

**TOWN OF WILLIAMSTON,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF WILLIAMSTON, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Fund	14
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	16
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	17
Statement of Net Position - Proprietary Funds - Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds - Enterprise Funds	19
Statement of Cash Flows - Proprietary Funds - Enterprise Funds	20
<i>Notes to the Financial Statements</i>	21
Required Supplementary Information:	
<u>Budgetary Comparison Schedule - General Fund</u>	
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budgets and Actual	38

(Continued)

TOWN OF WILLIAMSTON, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
Supplementary Information:	
<u>Water Enterprise Fund</u>	
Schedule of Revenues, Expenses, and Change in Fund Net Position - Budgets and Actual	42
<u>Sewer Enterprise Fund</u>	
Schedule of Revenues, Expenses, and Change in Fund Net Position - Budgets and Actual	43
Schedule of Court Fines, Assessments, and Surcharges	44
 <u>COMPLIANCE SECTION</u> 	
Independent Auditor's Report - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45

**TOWN OF WILLIAMSTON,
SOUTH CAROLINA**

LISTING OF PRINCIPAL OFFICIALS

Established

1852

MAYOR

Dr. R. Mack Durham

TOWN COUNCIL MEMBERS

Tony Hagood

Rockey Burgess

David R. Harvell

Otis Scott

CLERK/TREASURER

Michelle Starnes



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Williamston
Williamston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Williamston, South Carolina (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Williamston, South Carolina, as of June 30, 2014, 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.

Pending Implementation of GASB Statement on Pensions

As discussed in Note IV.G, the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB #68”) in June 2012. GASB #68, which will be adopted by the Town for the fiscal year ended June 30, 2015, will require the Town to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and the Police Officers’ Retirement System (“Plans”). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the Town’s share of the net pension liability associated with these Plans will decrease the Town’s net position by approximately \$2,925,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the budgetary comparison schedule for the General Fund, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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 September 24, 2014 on our consideration of the Town’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’s internal control over financial reporting and compliance.


Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 24, 2014

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

This discussion and analysis of the financial performance of the Town of Williamston (the "Town") provides an overview of the Town's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to present the Town's financial performance as a whole; readers should also review the financial statements, the notes to the financial statements and the supplemental schedules to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$13,432,000 (net position). Of this amount, approximately \$3,018,000 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by approximately \$802,000, as revenues of approximately \$5,123,000 exceeded expenses of approximately \$4,321,000.
- As of the close of the current fiscal year, the Town's General Fund reported an ending fund balance of approximately \$1,769,000, an increase of approximately \$360,000 compared to the prior year balance. The increase was primarily due to revenues and other financing sources of approximately \$2,712,000 exceeding expenditures of approximately \$2,352,000.
- The unassigned fund balance for the General Fund was approximately \$1,633,000 or 69% of the General Fund expenditures for the current fiscal year.
- General Fund revenues were approximately \$2,712,000 for the current fiscal year compared to approximately \$2,482,000 in the prior fiscal year. General Fund expenditures were approximately \$2,352,000 for the current fiscal year compared to approximately \$2,535,000 in the prior fiscal year.
- Water and sewer revenues were approximately \$2,519,000 in the current fiscal year compared to approximately \$2,758,000 in the prior fiscal year. The decrease was primarily due to the Town recording grant revenue of approximately \$395,000 in current year compared to approximately \$709,000 in the prior year related to the wastewater treatment plant upgrades and sewer system improvements. Water and sewer expenses were approximately \$1,944,000 for the current fiscal year compared to approximately \$1,871,000 in the prior fiscal year. The increase in expenses was primarily due to higher operating expenses of approximately \$136,000 partially offset by not having any amortization of bond issuance costs of approximately \$61,000.
- The Sewer Fund had unrestricted net position of approximately \$159,000 at June 30, 2014, which was an increase of approximately \$192,000 from the prior year as the unrestricted net position was a deficit of approximately \$33,000 in the prior year. This was primarily due to revenues of approximately \$1,499,000 exceeding expenses of approximately \$1,182,000 and a decrease in restricted net position of approximately \$31,000. This was partially offset by an increase in the amount that was invested in capital assets of approximately \$156,000.
- The Water Fund had an unrestricted net position of approximately \$1,195,000, which was an increase of approximately \$257,000 from the prior year.
- The Town's capital assets, net of depreciation, increased by approximately \$89,000 (1%) to approximately \$13,659,000 at June 30, 2014. The increase was due to capital asset additions of approximately \$680,000 (primarily related to sewer upgrades and vehicles for the fire and police departments), partially offset by depreciation expense of approximately \$588,000.
- The Town's long-term indebtedness increased by approximately \$47,000 (1%) to approximately \$3,685,000 at June 30, 2014 due to the issuance of a new capital lease in the amount of \$100,000 partially offset by regular principal payments on all outstanding debt.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and other supplementary information), and *Compliance Section*.

Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements. These financial statements include two kinds of statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town's assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources, with the differences between these items reported as net position. Over time, increases or decreases in net position 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 government's net position changed during the most recent fiscal year. All changes in net position 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions 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 government, public safety, public works and recreation. The business-type activities of the Town are its water and sewer operations.

Fund Financial Statements. The remaining financial statements are *fund financial statements* that focus on individual parts of the Town, reporting its operations in more detail than the government-wide 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, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town can be divided into the following categories: governmental and proprietary 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 near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the period. Such information may be useful in evaluating a government's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Change in Fund Balance provide a reconciliation to facilitate the comparison between the governmental fund and governmental activities.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The Town maintains one type of governmental fund, which is the General Fund. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenue, Expenditures, and Change in Fund Balance for this fund.

The Town maintains one type of proprietary fund, which is an enterprise fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses two enterprise funds to account for its water and sewer operations.

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.

Other Information

In addition to the financial statements, this report includes certain required supplementary information. The Town adopts an annual budget for its General Fund, as required by State statutes. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Other supplementary information referred to in the table of contents is presented immediately following the required supplementary information.

Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Fund	Proprietary Funds
Scope	Entire Town government.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Change in Fund Balance 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position ▪ Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of balance sheet information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets and deferred outflows of resources (if any) expected to be used up and liabilities and deferred inflows of resources that come due during the period or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the fiscal year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the fiscal year; expenditures when goods or services have been received and payment is due during the fiscal year or soon thereafter.	All revenues and expenses during fiscal year, regardless of when cash is received or paid.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$13,432,000 at June 30, 2014.

