TOWN OF MCBEE, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2013

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ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

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October 25, 2013

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of McBee
McBee, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Town of McBee, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of McBee, 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, business-type activities, each major fund, and the aggregate remaining fund information of Town of McBee, South Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 36 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of McBee, South Carolina's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 October 25, 2013, on our consideration of the Town of McBee, South Carolina's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of McBee, South Carolina's internal control over financial reporting and compliance.

Sheheen Hancock & Godwin, LLP
Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

Exhibit A

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 799,012	$ 248,039	$ 1,047,051
Receivables			
Property Taxes, Net	5,449	-	5,449
Vehicle Taxes	672	-	672
Intergovernmental	35,260	-	35,260
Garbage Fees	5,560	-	5,560
Franchise Fee	4,421	-	4,421
Water Fees	-	34,924	34,924
Internal Balances	(698)	698	-
Restricted Cash - Non-Current	39,036	76,945	115,981
Capital Assets:			
Land	59,000	11,600	70,600
Buildings and Improvements	627,447	-	627,447
Equipment	135,578	-	135,578
Vehicles	96,532	-	96,532
Infrastructure	176,564	-	176,564
Idle Property	400,000	286,400	686,400
Water System	-	3,065,768	3,065,768
Less: Accumulated Depreciation	(655,172)	(682,002)	(1,337,174)
Total Capital Assets, Net of Depreciation	839,949	2,681,766	3,521,715
Total Assets	1,728,661	3,042,372	4,771,033
Liabilities			
Accounts Payable and Accrued Liabilities	23,404	34,653	58,057
Customer Deposits	-	17,870	17,870
Deferred Grant Revenue	89,200	-	89,200
Due to Other Governments - State Assessment	106,064	-	106,064
Long-Term Liabilities:			
Due Within One Year:			
Bonds	-	22,927	22,927
Due in More Than One Year:			
Bonds	-	1,540,406	1,540,406
Total Liabilities	218,668	1,615,856	1,834,524
Net Position			
Net Investment in Capital Assets	839,949	1,118,433	1,958,382
Restricted for:			
Victim's Assistance	39,036	-	39,036
Bond Cushion Fund	-	67,518	67,518
Depreciation and Contigency Fund	-	9,426	9,426
Unrestricted	631,008	231,139	862,147
Total Net Position	$ 1,509,993	$ 1,426,516	$ 2,936,509

The notes to the financial statements are an integral part of these statements.

Exhibit B

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 144,691	$ 74,626	$ -	$ -	$ (70,065)	$ -	$ (70,065)
Public Safety	155,315	75,785	-	28,373	(51,157)	-	(51,157)
Recreation	11,188	11,494	8,000	36,804	45,110	-	45,110
Streets and Sanitation	85,389	-	-	-	(85,389)	-	(85,389)
Total Governmental Activities	396,583	161,905	8,000	65,177	(161,501)	-	(161,501)
Business-Type Activities							
Utility Fund	356,665	302,741	-	-	-	(53,924)	(53,924)
Total Business-Type Activities	356,665	302,741	-	-	-	(53,924)	(53,924)
Total	$ 753,248	$ 464,646	$ 8,000	$ 65,177	(161,501)	(53,924)	(215,425)
	General Revenues:						
	Taxes				242,213	-	242,213
	Intergovernmental				28,378	-	28,378
	Franchise Fees				53,965	-	53,965
	Interest Income				-	411	411
	Miscellaneous				240	-	240
	Transfers - Utility Fund				72	(72)	-
	Total General Revenues				324,868	339	325,207
	Change in Net Position				163,367	(53,585)	109,782
	Net Position, Beginning of Year				1,346,626	1,480,101	2,826,727
	Net Position, End of Year				$ 1,509,993	$ 1,426,516	$ 2,936,509

The notes to the financial statements are an integral part of these statements.

Exhibit C

TOWN OF McBEE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Recreation Department	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 644,115	$ 154,897	$ 799,012
Receivables:			
Property Taxes, Net	5,449	-	5,449
Vehicle Taxes	672	-	672
Intergovernmental	35,260	-	35,260
Garbage Fees	5,560	-	5,560
Franchise Fee Receivable	4,421	-	4,421
Restricted Assets - Noncurrent	39,036	-	39,036
Total Assets	$ 734,513	$ 154,897	$ 889,410
Liabilities			
Accounts Payable and Accrued Liabilities	$ 23,404	$ -	$ 23,404
Due to Utility Fund	698	-	698
Due to Other Governments	106,064	-	106,064
Deferred Revenue:			-
Property Taxes	4,162	-	4,162
Grants	-	89,200	89,200
Total Liabilities	134,328	89,200	223,528
Fund Balances			
Restricted for Victim's Assistance	39,036	-	39,036
Committed for Recreation Complex	-	65,697	65,697
Unassigned	561,149	-	561,149
Total Fund Balances	600,185	65,697	665,882
Total Liabilities and Fund Balances	$ 734,513	$ 154,897	$ 889,410

The notes to the financial statements are an integral part of these statements.

