expense for PORS of \$147,914. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Water and Sewer Fund - SCRS		
Difference between expected and actual experience	\$ 193,927	
Net difference between projected and actual earnings on pension plan investments		\$ 43,028
Contributions subsequent to the measurement date	72,369	
	\$ 266,296	\$ 43,028
Total		
General Fund - SCRS		
Difference between expected and actual experience	\$ 246,817	
Net difference between projected and actual earnings on pension plan investments		\$54,762
Contributions subsequent to the measurement date	103,458	
	\$ 350,275	\$54,762
Total		
General Fund - PORS		
Difference between expected and actual experience	\$ 383,730	
Net difference between projected and actual earnings on pension plan investments		\$121,402
Contributions subsequent to the measurement date	139,205	
	\$522,935	\$121,402
Total		

Pension Plan Fiduciary

Net Position Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

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

III. DETAILED NOTES ON ALL FUNDS AND OTHER INFORMATION (Continued)

NOTE 10 - RISK MANAGEMENT

The Town is a member of the South Carolina Local Government Assurance Group, which is a self-funded health benefits program. In this program, the Town is part of a pool of local governments for the determination of rates. Each member of the SCLGAG accepts responsibility for normal claims expense. Catastrophic claims over \$100,000 per individual per year are reinsured through an insurance company. Upon termination of participation in the SCLGAG, all unpaid claims of the Town's employees and aggregate losses on the Town's account from current and previous years will be the responsibility of the Town.

NOTE 11 – TAX ABATEMENTS

During the year the Town implemented GASB Statement 77, Tax Abatements. The primary objective of the Statement is to disclose the extent of the tax abatement agreements currently outstanding. Lexington and Saluda Counties are responsible for collecting tax revenues to cover operating expenses of the Town. To encourage specific development or spending, the County may offer certain tax abatements. There are currently tax abatements totaling \$40,793 in the Town of Batesburg-Leesville.

NOTE 12 - SUBSEQUENT EVENTS

After June 30, 2017, the Town did not have any subsequent events through December 5, 2017, which is the date that the financial statements were available to be issued.

**TOWN OF BATESBURG-LEESVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Property Taxes, Including Penalties	\$ 1,756,500	\$ 1,756,500	\$ 1,754,024	\$ (2,476)
Licenses, Permits and Fees	1,585,450	1,585,450	1,694,196	108,746
State Shared Revenue	154,000	154,000	130,910	(23,090)
Fines and Forfeitures	110,000	110,000	131,638	21,638
Management Fees	70,581	70,581	90,411	19,830
Interest	-	-	646	646
Other	112,800	112,800	128,595	15,795
TOTAL REVENUES	3,789,331	3,789,331	3,930,421	141,090
EXPENDITURES				
Current				
Town Council	76,885	76,885	72,486	4,399
Administration	481,135	497,935	497,696	239
Fire	389,600	402,600	399,506	3,094
Municipal Court	101,060	101,060	98,367	2,693
Police	1,777,874	1,777,874	1,807,743	(29,869)
Public Works	558,830	558,830	570,476	(11,646)
Fleet Services	133,180	125,080	120,985	4,095
NonDepartmental	191,067	169,367	211,199	(41,832)
Debt Service				
Principal	84,700	84,700	90,839	(6,139)
Interest	-	-	13,493	(13,493)
Total Expenditures	3,794,331	3,794,331	3,882,790	(88,459)
Excess (deficiency) of Revenues Over Expenditures	(5,000)	(5,000)	47,631	52,631
OTHER FINANCING SOURCES (USES)				
Sale of Assets	5,000	5,000	4,400	(600)
Total Other Financing Sources and Uses	5,000	5,000	4,400	(600)
Net Change in Fund Balance	-	-	52,031	52,031
Fund Balances - Beginning	-	1,471,041	1,471,041	-
Fund Balances - Ending	\$ -	\$ 1,471,041	\$ 1,523,072	\$ 52,031

**TOWN OF BATESBURG-LEESVILLE
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - VICTIMS' ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Over / (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	10,000	10,000	12,024	2,024
TOTAL REVENUES	10,000	10,000	12,024	2,024
EXPENDITURES				
Victim's Assistance				
Personnel	9,535	9,535	10,180	(645)
Other Operating Expenses	465	465	1,798	(1,333)
Total Expenditures	10,000	10,000	11,978	(1,978)
Excess (deficiency) of Revenues Over Expenditures	-	-	46	46
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balance	-	-	46	46
Fund Balances - Beginning	(945)	(945)	(945)	-
Fund Balances - Ending	\$ (945)	\$ (945)	\$ (899)	\$ 46

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

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Current Assets				
Cash	\$ 12,091	\$ 11,749	\$ (14,251)	\$ 9,589
Total Current Assets	<u>12,091</u>	<u>11,749</u>	<u>(14,251)</u>	<u>9,589</u>
Total Assets	<u><u>12,091</u></u>	<u><u>11,749</u></u>	<u><u>(14,251)</u></u>	<u><u>9,589</u></u>
LIABILITIES				
Due to Fireman's Organization	12,091	11,749	(14,251)	9,589
Total Net Assets	<u>\$ 12,091</u>	<u>\$ 11,749</u>	<u>\$ (14,251)</u>	<u>\$ 9,589</u>

**TOWN OF BATESBURG-LEESVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN DUE TO FIREMAN'S ORGANIZATION
 FOR THE YEAR ENDED JUNE 30, 2017**

Receipts	\$ 11,749
Disbursements	
Operating Expenses	14,251
Excess (Deficiency) of Revenues Over Expenditures	(2,502)
OTHER FINANCING SOURCES (USES)	
Net Change in Fund Balance	(2,502)
Fund Balances - Beginning	12,091
Fund Balances - Ending	\$ 9,589

**TOWN OF BATESBURG-LEESVILLE
SCHEDULE OF FINES AND ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Total Fines and Assessments	131,638
Remitted to State	81,991
Victims Assistance Fund	12,024
Fines and Assessments Retained by Town	37,623

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 Town Council
Town of Batesburg-Leesville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Batesburg-Leesville, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Batesburg-Leesville, South Carolina's basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Batesburg-Leesville, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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

Lexington, South Carolina

December 5, 2017