This table provides a summary of the Town's net position as of June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 1,972,827	1,596,865	1,908,617	1,501,282	3,881,444	\$ 3,098,147
Capital Assets, Net	1,961,449	1,975,765	11,698,032	11,594,660	13,659,481	13,570,425
Total Assets	3,934,276	3,572,630	13,606,649	13,095,942	17,540,925	16,668,572
Liabilities						
Other Liabilities	141,173	119,245	242,344	250,994	383,517	370,239
Long-Term Obligations	131,130	18,689	3,594,202	3,649,374	3,725,332	3,668,063
Total Liabilities	272,303	137,934	3,836,546	3,900,368	4,108,849	4,038,302
Net Position						
Net Investment in Capital Assets	1,861,449	1,975,765	8,113,402	7,956,725	9,974,851	9,932,490
Restricted	136,676	90,507	302,794	334,274	439,470	424,781
Unrestricted	1,663,848	1,368,424	1,353,907	904,575	3,017,755	2,272,999
Total Net Position	\$ 3,661,973	3,434,696	9,770,103	9,195,574	13,432,076	\$ 12,630,270

Net position of the Town's governmental activities increased by approximately \$227,000, or 7%. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased by approximately \$295,000 to approximately \$1,664,000 at June 30, 2014. The increase in unrestricted net position is primarily due to revenues of approximately \$2,604,000 exceeding expenses of approximately \$2,377,000.

Net position of the Town's business-type activities increased by approximately \$575,000, or 6% primarily due to an increase of approximately \$449,000 in the unrestricted net position. The Town's business-type activities unrestricted net position was approximately \$1,354,000 at June 30, 2014 and was comprised of approximately \$1,195,000 for water operations and approximately \$159,000 for sewer operations.

The largest portion of the Town's net position (approximately \$9,975,000 or 74%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) net of accumulated depreciation less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must generally be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net investment in capital assets, increased by approximately \$42,000 during the current fiscal year primarily due to water and sewer system upgrades of approximately \$494,000, and the purchase of vehicles of approximately \$171,000, partially offset by depreciation expense of approximately \$588,000 and the related debt of approximately \$100,000.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

During the current fiscal year, the Town's long-term obligations increased by approximately \$57,000 due to the issuance of the capital lease partially offset by principal payments on its outstanding debt.

This table shows the changes in net position for the years ended June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues						
Program Revenues:						
Charges for Services	\$ 415,286	345,847	2,123,049	2,031,341	2,538,335	\$ 2,377,188
Capital Grants	40,217	74,452	395,452	708,572	435,669	783,024
General Revenues:						
Property and Other Taxes	1,318,764	1,282,603	-	-	1,318,764	1,282,603
Other	829,964	789,600	22	18,500	829,986	808,100
Total Revenues	2,604,231	2,492,502	2,518,523	2,758,413	5,122,754	5,250,915
Program Expenses:						
General Government	485,354	577,673	-	-	485,354	577,673
Public Safety	1,104,389	1,216,073	-	-	1,104,389	1,216,073
Public Works	474,903	500,710	-	-	474,903	500,710
Recreation	312,308	331,429	-	-	312,308	331,429
Water and Sewer	-	-	1,943,994	1,871,353	1,943,994	1,871,353
Total Expenses	2,376,954	2,625,885	1,943,994	1,871,353	4,320,948	4,497,238
Change in Net Position	227,277	(133,383)	574,529	887,060	801,806	753,677
Net Position, Beginning of Year	3,434,696	3,568,079	9,195,574	8,308,514	12,630,270	11,876,593
Net Position, End of Year	\$ 3,661,973	3,434,696	9,770,103	9,195,574	13,432,076	\$ 12,630,270

Governmental Activities. The Town's net position increased during the current fiscal year by approximately \$227,000 or 7%. In the prior year, the Town's net position decreased by approximately \$133,000. The difference in the results between the two years was the result of decreased expenses in the current year of approximately \$249,000 primarily due to decreases in every department, and increased revenues in the current year of approximately \$112,000, primarily due to increased charges for services and property and other taxes.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities. The Town's net position increased during the current fiscal year by approximately \$575,000 or 6%, compared to an increase of approximately \$887,000 in the prior year. The difference in the results between the two years was primarily the result of lower revenues of approximately \$240,000 primarily due to lower grant revenue (\$313,000) and higher charges for services during the current fiscal year (\$92,000); partially offset by higher expenses of approximately \$73,000 due to the increased costs to operate the wastewater treatment plant.

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 Fund

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At June 30, 2014, the Town's General Fund reported an ending fund balance of approximately \$1,769,000. Of this amount, approximately \$1,633,000 is unassigned fund balance, which is available for spending at the government's discretion.

General Fund revenues were approximately \$2,712,000 in the current fiscal year, an increase of approximately \$230,000 compared to the prior year total of approximately \$2,482,000. As with most municipalities in the State of South Carolina, the Town is dependent on local property taxes to pay for many of the services provided to its citizens. The current millage rate for local property taxes is 110.0 mills. The assessed value is 4% of market value for residential property, 6% for commercial property, and 10.5% for industrial property. Local property taxes accounted for 40% (approximately \$1,004,000) of total General Fund revenue during the current fiscal year, an increase of approximately \$58,000 compared to the prior year. Franchise fees also increased approximately \$70,000. During the current fiscal year, grants decreased by approximately \$34,000. In addition, sanitation fees decreased approximately \$17,000 and licenses and permits decreased by approximately \$20,000 during the current fiscal year. The Town also experienced a decrease in fines and forfeitures of approximately \$45,000 during the current fiscal year.

General Fund expenditures were approximately \$2,352,000 in the current fiscal year, a decrease of approximately \$183,000 compared to the prior year total of \$2,535,000. The decrease was primarily due to lower public safety expenditures of approximately \$139,000 and lower public works expenditures of approximately \$33,000.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net Position of the Water and Sewer Enterprise Funds at June 30, 2014 amounted to approximately \$9,770,000. Please see the earlier discussion of the Town's business-type activities change in net position in the government-wide financial analysis section of this MD&A for more information.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison schedules are included for the governmental fund and the proprietary funds. These statements compare the original adopted budget, the final budget, and the actual revenues and expenditures for the fiscal year. Amendments to the adopted budget may occur through out the year in a legally permissible manner.