Exhibit D

TOWN OF McBEE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds (Exhibit C)	$ 665,882
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 as assets in the governmental funds. The cost of the assets is $1,495,121, and the accumulated depreciation is $655,172.	839,949
Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Property Taxes	4,162
Total Net Position - Governmental Activities (Exhibit A)	$ 1,509,993

The notes to the financial statements are an integral part of these statements.

Exhibit E

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2013

	General	Recreation Department	Total Governmental Funds
Revenues			
Taxes	$ 233,184	$ 7,910	$ 241,094
Fines, Fees, Licenses and Permits	215,870	-	215,870
Intergovernmental	28,378	-	28,378
Grants	-	8,000	8,000
Contributions	28,372	36,804	65,176
Other	-	240	240
Total Revenues	505,804	52,954	558,758
Expenditures			
Current:			
General Government	130,702	-	130,702
Public Safety	138,038	-	138,038
Recreation	11,188	-	11,188
Streets and Sanitation	77,133	-	77,133
Capital Outlay	5,713	8,902	14,615
Total Expenditures	362,774	8,902	371,676
Excess of Revenues over Expenditures	143,030	44,052	187,082
Other Financing Sources (Uses)			
Transfers In (Out)	72	-	72
Net Change in Fund Balances	143,102	44,052	187,154
Fund Balances, Beginning of Year	457,083	21,645	478,728
Fund Balances, End of Year	$ 600,185	$ 65,697	$ 665,882

The notes to the financial statements are an integral part of these statements.

Exhibit F

TOWN OF McBEE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	$ 187,154
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of $37,020 exceeds capital outlay of $12,114 for the period.	(24,906)
Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds:	
Property taxes	1,119
Change in Net Position of Governmental Activities (Exhibit B)	$ 163,367

The notes to the financial statements are an integral part of these statements.

Exhibit G

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF NET POSITION – PROPRIETARY FUND
June 30, 2013

	Enterprise Fund Utility
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 248,039
Accounts Receivable	34,924
Total Current Assets	282,963
Non-Current Assets:	
Restricted Cash	76,945
Due From General Fund	698
Capital Assets	
Land	11,600
Water System	3,065,768
Idle Property	286,400
Less: Accumulated Depreciation	(682,002)
Total Non-Current Assets	2,759,409
Total Assets	3,042,372
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	34,653
Current Portion of Revenue Bonds	22,927
Customer Deposits	17,870
Total Current Liabilities	75,450
Non-Current Liabilities:	
Revenue Bonds	1,540,406
Total Liabilities	1,615,856
Net Position	
Net Investment in Capital Assets	1,118,433
Restricted for:	
Bond Cushion Fund	67,518
Depreciation and Contigency Fund	9,426
Unrestricted	231,139
Total Net Position	$ 1,426,516

The notes to the financial statements are an integral part of these statements.

Exhibit H

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	Enterprise Fund Utility
Operating Revenues	
Water Charges	$ 274,583
Penalties	3,248
Taps and Reconnections	2,800
Other	22,110
Total Operating Revenues	302,741
Operating Expenses	
Advertising - Public Notices	312
Bad Debt	179
Bank Charges	208
Computer Software	3,420
Contractor Service	19,450
Council Expense	800
Depreciation	86,313
Facilities Fees	4,200
Insurance	4,859
Meter Repairs and Installation	11,570
Office Supplies	1,177
Payroll Taxes	1,305
Postage	2,802
Professional Fees	26,709
Repairs and Maintenance	1,333
Retirement Expense	1,963
Salaries and Wages	18,520
Tools and Equipment	3,249
Telephone	920
Travel	225
Utilities	1,648
Water Purchases	93,154
Water Testing Fees	1,620
Total Operating Expenses	285,936
Operating Income	16,805
Non-Operating Revenues (Expenses)	
Interest Revenue	411
Interest Expense	(70,729)
Transfer to General Fund	(72)
Total Non-Operating Revenues (Expenses)	(70,390)
Change in Net Position	(53,585)
Total Net Position, Beginning of Year	1,480,101
Total Net Position, End of Year	$ 1,426,516

The notes to the financial statements are an integral part of these statements.