Actual revenues of approximately \$2,596,000 for the General Fund were approximately \$86,000 higher than the budget, primarily due to higher than expected property taxes and franchise fees partially offset by lower than expected other revenues. Actual expenditures of approximately \$2,352,000 were approximately \$273,000 lower than the budget, primarily due to lower than expected general government and recreation expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the Town had approximately \$13,660,000 in capital assets, net of accumulated depreciation. This following table shows the capital asset balances (net of depreciation) for June 30, 2014 compared to June 30, 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 188,000	188,000	372,667	372,667	560,667	\$ 560,667
Buildings and Improvements	320,146	334,752	86,789	90,482	406,935	425,234
Motor Vehicles	367,023	251,421	39,935	46,619	406,958	298,040
Equipment	215,798	254,940	192,989	217,974	408,787	472,914
Infrastructure / Utility Systems	870,482	946,652	11,005,652	10,866,918	11,876,134	11,813,570
Totals	<u>\$ 1,961,449</u>	<u>1,975,765</u>	<u>11,698,032</u>	<u>11,594,660</u>	<u>13,659,481</u>	<u>\$ 13,570,425</u>

The major capital asset transactions for the Town during the current fiscal year were as follows:

- Depreciation expense of approximately \$588,000.
- Water and sewer system improvements of approximately \$494,000.
- Purchase of a fire truck for approximately \$128,000.
- Purchase of vehicles for the police department for approximately \$34,000.

See the notes to the financial statements for additional information regarding the Town's capital assets.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations

As of June 30, 2014, the Town had total long-term obligations of approximately \$3,725,000, as detailed below. The following table presents a summary of the Town's outstanding long-term obligations for June 30, 2014 compared to June 30, 2013:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
2014 Capital Lease	\$ 100,000	-	-	-	100,000	\$ -
2010A Series Revenue Bond	-	-	972,628	987,093	972,628	987,093
2010B Series Revenue Bond	-	-	2,612,002	2,650,842	2,612,002	2,650,842
Compensated Absences	31,130	18,689	9,572	11,439	40,702	30,128
Totals	\$ 131,130	18,689	3,594,202	3,649,374	3,725,332	\$ 3,668,063

The major long-term obligation events for the current period included the following:

- Scheduled principal payments of approximately \$53,000 during the current fiscal year.
- The issuance of the 2014 Capital Lease in the amount of \$100,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at June 30, 2014 was approximately \$776,000. The Town had no general obligation debt subject to this limitation at June 30, 2014.

See the notes to the financial statements for additional information regarding the Town's long-term obligations.

ECONOMIC FACTORS

Economic factors that were considered in preparing the fiscal year 2014 budget were as follows:

- In fiscal year 2014, the Town did not annex any additional properties. There are approximately 3,900 residents living in the Town, which is in Anderson County (population of approximately 175,000). There has been little population growth in the Town since 2000 (approximately 4%).
- The median home cost in Williamston is approximately \$103,000, with no appreciation in the last year.
- Compared to the rest of the country, Williamston's cost of living is significantly lower than the US average.

The Town's fiscal year 2015 General Fund budget is approximately \$2,503,000, which is an increase of approximately \$151,000 from fiscal year 2014 actual expenditures and a decrease of approximately \$122,000 from the fiscal year 2014 budgeted expenditures. The Town will continue to closely monitor and address the revenues and expenditures in light of the current economic situation.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor, Town of Williamston, 12 West Main Street, Williamston, SC 29697 or 864-847-7473.

Basic Financial Statements

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,296,586	1,393,127	\$ 2,689,713
Restricted Cash and Cash Equivalents	136,676	302,794	439,470
Investments	285,235	-	285,235
Property Taxes Receivable, Net	74,206	-	74,206
Accounts Receivable, Net	104,798	178,296	283,094
Unbilled Revenues	-	83,352	83,352
Due from Other Governments	26,374	-	26,374
Internal Balances	48,952	(48,952)	-
Capital Assets:			
Non-Depreciable	188,000	372,667	560,667
Depreciable, Net	1,773,449	11,325,365	13,098,814
TOTAL ASSETS	3,934,276	13,606,649	17,540,925
LIABILITIES			
Accounts Payable	85,007	37,285	122,292
Accrued Salaries and Fringe Benefits	56,166	9,430	65,596
Accrued Sludge Removal	-	16,000	16,000
Accrued Capacity Encroachment	-	37,064	37,064
Deposits	-	142,565	142,565
Long-Term Obligations:			
Due Within One Year	39,991	59,903	99,894
Due in More Than One Year	91,139	3,534,299	3,625,438
TOTAL LIABILITIES	272,303	3,836,546	4,108,849
NET POSITION			
Net Investment in Capital Assets	1,861,449	8,113,402	9,974,851
Restricted For:			
Cemetery Fund	52,722	-	52,722
Victim's Assistance	2,937	-	2,937
Debt Service	-	302,794	302,794
Other	81,017	-	81,017
Unrestricted Net Position	1,663,848	1,353,907	3,017,755
TOTAL NET POSITION	\$ 3,661,973	9,770,103	\$ 13,432,076

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 485,354	-	-	250	(485,104)	-	\$ (485,104)
Public Safety	1,104,389	212,367	-	39,967	(852,055)	-	(852,055)
Public Works	474,903	186,950	-	-	(287,953)	-	(287,953)
Recreation	312,308	15,969	-	-	(296,339)	-	(296,339)
Total Governmental Activities	2,376,954	415,286	-	40,217	(1,921,451)	-	(1,921,451)
Business-Type Activities:							
Water	762,046	995,040	-	24,935	-	257,929	257,929
Sewer	1,181,767	1,128,009	-	370,517	-	316,759	316,759
Total Business-Type Activities	1,943,813	2,123,049	-	395,452	-	574,688	574,688
TOTAL - PRIMARY GOVERNMENT	\$ 4,320,767	2,538,335	-	435,669	(1,921,451)	574,688	(1,346,763)
General Revenues:							
Taxes:							
Property Taxes					1,127,311	-	1,127,311
Hospitality Taxes					191,453	-	191,453
Franchise Fees					386,331	-	386,331
Intergovernmental Revenue					87,373	-	87,373
Licenses and Permits					309,950	-	309,950
Miscellaneous Revenue					30,412	-	30,412
Investment Income					930	22	952
Gain (Loss) on Disposal of Capital Assets					14,968	(181)	14,787
Total General Revenues					2,148,728	(159)	2,148,569
CHANGE IN NET POSITION					227,277	574,529	801,806
NET POSITION, Beginning of Year					3,434,696	9,195,574	12,630,270
NET POSITION, End of Year					\$ 3,661,973	9,770,103	\$ 13,432,076