Exhibit I

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	Enterprise Fund Utility
Cash Flows From Operating Activities:	
Cash Received From Customers	$ 301,350
Cash Paid to Suppliers for Goods and Services	(169,330)
Cash Paid to Employees for Services	(18,520)
Customer Deposits Received	1,472
Customer Deposits Returned	(1,397)
Net Cash Provided By Operating Activities	113,575
Cash Flows From Non-Capital Financing Activities:	
Decrease in Due From Other Funds	14,192
Transfer to General Fund	(72)
Net Cash Provided By Non-Capital Financing Activities	14,120
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(13,228)
Principal Payments on Revenue Bonds	(21,923)
Interest Payments on Revenue Bonds	(70,729)
Net Cash (Used) By Capital and Related Financing Activities	(105,880)
Cash Flows From Investing Activities:	
Interest Received	411
Net Cash Provided by Investing Activities	411
Net Increase in Cash	22,226
Cash and Cash Equivalents, Beginning of Year	302,758
Cash and Cash Equivalents, End of Year	$ 324,984

The notes to the financial statements are an integral part of these statements.

Exhibit I

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013
(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	$	16,805
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		86,313
Decrease in Receivables		(1,391)
Increase in Accounts Payable and Accrued Expenses		11,773
Increase in Customer Deposits		75
Net Adjustments		96,770
Net Cash Provided by Operating Activities	$	113,575

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	$	248,039
Noncurrent Assets - Restricted Cash		76,945
Total Cash and Cash Equivalents	$	324,984

The notes to the financial statements are an integral part of these statements.

Exhibit J

TOWN OF McBEE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	Agency Funds
Assets	
Cash and Cash Equivalents	$ 2,056
Total Assets	$ 2,056
Liabilities	
Due to Others	$ 2,056
Total Liabilities	$ 2,056

The notes to the financial statements are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

The Town of McBee is a municipal corporation of the State of South Carolina located in Chesterfield County, and as such, possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The financial statements of the Town of McBee have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the Town's accounting policies.

A. Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards,* include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of McBee has no component units.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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. The statements distinguish between those activities of the Town that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions

that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect cost.

Fund Financial Statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 reported as fund balances. The General Fund and Recreation Department Capital Project Fund are the Town's only major governmental funds.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general administration and the traditional services provided by the Town are paid through the General Fund.

Capital Project Funds

Capital Project Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by the Town's proprietary fund. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary funds, are also accounted for in a capital projects fund. The Town has one capital projects fund, which is being financed with a capital grant.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the Town's proprietary fund:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Utility Fund is the Town's only enterprise fund and is used to account for the financial transactions related to the water service provided to the residents of the Town.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The Town only has one fiduciary fund, which is an agency fund.

Agency Funds

Agency Funds are used to account for assets held by the Town in a trustee capacity and do not involve measurement of results of operations. The Town maintains a bank account for drug seizures.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other

financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Town finances and meets the cash flow of its proprietary fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Items such as franchise fees, business licenses, grants, garbage fees and intergovernmental revenues are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, restricted cash and certificates of deposits.

Investments

Any investments held by the Town are stated at fair value in accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools.* Investment policies of the Town must operate within existing state statutes of the State of South Carolina, which authorizes what the Town may and may not invest in. The Town did not have any investments at June 30, 2013.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable. Major receivable balances for the governmental activities include property taxes, vehicle taxes, garbage fees, grants and intergovernmental revenues. Business-type activities report water service revenues as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for Federal and State revenue if they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Water service receivables compose the majority of proprietary fund receivables.

F. Short-term Inter-fund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial balance sheet. Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

G. Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2004. The Town maintains a capitalization policy of $500 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Infrastructure assets have not been retroactively reported. However, the financial statements include infrastructure fixed assets beginning with the implementation of GASB Statement 34.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Infrastructure	10-30 years
Buildings	10-40 years
Land Improvements	15 years
Water Lines and System	10-50 years
Machinery and Equipment	5-10 years
Water Wells	25 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

H. Compensated Absences

The Town reports compensated absences in accordance with the provisions of *GASB Statement No. 16 Accounting for Compensated Absences*. The Town's policies regarding vacation and sick leave permit employees to accumulate earned but unused vacation but do not accumulate unused sick leave. The maximum amount of unused vacation leave that may be carried over to the next fiscal year is forty hours. Employees, upon termination of employment or retirement, receive compensation for accumulated unused vacation up to the forty hour maximum, but do not receive compensation for accumulated sick leave.

A compensated absence liability is reported on the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

At June 30, 2013, there was not any unused vacation leave and, therefore, no compensated absence liability is included in the financial statements.

I. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. Net Investment in Capital Assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, laws or regulations of other governments or law through constitutional provisions or enabling legislation.

c. Unrestricted net position. All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

In the governmental fund financial statements, fund balances are classified as follows:

• Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

• Restricted—Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.

• Committed—Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.

• Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.

• Unassigned—All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

J. Inter-fund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues 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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the utility fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

K. Operating and Non-operating Revenues

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those, which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

M. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

N. Capital Contributions

Contributions of capital on the Utility Fund financial statements arise from outside contributions of capital assets, contributions from other funds, grants or outside contributions of resources restricted to capital acquisition and construction.

O. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

P. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Statement of Cash Flows

For the purpose of the statement of cash flows, the Town's proprietary fund considers cash, restricted cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits.

R. Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Federal, state and private program grant revenues received before the eligibility requirements are met, are recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, and when the Town has a legal claim to the grant proceeds, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Contributions are recognized as revenue if all eligibility requirements are met, until then, they are reported as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period (60 days after year-end) are reported as deferred revenue.

Note 2. Property Taxes

Real property taxes are levied on October 1 on the assessed valuations of property located in Chesterfield County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2 – March 16	10% of tax
March 17 and thereafter	15% of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by Chesterfield County. Property tax revenue is recognized when collected by the County Treasurer's Office. Assessed values for real estate are established annually by the Chesterfield County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property.

Based on information provided by the Chesterfield County Treasurer's Office, the Town has recorded uncollected property taxes at June 30, 2013, of $5,449 (net of allowance for uncollectible portion of $2,776) for the General Fund. Delinquent property taxes of $1,287 have been recognized as revenue at June 30, 2013, because it was collected within 60 days of year end. The remaining amount of $4,162 has been recorded as deferred revenue on the governmental fund basic financial statements because it was not collected within 60 days of year end.

Note 3. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, $781,418 of the Town's bank balance of $1,176,691, which has a carrying value of $1,165,008, was exposed to custodial credit risk.

Uninsured by FDIC, but collateral held by pledging bank in the Town's name	$781,418

Note 4. Other Receivables

Other governmental receivables at June 30, 2013, consist of intergovernmental revenues, business licenses, grants and garbage fees. Garbage fees receivable shown in the General Fund consist of garbage services rendered as of June but not collected.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2013, the Recreation Department Capital Project Fund had $89,200 of unearned revenue related to a grant.

Note 5. Inter-fund Receivables and Payables

The composition of inter-fund balances as of June 30, 2013, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
Utility Fund	General Fund	$ 698

This represents garbage fees collected by the Utility Fund on behalf of the General Fund and a reimbursement of expenditures due to the Utility Fund by the General Fund.

Note 6. Capital Assets

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

	Beginning	Additions	Disposals & Transfers	Ending
Governmental Activities				
Capital Assets, Non-Depreciable:				
Land	$ 59,000	$ -	$ -	$ 59,000
Idle Property	400,000	-	-	400,000
Capital Assets, Depreciable:				
Buildings and Improvements	619,187	8,260	-	627,447
Infrastructure	176,564	-	-	176,564
Equipment	131,725	3,853	-	135,578
Vehicles	96,532	-	-	96,532
Totals	1,483,008	12,113	-	1,495,121
Less Accumulated Depreciation				
Buildings	(434,949)	(19,416)	-	(454,365)
Infrastructure	(7,450)	(4,591)	-	(12,041)
Equipment	(115,432)	(2,104)	-	(117,536)
Vehicles	(60,321)	(10,909)	-	(71,230)
Totals	(618,152)	(37,020)	-	(655,172)
Governmental Activities Capital Assets, Net	$ 864,856	$ (24,907)	$ -	$ 839,949
Business - type Activities				
Capital Assets, Non-Depreciable:				
Land	$ 11,600	$ -	$ -	$ 11,600
Idle Property	286,400	-	-	286,400
Capital Assets, Depreciable:				
Water System and Equipment	3,052,540	13,228	-	3,065,768
Totals	3,350,540	13,228	-	3,363,768
Less Accumulated Depreciation				
Water System and Equipment	(595,689)	(86,313)	-	(682,002)
Business - type Activities Capital Assets, Net	$ 2,754,851	$ (73,085)	$ -	$ 2,681,766

Depreciation expense was charged to functions as follows:

General Government	$ 14,068
Public Safety	14,808
Streets and Sanitation	8,144
Total	$ 37,020

The medical office building, water tank and pump were idle as of June 30, 2013, with a net book value of $250,000 for the building and $214,177 for the water tank and pump.

Note 7. Long-Term Debt

Business-type Activity Revenue Bonds

On February 10, 2005, the Town issued $1,456,800 in Water Revenue Bonds Series 2005A. The bonds range in maturity dates from 2006 to 2045. The interest rate on the bonds is 4.50 percent. The balance owed on the principal amount of these bonds on June 30, 2013, was $1,336,239. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

On February 10, 2005, the Town issued $172,200 in Water Revenue Bonds Series 2005B. The bonds range in maturity dates from 2006 to 2045. The interest rate on the bonds is 4.375 percent. The balance owed on the principal amount of these bonds on June 30, 2013, was $157,570. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

On August 24, 2006, the Town issued $75,000 in Water Revenue Bonds Series 2006. The bonds range in maturity dates from 2007 to 2046. The interest rate on the bonds is 4.50 percent. The balance owed on the principal amount of these bonds on June 30, 2013, was $69,524. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

The following is a schedule showing the annual debt service requirements to maturity for the long-term debt.

Fiscal Year Ending June 30	Principal	Interest	Total
2014	$ 22,927	$ 69,725	$ 92,652
2015	23,977	68,675	92,652
2016	25,076	67,576	92,652
2017	26,224	66,428	92,652
2018	27,426	65,226	92,652
2019-2023	157,163	306,097	463,260
2024-2028	196,610	266,650	463,260
2029-2033	245,959	217,301	463,260
2034-2038	307,695	155,565	463,260
2039-2043	384,929	78,331	463,260
2044-2046	145,347	5,867	151,214
Total	$ 1,563,333	$ 1,367,441	$ 2,930,774

Note 8. Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Business-type Activities					
Revenue Bonds	$ 1,585,256	$ -	$ 21,923	$ 1,563,333	$ 22,927

Note 9. Debt Service and Cushion Fund

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of a debt service fund to facilitate the payment of the bonds when they become due. Each month, the Town is required to deposit an amount that would be sufficient to pay the monthly interest and principal on the bonds.

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of cushion funds to facilitate a reserve equal to the highest annual principal and interest requirements on the bonds. Each month, the Town is required to deposit 1/10 of the

monthly principal and interest payments until the account is equal to the highest annual principal and interest requirement on the bonds.

On June 30, 2013, all Debt Service and Cushion Funds totaled $67,518. The Town is in compliance with the Debt Service and Cushion Fund requirements.

Note 10. Depreciation and Contingency Fund

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of a depreciation and contingency fund to facilitate the payment of replacement and improvement costs. The Town is not required to maintain a minimum balance in these accounts. On June 30, 2013, the Depreciation and Contingency Funds totaled $9,426. The Town is in compliance with the Depreciation and Contingency Fund requirements.

Note 11. Employee Retirement Systems

Plan Description – Substantially all Town employees are members of the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS). The South Carolina Retirement System and the South Carolina Police Officers Retirement System are cost-sharing, multi-employer defined benefit pension plans administered by the South Carolina Retirement System, a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws. Only the South Carolina State Budget and Control Board has authority to establish and amend benefits.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina, 29211-1960.

Funding Policy - Both employees and employers are required to contribute to the Plan under the authority of Title 9 of the SC Code of Laws. Employees covered under SCRS are required to contribute at a rate of 7.0% of salary. Employees covered under the PORS are required to contribute 7.0% of salary. Employers are required to contribute at a rate of 10.45% to the SCRS defined benefit plan.

Employers are required to contribute at a rate of 11.90% to the PORS defined benefit plan. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% to provide group life insurance benefits and contribute .20% to provide accidental death benefits for PORS participants.

The payroll for the employees covered by the SCRS for the year ended June 30, 2013, was $38,538. The payroll for the employees covered by the PORS for the year ended June 30, 2013, was $37,688. The Town's total payroll, without adjustment for accruals was $107,800.

The Town's SCRS and PORS contributions for the year ended June 30, 2013, are as follows:

SCRS	Actual and Required Contribution Amounts	
Employee Contributions	$	2,694
Employer Contributions	$	4,027
PORS		
Employee Contributions	$	2,590
Employer Contributions	$	4,485

The Town contributed amounts equal to the required contribution to the SCRS and the PORS of $11,585 and $8,697 for the years ended June 30, 2012, and 2011, respectively.

The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual earnings.

Generally all full time, part time, or temporary personnel who fill a permanent position are required to participate in and contribute to the SCRS as a condition of employment. However, all full time, part time, or temporary personnel who fill a permanent position are not required to participate in and contribute to the PORS as a condition of employment. Employees who retire at or after age 65 or with 30 years credited services are entitled to full retirement benefits, payable monthly for life, with an annual rate equal to 1.82% of average final compensation, for each year of credited service. Benefits vest on reaching 5 years of service. Vested employees are entitled to a deferred annuity commencing at age 60.

Note 12. Commitments and Contingencies

The Town participates in a number of assisted grant programs. These programs are subject to program compliance audits by the grantor or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be predicted, although the Town expects such amounts, if any, to be immaterial.

The Town purchases all of the water resold in its Utility Fund from Alligator Rural Water District. For the year ending June 30, 2013, the Town spent $93,154 on water purchases.

Note 13. Insurance and Risk Management

The Town is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF'), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town obtains its general risk insurance through SCMIRF. For the fiscal year ended June 30, 2013, the Town made premium payments totaling $11,319.

SCMIRF is self-sustaining through member premiums and reinsures through commercial companies.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. For the fiscal year ended June 30, 2013, the Town made premium payments totaling $4,969. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses.

The Town also participates in a self-insurance medical program along with various other municipalities. The program is run by the South Carolina Local Government Assurance Group ("SCLGAG"). All funds of the Town participate in the program and make payments to the program based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The total amount of medical, dental and drug claims paid for the current year was $9,537.

There were no significant reductions in coverage in the past fiscal years, and there were no settlements exceeding insurance coverage in the past three fiscal years.