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2014

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 1,296,586
Cash and Cash Equivalents - Restricted	136,676
Investments	285,235
Receivables, Net:	
Taxes	74,206
Accounts	104,798
Due from State Agencies	26,374
Due from Other Funds	373,453
TOTAL ASSETS	<u>\$ 2,297,328</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 85,007
Accrued Salaries and Fringe Benefits	56,166
Due to Other Funds	324,501
TOTAL LIABILITIES	<u>465,674</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	62,421
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>62,421</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>528,095</u>
 FUND BALANCE	
Restricted for:	
Cemetery Fund	52,722
Victim's Assistance	2,937
Other	81,017
Unassigned:	
General Fund	1,632,557
TOTAL FUND BALANCE	<u>1,769,233</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,297,328</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 1,769,233
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund. The cost of the assets was \$6,436,071, and accumulated depreciation was \$4,474,622.	1,961,449
Property taxes in the Statement of Net Position will be collected this year, but are not available soon enough to pay for the current fiscal year's expenditures, and therefore have been deferred in the governmental fund.	62,421
Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental fund. Long-term liabilities consisted of the following:	
Lease payable	(100,000)
Compensated absences (vacation)	(31,130)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 3,661,973</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2014

	GENERAL FUND
REVENUES	
Property Taxes	\$ 1,003,468
Hospitality Taxes	191,453
Homestead Exemption	93,225
Manufacturer's Exemption	31,470
Merchant's Inventory	5,406
Franchise Fees	386,331
Licenses and Permits	309,950
Intergovernmental	87,373
Fines and Forfeitures	29,667
Sanitation Collection Fees	190,412
Charges for Services	12,506
Resource Officers	183,506
Investment Income	930
Donations	250
Grants	39,967
Other	29,607
TOTAL REVENUES ALL SOURCES	<u>2,595,521</u>
EXPENDITURES	
Current:	
General Government	475,743
Public Safety	1,041,120
Public Works	378,099
Recreation	276,410
Capital Outlay	180,746
TOTAL EXPENDITURES	<u>2,352,118</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>243,403</u>
OTHER FINANCING SOURCES	
Issuance of Note Payable	100,004
Proceeds from the Sale of Capital Assets	16,885
TOTAL OTHER FINANCING SOURCES	<u>116,889</u>
NET CHANGE IN FUND BALANCE	360,292
FUND BALANCE, Beginning of Year	<u>1,408,941</u>
FUND BALANCE, End of Year	<u>\$ 1,769,233</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 360,292
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. This amount is the change in unavailable revenue - property taxes for the year.	(6,258)
Proceeds from a capital lease provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(100,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(12,441)
In the Statement of Activities the loss on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.	(1,917)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which current year depreciation of \$197,573 exceeded additions of \$185,174.	<u>(12,399)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 227,277</u></u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - ENTERPRISE FUNDS

JUNE 30, 2014

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,387,166	5,961	\$ 1,393,127
Restricted Cash and Cash Equivalents	-	302,794	302,794
Accounts Receivables, Net	89,977	88,319	178,296
Due from Other Funds	324,501	537,102	861,603
Unbilled Revenues	41,053	42,299	83,352
Total Current Assets	<u>1,842,697</u>	<u>976,475</u>	<u>2,819,172</u>
Noncurrent Assets:			
Non-Depreciable Capital Assets	251,416	121,251	372,667
Depreciable Capital Assets, Net	1,263,967	10,061,398	11,325,365
Total Noncurrent Assets	<u>1,515,383</u>	<u>10,182,649</u>	<u>11,698,032</u>
TOTAL ASSETS	<u>3,358,080</u>	<u>11,159,124</u>	<u>14,517,204</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	30,142	7,143	37,285
Accrued Salaries and Fringe Benefits	1,339	8,091	9,430
Accrued Sludge Removal	-	16,000	16,000
Accrued Capacity Encroachment	-	37,064	37,064
Deposits	78,550	64,015	142,565
Due to Other Funds	537,102	373,453	910,555
Compensated Absences - Current Portion	403	4,574	4,977
Revenue Bonds Payable - Current Portion	-	54,926	54,926
Total Current Liabilities	<u>647,536</u>	<u>565,266</u>	<u>1,212,802</u>
Noncurrent Liabilities:			
Compensated Absences - Noncurrent Portion	372	4,223	4,595
Revenue Bonds Payable - Noncurrent Portion	-	3,529,704	3,529,704
Total Noncurrent Liabilities	<u>372</u>	<u>3,533,927</u>	<u>3,534,299</u>
TOTAL LIABILITIES	<u>647,908</u>	<u>4,099,193</u>	<u>4,747,101</u>
NET POSITION			
Net Investment in Capital Assets	1,515,383	6,598,019	8,113,402
Restricted for Debt Service	-	302,794	302,794
Unrestricted Net Position	1,194,789	159,118	1,353,907
TOTAL NET POSITION	<u>\$ 2,710,172</u>	<u>7,059,931</u>	<u>\$ 9,770,103</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2014

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for Services:			
Water Services	\$ 980,646	-	\$ 980,646
Sewer Services	-	974,103	974,103
Leachate Treatment	-	132,652	132,652
Other Fees and Miscellaneous Revenues	14,394	21,254	35,648
TOTAL OPERATING REVENUES	995,040	1,128,009	2,123,049
OPERATING EXPENSES			
Water Operations	762,046	-	762,046
Sewer Operations	-	1,073,312	1,073,312
TOTAL OPERATING EXPENSES	762,046	1,073,312	1,835,358
OPERATING INCOME	232,994	54,697	287,691
NON-OPERATING INCOME (EXPENSES)			
Loss on Disposal of Assets	(181)	-	(181)
Grant Revenue	24,935	370,517	395,452
Investment Income	-	22	22
Interest Expense	-	(108,455)	(108,455)
TOTAL NON-OPERATING INCOME (EXPENSES)	24,754	262,084	286,838
CHANGE IN NET POSITION	257,748	316,781	574,529
NET POSITION, Beginning of Year	2,452,424	6,743,150	9,195,574
NET POSITION, End of Year	\$ 2,710,172	7,059,931	\$ 9,770,103

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2014

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Other Revenues	\$ 997,315	1,120,918	\$ 2,118,233
Cash Payments for Goods and Services	(663,333)	(610,030)	(1,273,363)
Cash Payments to Employees	(27,372)	(163,158)	(190,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	306,610	347,730	654,340
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments to Other Funds, Net	(53,318)	(184,380)	(237,698)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(53,318)	(184,380)	(237,698)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(82,500)	(411,924)	(494,424)
Grant Revenue	24,935	370,517	395,452
Principal Payments on Revenue Bonds	-	(53,305)	(53,305)
Interest Payments	-	(108,455)	(108,455)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(57,565)	(203,167)	(260,732)
CASH FLOWS FROM INVESTING ACTIVITIES			
Income on Investments	-	22	22
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	22	22
NET INCREASE IN CASH AND CASH EQUIVALENTS	195,727	(39,795)	155,932
CASH AND CASH EQUIVALENTS, Beginning of Year	1,191,439	348,550	1,539,989
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,387,166	308,755	\$ 1,695,921
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 232,994	54,697	\$ 287,691
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	81,435	309,435	390,870
Change in:			
Accounts Receivable, Net	(5,255)	(6,535)	(11,790)
Unbilled Revenue	(1,358)	(556)	(1,914)
Accounts Payable	(6,672)	(11,728)	(18,400)
Accrued Salaries and Fringe Benefits	128	734	862
Deposits	8,888	-	8,888
Compensated Absences	(3,550)	1,683	(1,867)
Net Cash Provided by Operating Activities	\$ 306,610	347,730	\$ 654,340

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

The Town of Williamston (the "Town") is an incorporated municipality located in Anderson County, South Carolina. It was established in 1852. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. Accordingly, the Town operates under a mayor-council form of government. The Town council is composed of a mayor and four council members ("Council").