Note 14. Deferred Compensation Plan

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401 (k) Deferred Compensation Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401 (k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. The Town did not have any employees participating in the 401 (k) Plan as of June 30, 2013.

Note 15. Intergovernmental Revenues

The Town receives funds from both the State of South Carolina and the federal government for various grants and projects. In addition, the Town receives state shared revenue from the State of South Carolina including local option sales tax.

Note 16. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2013, consist of the following:

General Fund	
Transfer from Utility Fund	$ 72
Utility Fund	
Transfer to General Fund	$(72)

Funds were transferred from the Utility Fund to the General Fund to reimburse the General Fund for expenses related to salaries, utilities, and insurance.

Note 17. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011, which the Town adopted during the fiscal year. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB 63 provides guidance for reporting deferred inflows/outflows of resources and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, deferred inflows of resources. This Statement is effective for periods beginning after December 15, 2011, which the Town adopted during the fiscal year.

In March 2012, the GASB issued Statement 65, *Reporting Items Previously Recognized as Assets and Liabilities.* GASB 65 provides guidance for reclassifying certain items reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources, or in some cases expense/expenditure. This Statement is effective for periods beginning after December 15, 2012, which impacts the Town's June 30, 2014, financial statements.

General Fund

The General Fund is the major operating fund of the Town and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF McBEE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
Vehicle / Motor Carrier	$ 28,100	$ 29,233	$ 1,133
Local Option Sales Tax	65,000	88,349	23,349
Real Estate Taxes	26,529	28,637	2,108
Homestead Exemption	6,600	-	(6,600)
Taxes Collected - MASC	54,750	68,339	13,589
Hospitality Tax	-	18,626	18,626
Subtotal	180,979	233,184	52,205
Fines, Fees, Licenses and Permits			
Police Fines	55,400	75,785	20,385
Business Licenses	9,575	9,795	220
Franchise Fees	31,200	53,965	22,765
Garbage Fees	65,675	64,541	(1,134)
Cemetery Fees	305	290	(15)
Recreation Fees	9,500	11,494	1,994
Subtotal	171,655	215,870	44,215
Intergovernmental Revenues			
Accommodations Tax	2,000	1,229	(771)
Inventory tax	2,400	662	(1,738)
Aid to Subdivisions	15,000	26,487	11,487
Subtotal	19,400	28,378	8,978
Other			
Grants	23,887	23,309	(578)
Interest	15	1	(14)
Miscellaneous	525	5,062	4,537
Subtotal	24,427	28,372	3,945
Total Revenues	396,461	505,804	109,343

TOWN OF McBEE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013
(Continued)

Expenditures	Budget	Actual	Variance Positive (Negative)
General Government			
Advertising	$ 200	$ 199	$ 1
Bank Charges	140	141	(1)
Capital Outlay	-	3,853	(3,853)
Community Service	600	661	(61)
Computer Software	425	427	(2)
Contingency	9,924		
Contractor Services	3,000	4,213	(1,213)
Council Expense	3,502	800	2,702
Donations	950	850	100
Dues and Subscriptions	400	334	66
Insurance	16,500	15,124	1,376
Licenses and Permits	75	30	45
Medical	100	70	30
Miscellaneous	-	50	(50)
Office Supplies	1,200	1,439	(239)
Payroll Tax Expense	2,012	3,105	(1,093)
Postage	200	273	(73)
Printing	182	181	1
Professional Fees	50,000	37,309	12,691
Rental Equipment	400	340	60
Repairs and Maintenance	1,000	10,513	(9,513)
Retirement Expense	2,000	2,122	(122)
Salaries and Wages	26,300	26,485	(185)
Supplies	750	380	370
Telephone	4,080	3,150	930
Travel and Meetings	675	413	262
Utilities	23,265	22,093	1,172
Total General Government	147,880	134,555	13,325

TOWN OF McBEE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013
(Continued)

Public Safety	Budget	Actual	Variance Positive (Negative)
Advertising	$ 100	$ -	$ 100
Bank Fees	600	997	(397)
Boarding Prisoners	750	88	662
Capital Outlay	1,000	1,123	(123)
Computer Software	2,180	2,179	1
Contractor Services	100	-	100
Dues and Subscriptions	750	373	377
Gas	5,400	4,903	497
Insurance	7,795	5,841	1,954
Medical	200	-	200
Payroll Tax Expense	6,449	3,608	2,841
Postage	100	58	42
Professional Fees	3,200	3,655	(455)
Repairs and Maintenance	2,380	564	1,816
Restitution	250	-	250
Retirement Expense	8,232	5,200	3,032
Salaries and Wages	79,880	62,796	17,084
State Assessment Fees	35,410	41,315	(5,905)
Supplies	1,200	1,001	199
Telephone	2,400	1,761	639
Travel and Meetings	375	-	375
Uniforms	1,000	935	65
Victim Rights Assessments	3,820	2,764	1,056
Total Public Safety	163,571	139,161	24,410
Recreation			
Bank Fees	75	-	75
Franchise Fee	125	-	125
Insurance	540	498	42
Repairs and Maintenance	1,000	-	1,000
Supplies	7,500	8,956	(1,456)
Umpires	2,500	1,575	925
Utilities	125	124	1
Miscellaneous	-	35	(35)
Total Recreation	11,865	11,188	677

TOWN OF McBEE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013
(Continued)

Streets and Sanitation	Budget	Actual	Variance Positive (Negative)
Capital Outlay	$ 800	$ 737	$ 63
Contractor Services	500	-	500
Disposal Service	9,600	5,213	4,387
Gas	3,000	2,525	475
Insurance	2,275	2,144	131
Repairs and Maintenance	2,000	1,243	757
Supplies	1,500	1,276	224
Uniforms	1,700	1,809	(109)
Waste Collection / Dumpster	61,750	62,923	(1,173)
Total Streets and Sanitation	83,125	77,870	5,255
Total Expenditures	406,441	362,774	43,667
Excess of Revenues Over Expenditures	(9,980)	143,030	153,010
Other Financing Sources			
Transfer from Utility Fund	9,980	72	(9,908)
Net Change in Fund Balance	$ -	143,102	$ 143,102
Fund Balance, Beginning of Year		457,083	
Fund Balance, End of Year		$ 600,185	

TOWN OF McBEE, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues			
Taxes	$ 180,979	$ 233,184	$ 52,205
Fines, Fees, Licenses and Permits	171,655	215,870	44,215
Intergovernmental	19,400	28,378	8,978
Other	24,427	28,372	3,945
Total Revenues	396,461	505,804	109,343
Expenditures			
Current:			
General Government	147,880	130,702	17,178
Public Safety	163,571	138,038	25,533
Recreation	11,865	11,188	677
Streets and Sanitation	82,325	77,133	5,192
Capital Outlay	800	5,713	(4,913)
Total Expenditures	406,441	362,774	(43,667)
Excess of Revenues Over Expenditures	(9,980)	143,030	153,010
Other Financing Sources			
Transfer from Utility Fund	9,980	72	(9,908)
Total Other Financing Sources	9,980	72	(9,908)
Net Change in Fund Balance	-	143,102	143,102
Fund Balance, Beginning of Year	457,083	457,083	-
Fund Balance, End of Year	$ 457,083	$ 600,185	$ 143,102

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund and the Utility Fund. All annual appropriations lapse at fiscal year-end.

The Town does not use encumbrance accounting due to the size of operations involved.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

The Town Council prepares the annual operating budget. The budget includes proposed expenditures and the means for financing them. The budget is prepared by fund, object and activity. Public meetings are held to obtain additional comments from interested individual taxpayers. The fiscal year of the Town begins each July 1, and the Council adopts the tentative budget for the coming year. The budget is legally adopted after majority approval by Town Council in two consecutive readings.

Expenditures may not legally exceed budgeted appropriations at the object class level. There were no expenditures in excess of budgeted appropriations at year-end.

Capital Projects Fund

Capital Project Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by the Town's proprietary fund. Capital grants restricted for capital acquisitions, or construction other than those associated with proprietary funds, are also accounted for in a capital projects fund. The Town utilizes the following capital projects funds listed below:

Recreation Grant

TOWN OF McBEE, SOUTH CAROLINA
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2013

	Recreation Department
ASSETS	
Cash	$ 154,897
TOTAL ASSETS	$ 154,897
LIABILITIES AND FUND BALANCE	
Deferred Grant Revenue	$ 89,200
Fund Balance	
Committed for Recreation Complex	65,697
TOTAL LIABILITIES AND FUND BALANCES	$ 154,897

TOWN OF McBEE, SOUTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2013

	Recreation Department
Revenues	
Taxes	$ 7,910
Grants	8,000
Contributions	36,804
Other	240
Total Revenues	52,954
Expenditures	
Capital Outlay	8,902
Total Expenditures	8,902
Net Change in Fund Balances	44,052
Fund Balance, Beginning of Year	21,645
Fund Balance, End of Year	$ 65,697

Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. The Town of McBee has one Enterprise Fund described below:

> Utility Fund - This fund is used to account for all financial resources associated with furnishing water service to its citizens and areas adjacent to the town limits.