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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 to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements present the Town's financial information with its component units, if applicable. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or 2) there is a potential for the entity to provide specific financial benefits to or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town.

Based on the criteria above, the Town does not have any blended or discretely presented component units.

Major Operations

All activities for which the Council exercises oversight responsibility have been incorporated into the financial statements to form the reporting entity. The Town's financial statements include the accounts of all Town operations, including, but not limited to, general operations and supporting services, public safety (police and fire), streets, sanitation, recreation, water and sewer services.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. 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.

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB #65”) in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the Town in the year ended June 30, 2013. The Town’s only former financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable property taxes) in its Statement of Financial Position. Under GASB #65, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current period. For this purpose, the government considers its revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

Governmental fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following fund types and major funds are used by the Town.

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

The following is the Town's only governmental fund type:

The **General Fund, a major fund**, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town 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. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any unreserved, unassigned or uncommitted fund balance is considered a resource available for use.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary fund types include the following funds:

Enterprise Funds are used 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 the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Town has two enterprise funds.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The **Water Fund** is used to account for water services provided to the residents of the Town and some surrounding areas.

The **Sewer Fund** is used to account for sewer services provided to the residents of the Town and some surrounding areas.

Fiduciary Fund Types include trust funds and the agency funds. These funds are used to account for assets held by the Town in a trustee capacity for individuals, other governments, and/or other funds. Trust funds are accounted for in essentially the same manner as proprietary funds. The Town does not have any fiduciary funds.

C. Assets, Liabilities, Deferred Inflows of Resources and Equity

1. *Cash, Cash Equivalents, and Investments*

Cash and Cash Equivalents

For purposes of the financial statements, the Town considers all highly liquid investments with original maturities of three months or less when initially purchased to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Restricted Cash and Cash Equivalents

The Town has various cash accounts which are restricted by either funding sources, bond requirements or state laws or regulations.

Investments

Investments are recorded at fair value. The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No-load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash investment objectives are preservation of capital, liquidity and yield. Investments are stated at fair value. The Town invested its funds in certificates of deposit during the year ended June 30, 2014.

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund receivables or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of fees, charges and services, including franchise fees, sanitation, water, sewer and other fees and charges.

3. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain ("infrastructure") general capital assets acquired prior to January 1, 2004, consisting of roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, and lighting systems that were acquired or that received substantial improvements are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town maintains a capitalization threshold of \$5,000 other than those associated with infrastructure. The Town's minimum capitalization threshold for infrastructure assets is \$100,000.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

3. *Capital Assets (Continued)*

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	40 years	15 years
Vehicles	5-15 years	10 years
Equipment	5-20 years	10 years
Infrastructure	50 years	N/A
Water and Sewer System	N/A	10 -50 years

4. *Compensated Absences*

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The Town's employees are granted vacation and sick leave in varying amounts depending upon the length of service to the Town. Upon termination of employment, an employee is reimbursed for accumulated vacation days not to exceed the total potential accumulated vacation days within the past 24 months. Sick pay benefits are earned at the rate of one day per month of continuous service and may be accumulated up to a maximum of 120 days. Unused sick leave is not reimbursed and therefore, not reported in the financial statements.

The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary funds is also recorded in the proprietary fund financial statements. The governmental fund will also recognize compensated absences for termination and retirements that occurred prior to year end that are expected to be paid within a short time subsequent to year end, if they are material.

5. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the proprietary funds is also recorded in the proprietary fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs, are deferred, if material, and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Amortization of premiums, discounts and bond issuance costs are included in interest expense. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, if applicable, are included in other assets.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

5. *Accrued Liabilities and Long-Term Obligations*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Balance*

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids or inventories) or because of legal or contractual requirements (i.e., principal on an endowment).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Town Council before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

The Town's practice is to generally use restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

7. *Net Position*

Net position represents the difference between assets and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Inflows of Resources and Equity (Continued)

7. *Net Position (Continued)*

Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

8. *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

9. *Comparative Data*

Comparative data (i.e. presentation of prior year totals for the financial statements) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary Information**

The Town's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund and Water and Sewer Funds. The presented budgetary information is as originally adopted or as amended by Council. All annual appropriations lapse at fiscal year end.

Prior to June 1st of each year, all agencies of the government submit requests for appropriation to the Town so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Council holds two public hearings on the annual budget, which must be prepared and adopted no later than the last day of June. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established on the budget as a whole.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. **Deposits and Investments**

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2014, none of the Town's bank deposits of \$3,451,398 (which had a carrying value of \$3,414,418) were exposed to custodial credit risk.

Investments

As of June 30, 2014, the Town did not have any investments as defined by GASB Statement No. 40.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consisted of the following at June 30, 2014:

Debt Service Reserve	\$	302,794
Cemetery Fund		52,722
Drug Forfeiture		6,906
Hospitality Tax		72,799
Other		4,249
Total Restricted Cash and Cash Equivalents	\$	<u>439,470</u>

B. Accounts Receivable and Unbilled Revenue

The General Fund had accounts receivable of \$104,798 at June 30, 2014, which primarily represents the Duke Energy franchise fee, Charter franchise fee, sanitation receivables and the June hospitality taxes due to the Town at June 30, 2014 that were received subsequent to June 30, 2014.

The Water and Sewer Funds have accounts receivable of \$89,977 and \$88,319, respectively (net of an allowance for doubtful accounts of \$16,552 and \$9,519, respectively) at June 30, 2014, which primarily represents unpaid water and sewer charges through the June 15, 2014 billing period. In addition, the Water and Sewer Funds have \$41,053 and \$42,299 respectively, in unbilled revenues related to water and sewer usage by customers for the last two weeks of June 2014 that were not billed until July 2014.

C. Property Taxes Receivable and Unavailable Revenue

Property taxes on real estate and on personal property and taxes on automobiles are billed and collected by Anderson County, South Carolina, and remitted monthly to the Town of Williamson. Except motor vehicles (which the levy date for motor vehicles is the first day of the month in which the motor vehicle license expires and for which taxes are due by the last day of the same month), property taxes are levied on October 1, based on an assessed value of approximately \$9,697,000 at a rate of 110.0 mills, and are payable without penalty through January 14. On January 15, a 15% penalty is added to all unpaid taxes. On February 1, an execution cost of 5% of all unpaid taxes and penalties is added. On or before March 16, a notice of delinquent taxes, penalties and costs is mailed to the property owner advising that if these are not paid by August 13, the property will be sold in October.

At June 30, 2014, the Town reported property taxes receivable of \$74,206, of which \$11,785 was received within 60 days after fiscal year end. The General Fund defers revenue recognition for receivables that are not considered available to liquidate liabilities of the current period (i.e., collected within 60 days after fiscal year end). At June 30, 2014, the General Fund reported \$62,421 in unavailable revenue – property taxes, all attributable to delinquent property taxes receivable.

D. Deposits

The Water Fund and the Sewer Fund have liabilities for customer deposits totaling \$142,565, which will be applied to the customer's last bill when service is terminated.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014 (all of which are expected to be repaid within one year), are summarized as follows:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 373,453	\$ 324,501
<u>Enterprise Funds:</u>		
Water Fund	324,501	537,102
Sewer Fund	537,102	373,453
Total	<u>\$ 1,235,056</u>	<u>\$ 1,235,056</u>

F. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 188,000	-	-	\$ 188,000
Total Capital Assets, Non-Depreciable	<u>188,000</u>	<u>-</u>	<u>-</u>	<u>188,000</u>
Capital Assets, Depreciable				
Buildings and Improvements	884,438	7,900	-	892,338
Motor Vehicles	1,138,770	171,475	37,768	1,272,477
Equipment	856,145	5,799	-	861,944
Infrastructure	3,221,312	-	-	3,221,312
Total Capital Assets, Depreciable	<u>6,100,665</u>	<u>185,174</u>	<u>37,768</u>	<u>6,248,071</u>
Less: Accumulated Depreciation for				
Buildings and Improvements	549,686	22,506	-	572,192
Motor Vehicles	887,349	53,956	35,851	905,454
Equipment	601,205	44,941	-	646,146
Infrastructure	2,274,660	76,170	-	2,350,830
Total Accumulated Depreciation	<u>4,312,900</u>	<u>197,573</u>	<u>35,851</u>	<u>4,474,622</u>
Total Capital Assets, Depreciable, Net	<u>1,787,765</u>	<u>(12,399)</u>	<u>1,917</u>	<u>1,773,449</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,975,765</u>	<u>(12,399)</u>	<u>1,917</u>	<u>\$ 1,961,449</u>

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2014 for governmental activities was charged to functions as follows:

Governmental Activities:	<u>Depreciation Expense</u>
General Government	\$ 9,307
Public Safety	53,464
Public Works	91,005
Recreation	43,797
Total Depreciation Expense - Governmental Activities	<u>\$ 197,573</u>

Capital asset activity for the Town's business-type activities for the year ended June 30, 2014 was as follows:

Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not being Depreciated				
Land	\$ 372,667	-	-	\$ 372,667
Total Capital Assets, Not being Depreciated	<u>372,667</u>	<u>-</u>	<u>-</u>	<u>372,667</u>
Capital Assets, Being Depreciated				
Land Improvements	256,194	-	-	256,194
Buildings and Improvements	22,392	-	-	22,392
Motor Vehicles	143,031	-	14,500	128,531
Equipment	296,822	-	-	296,822
Utility Systems	18,350,407	494,424	-	18,844,831
Total Capital Assets, Being Depreciated	<u>19,068,846</u>	<u>494,424</u>	<u>14,500</u>	<u>19,548,770</u>
Less: Accumulated Depreciation for				
Land Improvements	165,712	3,693	-	169,405
Buildings and Improvements	22,392	-	-	22,392
Motor Vehicles	96,412	6,503	14,319	88,596
Equipment	78,848	24,985	-	103,833
Utility Systems	7,483,489	355,690	-	7,839,179
Total Accumulated Depreciation	<u>7,846,853</u>	<u>390,871</u>	<u>14,319</u>	<u>8,223,405</u>
Total Capital Assets, Being Depreciated, Net	<u>11,221,993</u>	<u>103,553</u>	<u>181</u>	<u>11,325,365</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 11,594,660</u>	<u>103,553</u>	<u>181</u>	<u>\$ 11,698,032</u>

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Long Term Obligations

The Town’s long term obligations were comprised of the following at June 30, 2014:

- 2010A Sewer Revenue Bonds in the original amount of \$1,008,200, having monthly principal and interest payments of \$3,660 through 2051 at an interest rate of 3.00%. Resources from the Sewer Fund have been used, and will continue to be used, to liquidate this obligation.
- 2010B Sewer Revenue Bonds in the original amount of \$2,743,000, having monthly principal and interest payments of \$9,820 through 2051 at an interest rate of 3.00%. Resources from the Sewer Fund have been used, and will continue to be used, to liquidate this obligation.
- 2014 Capital Lease in the original amount of \$100,000, having yearly principal and interest payments of \$25,976 through 2018 at an interest rate of 1.55%. The lease was used to purchase a fire truck for the fire department. Resources from the General Fund will be used to liquidate this obligation.

The following is a summary of activity in the Town’s long-term obligations for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2014 Capital Lease	\$ -	100,000	-	100,000	\$ 24,426
Compensated Absences	18,689	35,953	23,512	31,130	15,565
Total Governmental Activities	<u>\$ 18,689</u>	<u>135,953</u>	<u>23,512</u>	<u>131,130</u>	<u>\$ 39,991</u>
Business-Type Activities:					
Bonded Indebtedness:					
Series 2010A Revenue Bond	\$ 987,093	-	14,465	972,628	\$ 14,905
Series 2010B Revenue Bond	2,650,842	-	38,840	2,612,002	40,021
Total Bonded Indebtedness	<u>3,637,935</u>	<u>-</u>	<u>53,305</u>	<u>3,584,630</u>	<u>54,926</u>
Compensated Absences	11,439	8,403	10,270	9,572	4,977
Total Business-Type Activities	<u>\$ 3,649,374</u>	<u>8,403</u>	<u>63,575</u>	<u>3,594,202</u>	<u>\$ 59,903</u>

Resources from the General Fund and the Water and Sewer Funds are used to liquidate the compensated absences liabilities related to those funds, respectively.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Long Term Obligations (Continued)

Annual debt service requirements to maturity for the bonded indebtedness and future minimum lease payments under capital leases are as follows:

Years Ended	Bonded Indebtedness		Capital Lease		Total	
	June 30,	Principal	Interest	Principal		Interest
2015	\$	54,927	106,827	24,426	1,550	\$ 161,754
2016		56,519	105,235	24,805	1,171	161,754
2017		58,318	103,436	25,189	787	161,754
2018		60,092	101,662	25,580	396	161,754
2019		61,920	99,834	-	-	161,754
2020-2024		338,887	469,883	-	-	808,770
2025-2029		393,766	415,005	-	-	808,771
2030-2034		457,436	351,334	-	-	808,770
2035-2039		531,402	277,369	-	-	808,771
2040-2044		617,307	191,464	-	-	808,771
2045-2049		717,162	91,608	-	-	808,770
2050-2051		236,894	5,665	-	-	242,559
Total	\$	3,584,630	2,319,322	100,000	3,904	\$ 5,903,952

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed 8% of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was 35%. In 1976, the General Assembly reduced the general obligation debt limit without voter approval to 8% of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2014, the Town had no bonded debt subject to the 8% limit, which was approximately \$776,000.

IV. OTHER INFORMATION

A. Retirement Plan

Plan Description – Substantially all Town employees are members of the South Carolina Retirement System (“SCRS”) or the Police Officers Retirement System (“SCPORS”). Both the SCPORS and SCRS are cost sharing multiple-employer defined benefit pension plans and 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 South Carolina Code of Laws and are administered by the South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Funding Policy – Both employees and employers are required to contribute to the plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees’ annual earnings.

	SCRS Rates			SCPORS Rates		
	2012	2013	2014	2012	2013	2014
Employer Rate						
Retirement	9.385%	10.450%	10.450%	11.363%	11.900%	12.440%
Employee Rate	6.500%	7.000%	7.500%	6.500%	7.000%	7.840%

The required contributions and percentages of amounts contributed for the past three years were as follows.

Year Ending June 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2014	\$ 73,651	100%	10.450%	\$ 64,471	100%	12.440%
2013	81,941	100%	10.450%	82,004	100%	11.900%
2012	71,676	100%	9.385%	72,046	100%	11.363%

B. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town carries commercial insurance for property and casualty insurance and worker’s compensation claims. There has been no reduction in insurance coverage as compared to the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities

Water Operations

The Town joined the Anderson Regional Joint Water System (the "System") in 2002 and entered into a water sale and purchase agreement with the System. The agreement, which was amended in 2004 and again in 2005, provides for the following:

- Allocates a percentage of the water treatment plant's total capacity to each member with the member agreeing to pay the System's debt service monthly based on its respective percentage of plant capacity, together with certain operating and other expenses proportionate to its percentage of plant capacity. The Town's proportion of plant capacity is 2.89 % of the total plant capacity of 45 million gallons per day.
- The cost of future capital improvements not increasing the system's capacity will be shared by the members according to their respective percentage of plant capacity.
- All amounts paid by the members not required to fund debt service will be deposited into a Facilities Renewal and Replacement Fund. Any surplus existing in this fund at year end will be repaid to members based on their respective percentage of plant capacity.

Grants

The Town participates in a number of federal and state assisted grant programs, which are governed by various rules and regulations of grantor agencies. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The Town believes it has substantially complied with the contract/grant provisions. Based on prior experience, the Town's management believes such disallowances, if any, would not be significant; therefore no provision has been recorded in the accompanying financial statements for such contingencies.

In addition, the Town must apply for annual renewals of contracts and grants. Funding is subject to both increases and reductions at the discretion of the contractors and grantors.

Litigation

Various claims and lawsuits are pending against the Town. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's management and legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

D. Economic Dependency

The Town is dependent upon a textile manufacturer for property tax revenues in excess of 10% of the Town's total property tax revenues.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Commitments

The Town executed a contract on June 1, 2013 with a company to operate the wastewater treatment plant. The contract runs for a period of five years. The monthly cost is \$8,083, and either party can terminate the contract with 120 days' notice.

In June 2014, the Town received a CDBG grant award of \$445,487 through the South Carolina Department of Commerce to upgrade the sewer system. The total estimated cost of the project is \$505,135. The Town has not entered into any significant contracts related to this project as it is still in the design phase.

In March 2014, the Town received a grant from the South Carolina Department of Parks, Recreation and Tourism in the amount of \$80,000 for the Mineral Spring Trail project. The total estimated cost of the project is \$107,906. The Town has not entered into any significant contracts related to this project as it is still in the design phase.

F. Subsequent Events

In August 2014, the Town entered into an operating lease for an excavator. The monthly cost for the operating lease is \$801 a month for 36 months.

In July 2014, the Town purchased two pre-owned police vehicles for a total of \$19,495.

G. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB #68"), was issued in June 2012. The primary objective of GASB #68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that GASB #68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered.

In particular, the Town will be required to report a net pension liability for its participation in the SCRS and PORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the Town's General Fund.

Based on recent information provided by the PEBA, it is anticipated that the Town's share of the net pension liability associated with these Plans will decrease the Town's net position by approximately \$2,925,000. GASB #68 is required to be implemented by the Town no later than the fiscal year ending June 30, 2015.

Required Supplementary Information

TOWN OF WILLIAMSTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 939,000	939,000	1,003,468	\$ 64,468
Hospitality Taxes	160,000	160,000	191,453	31,453
Homestead Exemption	90,000	90,000	93,225	3,225
Manufacturer's Exemption	35,000	35,000	31,470	(3,530)
Merchant's Inventory	7,204	7,204	5,406	(1,798)
Franchise Fees	320,000	320,000	386,331	66,331
Licenses and Permits	295,000	295,000	309,950	14,950
Intergovernmental	72,000	72,000	87,373	15,373
Fines and Forfeitures	96,000	46,769	29,667	(17,102)
Sanitation Collection Fees	177,000	177,000	190,412	13,412
Other Charges for Services	21,500	21,500	12,506	(8,994)
Resource Officers	35,000	166,370	183,506	17,136
Donations	-	-	250	250
Investment Income	1,000	1,000	930	(70)
Grants	-	40,000	39,967	(33)
Other	130,759	139,159	29,607	(109,552)
TOTAL REVENUE ALL SOURCES	2,379,463	2,510,002	2,595,521	85,519
EXPENDITURES				
General Government:				
Salaries and Wages	174,667	174,667	109,516	65,151
Payroll Taxes	13,362	13,362	7,388	5,974
Retirement	15,193	15,193	10,902	4,291
Health Insurance	69,054	69,054	69,546	(492)
Transportation Expenditures	12,000	-	1,367	(1,367)
Consultants and Contract Services	7,000	7,000	8,500	(1,500)
Operating Expenditures	307,739	342,739	268,524	74,215
Total General Government	599,015	622,015	475,743	146,272
Public Safety:				
Police:				
Salaries and Wages	528,714	586,714	576,278	10,436
Payroll Taxes	50,592	54,876	52,953	1,923
Retirement	48,779	58,924	59,778	(854)
Health Insurance	107,964	124,510	116,832	7,678
Operating Expenditures	131,500	159,064	167,198	(8,134)
Total Police	867,549	984,088	973,039	11,049
Fire:				
Payroll Taxes	1,000	1,000	-	1,000
Transportation Expenditures	29,680	29,680	29,851	(171)
Operating Expenditures	48,070	54,070	38,230	15,840
Total Fire	78,750	84,750	68,081	16,669
Total Public Safety	\$ 946,299	1,068,838	1,041,120	\$ 27,718

(Continued)

TOWN OF WILLIAMSTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
Public Works:				
Street Department:				
Salaries and Wages	\$ 198,657	198,657	173,419	\$ 25,238
Payroll Taxes	15,197	15,197	12,973	2,224
Retirement	18,644	18,644	17,973	671
Health Insurance	37,800	37,800	33,828	3,972
Operating Expenditures	145,772	145,772	139,906	5,866
Total Public Works	<u>416,070</u>	<u>416,070</u>	<u>378,099</u>	<u>37,971</u>
Recreation:				
Salaries and Wages	68,665	68,665	56,664	12,001
Payroll Taxes	5,253	5,253	4,287	966
Retirement	6,346	6,346	4,703	1,643
Health Insurance	5,254	5,254	5,362	(108)
Transportation Expenditures	-	-	35	(35)
Operating Expenditures	261,761	261,761	205,359	56,402
Total Recreation	<u>347,279</u>	<u>347,279</u>	<u>276,410</u>	<u>70,869</u>
Capital Outlay	<u>70,800</u>	<u>170,800</u>	<u>180,746</u>	<u>(9,946)</u>
TOTAL EXPENDITURES	<u>2,379,463</u>	<u>2,625,002</u>	<u>2,352,118</u>	<u>272,884</u>
OTHER FINANCING SOURCES				
Issuance of Note Payable	-	100,000	100,004	4
Proceeds from the Sale of Capital Assets	-	15,000	16,885	1,885
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>115,000</u>	<u>116,889</u>	<u>1,889</u>
NET CHANGE IN FUND BALANCE	-	-	360,292	360,292
FUND BALANCE, Beginning of Year	<u>1,408,941</u>	<u>1,408,941</u>	<u>1,408,941</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 1,408,941</u>	<u>1,408,941</u>	<u>1,769,233</u>	<u>\$ 360,292</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

(This page intentionally left blank.)

Other Supplementary Information

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2014

	WATER ENTERPRISE FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Water Services	\$ 839,000	839,000	980,646	\$ 141,646
Tap Fees	-	-	2,900	2,900
Reconnect Fees	9,000	9,000	6,725	(2,275)
Miscellaneous Revenues	4,500	4,500	4,769	269
TOTAL OPERATING REVENUES	852,500	852,500	995,040	142,540
OPERATING EXPENSES				
Water Operations:				
Salaries and Wages	27,425	27,425	23,950	3,475
Payroll Taxes	2,098	2,098	2,075	23
Retirement	2,164	2,164	2,876	(712)
Health Insurance	5,054	5,054	7,762	(2,708)
Transportation Expenses	5,000	5,000	1,622	3,378
Operating Expenses	835,694	835,694	642,326	193,368
Depreciation	-	-	81,435	(81,435)
Total Water Operating Expenses	877,435	877,435	762,046	115,389
TOTAL OPERATING EXPENSES	877,435	877,435	762,046	115,389
OPERATING INCOME	(24,935)	(24,935)	232,994	257,929
NON-OPERATING REVENUES (EXPENSES)				
Loss on Disposal of Assets	-	-	(181)	(181)
Grant Revenue	24,935	24,935	24,935	-
TOTAL NON-OPERATING EXPENSES	24,935	24,935	24,754	(181)
CHANGE IN FUND NET POSITION	-	-	257,748	257,748
NET POSITION, Beginning of Year	2,452,424	2,452,424	2,452,424	-
NET POSITION, End of Year	\$ 2,452,424	2,452,424	2,710,172	\$ 257,748

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2014

	SEWER ENTERPRISE FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Sewer Services	\$ 787,000	787,000	974,103	\$ 187,103
Leachate Treatment	75,000	75,000	132,652	57,652
Tap Fees	-	-	1,000	1,000
Miscellaneous Revenues	17,500	17,500	20,254	2,754
TOTAL OPERATING REVENUES	879,500	879,500	1,128,009	248,509
OPERATING EXPENSES				
Sewer Operations:				
Salaries and Wages	163,393	163,393	165,575	(2,182)
Payroll Taxes	12,500	12,500	12,200	300
Retirement	22,182	22,182	17,120	5,062
Health Insurance	27,346	27,346	37,700	(10,354)
Operating Expenses	654,079	654,079	531,282	122,797
Depreciation	-	-	309,435	(309,435)
Other	879,500	879,500	1,073,312	(193,812)
TOTAL OPERATING EXPENSES	879,500	879,500	1,073,312	(193,812)
OPERATING INCOME	-	-	54,697	54,697
NON-OPERATING REVENUES (EXPENSES)				
Grant Revenue	-	-	370,517	370,517
Investment Income	-	-	22	22
Interest and Fiscal Changes	-	-	(108,455)	(108,455)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	262,084	262,084
CHANGE IN FUND NET POSITION	-	-	316,781	316,781
NET POSITION, Beginning of Year	6,743,150	6,743,150	6,743,150	-
NET POSITION, End of Year	\$ 6,743,150	6,743,150	7,059,931	\$ 316,781

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2014

Court Fines and Assessments

Court Fines and Assessments Collected	\$	52,231
Court Fines and Assessments Retained by the Town		(28,903)
Total Court Fines and Assessments Remitted to the State Treasurer	\$	23,328

Court Surcharges

Court Surcharges Collected	\$	10,665
Total Court Surcharges Remitted to State Treasurer	\$	10,665

Victim Fund

Funds Available for Carryforward, Beginning of Year	\$	28,536
Court Assessments Allocated to Victim Assistance Fund - Current Year		4,765
Interest Earned on Available Funds		35
Victim Assistance Fund Expenditures (Primarily remittance to Anderson County)		(30,399)
Funds Available for Carryforward, End of Year	\$	2,937

**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***

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Williamston
Williamston, 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, and each major fund of the Town of Williamston, South Carolina (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

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


Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 24, 2014