TOWN OF McBEE, SOUTH CAROLINA
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Water Charges	$ 272,200	$ 274,583	$ 2,383
Penalties	3,300	3,248	(52)
Taps and Reconnections	2,050	2,800	750
Other	22,100	22,110	10
Total Operating Revenues	299,650	302,741	3,091
Operating Expenses			
Advertising - Public Notices	315	312	3
Bad Debt	150	179	(29)
Bank Charges	200	208	(8)
Computer Software	9,325	3,420	5,905
Contingency	71,035	-	71,035
Contractor Services	19,500	19,450	50
Council Expenses	800	800	-
Depreciation	86,313	86,313	-
Facilities Fees	4,200	4,200	-
Insurance	4,820	4,859	(39)
Meter Repairs and Installation	11,250	11,570	(320)
Office Supplies	1,200	1,177	23
Payroll Taxes	1,000	1,305	(305)
Postage	2,775	2,802	(27)
Professional Fees	26,595	26,709	(114)
Repairs and Maintenance	23,200	1,333	21,867
Tools and Equipment	10,580	3,249	7,331
Salaries and Wages	19,020	18,520	500
Retirement Expense	1,815	1,963	(148)
Telephone	920	920	-
Travel	225	225	-
Utilities	1,625	1,648	(23)
Water Purchases	87,500	93,154	(5,654)
Water Testing Fees	2,000	1,620	380
Total Operating Expenses	386,363	285,936	100,427
Operating Income (Loss)	(86,713)	16,805	103,518
Non-Operating Revenues (Expenses)			
Interest Revenue	400	411	11
Interest Expense	-	(70,729)	(70,729)
Transfer to General Fund	-	(72)	(72)
Total Non-Operating Revenues (Expenses)	400	(70,390)	(70,790)
Change in Net Position	(86,313)	(53,585)	32,728
Total Net Position, Beginning of Year	1,480,101	1,480,101	-
Total Net Position, End of Year	$ 1,393,788	$ 1,426,516	$ 32,728

Agency Funds

Agency Funds are used to account for assets held by a governmental unit as an agent for individuals or other entities. The Town of McBee utilizes the Agency Fund described below:

Drug Seizure Fund - This Fund is used to account for monies seized during a drug bust.

TOWN OF McBEE, SOUTH CAROLINA
FIDUCIARY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2013

	Balance July 1, 2012	Increase	Decrease	Balance June 30, 2013
ASSETS				
Cash and Cash Equivalents	$ 2,056	$ -	$ -	$ 2,056
TOTAL ASSETS	$ 2,056	$ -	$ -	$ 2,056
LIABILITIES				
Due to Other Agencies	$ 2,056	$ -	$ -	$ 2,056
TOTAL LIABILITIES	$ 2,056	$ -	$ -	$ 2,056

TOWN OF McBEE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2013

Court Fines	
Court Fines Collected	$ 30,035
Court Fines Retained by Town	(29,745)
Court Fines Remitted to the State Treasurer	290
Court Assessments	
Court Assessments Collected	32,285
Court Assessments Retained by Town	(3,605)
Court Assessments Remitted to the State Treasurer	28,680
Court Surcharges	
Court Surcharges Collected	12,505
Court Surcharges Retained by Town	(259)
Court Surcharges Remitted to the State Treasurer	12,246
Victims Services	
Funds Available for Carryforward, Beginning of Year	37,941
Court Assessments Allocated to Victim Services	3,605
Court Surcharges Allocated to Victim Services	259
Victim Assistance Fund Expenditures	(2,769)
Funds Available for Carryforward, End of Year	$ 39,036

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October 25, 2013

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*

The Honorable Mayor and Town Council
Town of McBee
McBee, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of McBee, South Carolina, (Town of McBee, South Carolina) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of McBee, South Carolina's basic financial statements and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 13-1 and 13-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of McBee, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Town of McBee, South Carolina's Response to Findings

Town of McBee, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of McBee, South Carolina's response and, accordingly, we express no opinion on it.

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.

Sheheen Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

13-1 *Lack of Expertise in the Preparation of Financial Statements*

Condition:

As is common in small municipalities, the Town does not have anyone on staff with sufficient knowledge to prepare complete year-end financial statements including related footnote disclosures in accordance with accounting principles generally accepted in the United States of America. As such, Town officials requested us to assist in identifying adjustments to the accounting records and prepare the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of the Town's size and is a cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

Criteria:

The Town should have a system of internal controls that would enable Town officials to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

Questioned Cost:

Unknown

Recommendations:

We recommend that the Town provide continuing education and training to its employees in order to develop a financial reporting internal control system that would allow Town officials to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding but recognizes that the outsourcing of certain financial reporting services may remain as a cost benefit decision for the Town given its size and the cost of internal resources.

13-2 *Lack of Segregation of Duties*

Condition:

There is a lack of segregation of duties over the collection and recording of cash receipts. The same employee is responsible for the recording of cash receipts in the Town's general ledger and has custody of cash.

Criteria:

A separation of duties between the recording of cash receipts and the custody of cash should be maintained or adequate oversight or review procedures should be in place.

Questioned Cost:

Unknown

Recommendations:

We realize due to the Town's size, an ideal separation of duties is not possible. Therefore, we recommend that the Mayor and Council continue to monitor and review operations on a regular basis to provide some level of control.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding.