TOWN OF WILLIAMSTON,
SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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TOWN OF WILLIAMSTON
SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

Established

1852

MAYOR

Arlar C. Crout

TOWN COUNCIL MEMBERS

Tony Hagood

Mack Durham

David R. Harvell

J. Michael Looper

TOWN ADMINISTRATOR

Phyllis Lollis

CLERK/TREASURER

Michelle Starnes

GREENE FINNEY & HORTON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and the budgetary comparison schedule for the General Fund, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Simpsonville, SC 29681
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town. The schedule of court fines, assessments, and surcharges and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the schedules of revenues, expenses, and changes in fund net assets – budgets and actual for the Water and Sewer Enterprise Funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 26, 2011

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, 2011. The intent of this discussion and analysis is to present the Town's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic 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 $11,652,000 (net assets). Of this amount, approximately $2,156,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets increased by approximately $2,361,000, as revenues of approximately $6,589,000 exceeded expenses of approximately $4,228,000.

- As of the close of the current fiscal year, the Town's General Fund reported an ending fund balance of approximately $1,614,000, an increase of approximately $101,000 compared to the prior year balance. The increase was primarily due to transfers of approximately $406,000 from the Water and Sewer Funds to the General Fund that was partially offset by an operating loss of $310,000.

- The unassigned fund balance for the General Fund was approximately $1,557,000, or 56% of the General Fund expenditures for the current fiscal year.

- General Fund revenues were approximately $2,454,000 for the current fiscal year compared to approximately $2,562,000 in the prior fiscal year. General Fund expenditures were approximately $2,764,000 for the current fiscal year compared to approximately $2,592,000 in the prior fiscal year.

- Water and sewer revenues were approximately $4,129,000 in the current fiscal year compared to approximately $1,889,000 in the prior fiscal year. This was due to the Town recording grant revenue of approximately $2,202,000 related to the current year wastewater treatment plant upgrades. Water and sewer expenses were approximately $1,531,000 for the current fiscal year compared to approximately $1,973,000 in the prior fiscal year. The reduction in expenses was primarily due to a reduction in sludge removal costs of approximately $350,000.

- The Sewer Fund had a deficit in its unrestricted net assets of approximately $138,000 at June 30, 2011, which was an improvement of approximately $679,000 from the prior year. The improvement was primarily attributable to the current year Sewer Fund operating income of approximately $300,000 and the current year receipt of grant revenues that reimbursed the Town for wastewater treatment plant upgrades made in the prior year.

- The Town is currently operating under a consent order with DHEC for its wastewater treatment plant. A major upgrade, estimated to cost approximately $6,700,000, is required and is currently in progress. The Town expended approximately $5,535,000 in costs related to the upgrade through June 30, 2011. The Town has obtained funding commitments through the United States Department of Agriculture - Rural Development ("USDA – RD") for approximately $6.7 million. Through June 30, 2011, the Town has recorded approximately $2,202,000 in grant revenue and has issued approximately $3,751,000 in revenue bonds to the USDA – RD.

- The Town's capital assets, net of depreciation, increased by approximately $4,793,000 (56%) to approximately $13,380,000 at June 30, 2011. The increase was due to capital asset additions of approximately $5,231,000 (primarily related to wastewater treatment plant upgrades), partially offset by depreciation expense of approximately $434,000.

- The Town's long-term indebtedness increased by approximately $3,454,000 (513%) to approximately $4,128,000 at June 30, 2011 primarily due to the issuance of the 2010A & 2010B sewer revenue bonds during the current year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Basic Financial Statements. These basic financial statements include two kinds of statements that present different views of the Town. The *government-wide basic 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 Assets* presents information on all of the Town's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide basic 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 Basic Financial Statements. The remaining basic financial statements are *fund financial statements* that focus on individual parts of the Town, reporting its operations in more detail than the government-wide basic 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.

<u>Governmental Funds</u> – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic 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 basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic 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 changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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 changes in fund balances 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 Basic 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 basic 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 Basic Financial Statements			
		Fund Basic Financial Statements	
	Government-Wide Basic Statements	Governmental Funds	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	▪ Statement of Net Assets ▪ Statement of Activities	▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balance	▪ Statement of Net Assets ▪ Statement of Revenues, Expenses, and Changes in Net Assets ▪ 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 asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 $11,652,000 at June 30, 2011.

This table provides a summary of the Town's net assets as of June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Other Assets	$ 1,773,841	1,651,054	1,534,349	714,093	3,308,190	$ 2,365,147
Capital Assets, Net	2,017,216	1,957,008	11,363,132	6,630,663	13,380,348	8,587,671
Total Assets	3,791,057	3,608,062	12,897,481	7,344,756	16,688,538	10,952,818
Liabilities						
Other Liabilities	75,259	59,188	786,653	878,272	861,912	937,460
Long-Term Obligations	38,774	39,918	4,135,666	684,036	4,174,440	723,954
Total Liabilities	114,033	99,106	4,922,319	1,562,308	5,036,352	1,661,414
Net Assets						
Invested in Capital Assets, Net less Related Debt	2,017,216	1,957,008	7,300,161	5,966,307	9,317,377	7,923,315
Restricted	57,614	74,185	121,319	-	178,933	74,185
Unrestricted	1,602,194	1,477,763	553,682	(183,859)	2,155,876	1,293,904
Total Net Assets	$ 3,677,024	3,508,956	7,975,162	5,782,448	11,652,186	$ 9,291,404

Net assets of the Town's governmental activities increased by approximately $168,000, or 5%. Unrestricted net assets, the part of net assets 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 $124,000 to approximately $1,602,000 at June 30, 2011. The increase in unrestricted net assets is primarily due to approximately $406,000 in transfers during the current fiscal year from the Town's business-type activities to the Town's governmental activities, partially offset by expenses exceeding revenues by approximately $238,000.

Net assets of the Town's business-type activities increased by approximately $2,193,000, or 38% primarily due approximately $2,202,000 in grant revenue for the wastewater treatment plant upgrades. The Town's business-type activities unrestricted net assets were approximately $554,000 at June 30, 2011 and was comprised of a positive balance of approximately $691,000 for water operations and a negative balance of approximately $138,000 for sewer operations. The unrestricted net deficit in sewer operations decreased by approximately $679,000 during the current fiscal year primarily due to sewer operations generating operating income of approximately $300,000 and the Town receiving grant revenue in the current year that reimbursed it for prior year expenditures related to the wastewater treatment plant that were funded through internal means in the prior year.

The largest portion of the Town's net assets (approximately $9,317,000 or 80%) 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 capital assets, net of accumulated depreciation, increased by approximately $4,793,000 during the current fiscal year primarily due to wastewater treatment plant upgrades of approximately $4,949,000, partially offset by depreciation expense of approximately $434,000.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

During the current fiscal year, the Town's long-term obligations increased by approximately $3,450,000 primarily due to the new bond issuances of approximately $3,751,000 partially offset by approximately $297,000 in principal payments on its debt.

This table shows the changes in net assets for the years ended June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities		Total	
	Year Ended 6/30/11	Year Ended 6/30/10	Year Ended 6/30/11	Year Ended 6/30/10	Year Ended 6/30/11	Year Ended 6/30/10
Revenues						
Program Revenues:						
Charges for Services	$ 318,054	400,128	1,926,519	1,862,493	2,244,573	$ 2,262,621
Operating Grants	34,110	31,063	-	-	34,110	31,063
Capital Grants	28,571	8,175	2,202,168	26,650	2,230,739	34,825
General Revenues:						
Property and Other Taxes	1,313,616	1,330,103	-	-	1,313,616	1,330,103
Other	765,391	800,565	803	-	766,194	800,565
Total Revenues	2,459,742	2,570,034	4,129,490	1,889,143	6,589,232	4,459,177
Program Expenses:						
General Government	714,757	618,413	-	-	714,757	618,413
Public Safety	1,205,227	1,153,656	-	-	1,205,227	1,153,656
Public Works	504,879	560,414	-	-	504,879	560,414
Recreation	272,455	195,229	-	-	272,455	195,229
Interest and Other Charges	-	8,715	-	-	-	8,715
Water and Sewer	-	-	1,531,132	1,973,012	1,531,132	1,973,012
Total Expenses	2,697,318	2,536,427	1,531,132	1,973,012	4,228,450	4,509,439
Change in Net Assets Before Transfers	(237,576)	33,607	2,598,358	(83,869)	2,360,782	(50,262)
Transfers In (Out)	405,644	(487,702)	(405,644)	487,702	-	-
Change in Net Assets	168,068	(454,095)	2,192,714	403,833	2,360,782	(50,262)
Net Assets, Beginning of Year	3,508,956	3,963,051	5,782,448	5,378,615	9,291,404	9,341,666
Net Assets, End of Year	$ 3,677,024	3,508,956	7,975,162	5,782,448	11,652,186	$ 9,291,404

Note: The presentation of certain prior year program expense balances have been reclassified to conform to the current year's presentation.

Governmental Activities. The Town's net assets increased during the current fiscal year by approximately $168,000 or 5%. In the prior year, the Town's net assets decreased by approximately $454,000. The difference in the results between the two years was the result of approximately $406,000 in transfers in during the current fiscal year from the Town's business-type activities to the Town's governmental activities compared to approximately $488,000 in transfers out in the prior year; partially offset by (a) lower revenues in the current year of approximately $110,000, primarily due to lower charges for services ($82,000); and (b) higher expenses of approximately $161,000 compared to the prior fiscal year due primarily to increased personnel costs in all departments.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities. The Town's net assets increased during the current fiscal year by approximately $2,193,000 or 38%, compared to an increase of approximately $404,000 in the prior year. The difference in the results between the two years was the result of (a) higher revenues of approximately $2,240,000 primarily due to higher grant revenue ($2,176,000) and higher charges for services during the current fiscal year ($64,000); (b) lower expenses of approximately $442,000 primarily due to the reversal of a prior year accrual for sludge removal costs (the net impact was approximately $350,000 after considering the establishment of a $75,000 accrual for ongoing sludge removal efforts); partially offset by (c) transfers out during the current fiscal year from the Town's business-type activities to the Town's governmental activities of $406,000.

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, 2011, the Town's General Fund reported an ending fund balance of approximately $1,614,000. Of this amount, approximately $1,557,000 is unassigned fund balance, which is available for spending at the government's discretion.

General Fund revenues were approximately $2,454,000 in the current fiscal year, a decrease of approximately $108,000 compared to the prior year total of approximately $2,562,000. 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 $972,000) of total General Fund revenue during the current fiscal year, a decrease of approximately $4,000 compared to the prior year. During the current fiscal year, licenses and permits decreased by approximately $25,000. The Town also experienced reductions in fines and forfeitures of approximately $22,000 during the current fiscal year. In addition, sanitation fees decreased approximately $17,000 and intergovernmental revenues decreased by approximately $16,000 during the current fiscal year.

General Fund expenditures were approximately $2,764,000 in the current fiscal year, an increase of approximately $171,000 compared to the prior year total of $2,592,000. The increase was primarily due to higher personnel costs throughout the Town of approximately $85,000, higher health insurance costs of approximately $84,000 and higher capital outlay and expenditures related to the completion of the Mineral Springs Park project of approximately $240,000; partially offset by decreased principal and interest payments of approximately $137,000.

During the current fiscal year, approximately $406,000 was transferred from the Water and Sewer Funds to the General Fund.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide basic financial statements but in more detail. Net Assets of the Water and Sewer Enterprise Funds at June 30, 2011 amounted to approximately $7,975,000. Please see the earlier discussion of the Town's business-type activities change in net assets in the government-wide financial analysis section of this MD&A for more information.

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 $2,454,000 for the General Fund were approximately $30,000 higher than the budget, primarily due to higher than expected property and hospitality taxes, partially offset by lower than expected franchise fees. Actual expenditures of approximately $2,764,000 were approximately $340,000 higher than the budget, primarily due to higher than expected capital outlay. Transfers into the General Fund of approximately $406,000 were not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the Town had invested a net amount of approximately $13,380,000 in capital assets. This following table shows the capital asset balances (net of depreciation) for June 30, 2011 compared to June 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 38,000	38,000	372,667	369,267	410,667	$ 407,267
Construction in Progress	-	25,498	5,535,375	586,730	5,535,375	612,228
Buildings and Improvements	348,093	369,442	560	1,096	348,653	370,538
Motor Vehicles	309,888	332,388	15,750	19,038	325,638	351,426
Equipment	323,804	340,925	31,796	22,244	355,600	363,169
Infrastructure / Utility Systems	997,431	850,755	5,406,984	5,632,288	6,404,415	6,483,043
Totals	$ 2,017,216	1,957,008	11,363,132	6,630,663	13,380,348	$ 8,587,671

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

- Depreciation expense of approximately $434,000.
- Purchase of a police vehicle of approximately $35,000.
- Completed the work in the Mineral Springs Park for approximately $187,000.
- Additional costs incurred for the wastewater treatment plant upgrade of approximately $4,949,000.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations

As of June 30, 2011, the Town had total long-term obligations of approximately $4,174,000, as detailed below. The following table presents a summary of the Town's outstanding long-term debt for June 30, 2011 compared to June 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
Long-Term Obligations	2011	2010	2011	2010	2011	2010
Water - Sewer Refunding Bonds	$ -	-	394,288	673,420	394,288	$ 673,420
2010A Series Revenue Bond	-	-	1,008,200	-	1,008,200	-
2010B Series Revenue Bond	-	-	2,725,116	-	2,725,116	-
Compensated Absences	38,774	39,918	8,062	10,616	46,836	50,534
Totals	$ 38,774	39,918	4,135,666	684,036	4,174,440	$ 723,954

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

- The Town obtained two new revenue bonds in the amounts of approximately $1,008,000 and approximately $2,743,000 for continued work on the wastewater treatment plant.
- The Town made scheduled principal payments of approximately $297,000 during the current fiscal year.

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, 2011 was approximately $744,000. The Town had no general obligation debt subject to this limitation at June 30, 2011.

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

OTHER POTENTIALLY SIGNIFICANT MATTERS

The Town's wastewater treatment plant was cited by the South Carolina Department of Health and Environmental Control ("DHEC") in 2005 as it repeatedly failed to comply with the permitted discharge limits for biochemical oxygen demand, fecal coliform and suspended solids percent removal. The Town submitted a pretreatment program to DHEC, which was approved and is currently in progress. The Town also submitted a corrective action plan for the required upgrading of the wastewater treatment plant, which is estimated to cost approximately $6,700,000.

A Preliminary Engineering Report for the upgrade of the wastewater treatment plant was submitted to DHEC in June 2007. The Town has obtained funding (both grants and loans) from the USDA - RD for the upgrade. In June 2009, the USDA - RD committed to funding a total of $4,866,900 for the upgrade, consisting of a $2,743,300 loan and a $2,123,600 grant. In June 2010, the USDA - RD committed to additional funding totaling $1,833,000 for the upgrade, consisting of a $1,008,200 loan and an $824,800 grant. In the current year the Town obtained the two revenue bonds as noted above and has completed most of the work on the wastewater treatment plant. The Town has incurred approximately $5,535,000 as of June 30, 2011 (included in construction in progress on the financial statements) in costs for the upgrade to the wastewater treatment plant.

During 2008, DHEC inspected the Town's sewer operations, informing the Town that its biosolids (sludge) exceeded federal prescribed limits. As a result, the Town determined it needed to remove the sludge from its wastewater treatment plant cell to comply with the federal standards. The Town performed the sludge removal in the current year. The Town had previously accrued the costs for this removal. The Town also anticipates having to remove the sludge from their tanks in the next fiscal year and has recorded an accrual of approximately $75,000 in the current year for these costs.

ECONOMIC FACTORS

Economic factors that were considered in preparing the fiscal year 2012 budget were as follows:

- In fiscal year 2011, 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 2012 General Fund budget is approximately $2,272,000, which is a decrease of approximately $492,000 from fiscal year 2011 actual expenditures and a decrease of approximately $151,000 from the fiscal year 2011 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.

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Basic Financial Statements

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	$ 598,000	979,593	$ 1,577,593
Restricted Cash and Cash Equivalents	57,614	121,319	178,933
Investments	557,025	-	557,025
Property Taxes Receivable, Net	89,946	-	89,946
Accounts Receivable, Net	68,070	177,801	245,871
Unbilled Revenues	-	85,735	85,735
Due from Other Governments	19,617	488,837	508,454
Internal Balances	383,569	(383,569)	-
Unamortized Bond Issuance Costs, Net	-	64,633	64,633
Capital Assets:			
Non-Depreciable	38,000	5,908,042	5,946,042
Depreciable, Net	1,979,216	5,455,090	7,434,306
TOTAL ASSETS	**3,791,057**	**12,897,481**	**16,688,538**
LIABILITIES			
Accounts Payable	31,845	317,010	348,855
Accrued Salaries and Fringe Benefits	43,414	11,082	54,496
Accrued Interest Payable	-	15,143	15,143
Accrued Sludge Removal	-	75,000	75,000
Accrued Capacity Encroachment	-	37,064	37,064
Retainage Payable	-	226,636	226,636
Deposits	-	104,718	104,718
Long-Term Obligations:			
Due Within One Year	11,225	338,074	349,299
Due in More Than One Year	27,549	3,797,592	3,825,141
TOTAL LIABILITIES	**114,033**	**4,922,319**	**5,036,352**
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,017,216	7,300,161	9,317,377
Restricted For:			
Victim's Assistance	1,742	-	1,742
Debt Service	-	121,319	121,319
Other	55,872	-	55,872
Unrestricted Net Assets (Deficit)	1,602,194	553,682	2,155,876
TOTAL NET ASSETS	**$ 3,677,024**	**7,975,162**	**$ 11,652,186**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
					Primary Government		
PRIMARY GOVERNMENT:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities:							
General Government	$ 714,757	-	-	10,000	(704,757)	-	$ (704,757)
Public Safety	1,205,227	96,079	34,110	18,571	(1,056,467)	-	(1,056,467)
Public Works	504,879	198,657	-	-	(306,222)	-	(306,222)
Recreation	272,455	23,318	-	-	(249,137)	-	(249,137)
Total Governmental Activities	**2,697,318**	**318,054**	**34,110**	**28,571**	**(2,316,583)**	**-**	**(2,316,583)**
Business-Type Activities:							
Water	827,188	1,029,665	-	-	-	202,477	202,477
Sewer	703,944	896,854	-	2,202,168	-	2,395,078	2,395,078
Total Business-Type Activities	**1,531,132**	**1,926,519**	**-**	**2,202,168**	**-**	**2,597,555**	**2,597,555**
TOTAL - PRIMARY GOVERNMENT	**$ 4,228,450**	**2,244,573**	**34,110**	**2,230,739**	**(2,316,583)**	**2,597,555**	**280,972**
General Revenues:							
Taxes:							
Property Taxes					1,143,675	-	1,143,675
Hospitality Taxes					169,941	-	169,941
Franchise Fees					334,998	-	334,998
Intergovernmental Revenue					84,007	-	84,007
Licenses and Permits					308,484	-	308,484
Miscellaneous Revenue					33,638	-	33,638
Investment Income					4,264	803	5,067
Transfers					405,644	(405,644)	-
Total General Revenues					2,484,651	(404,841)	2,079,810
CHANGE IN NET ASSETS					**168,068**	**2,192,714**	**2,360,782**
NET ASSETS, Beginning of Year					3,508,956	5,782,448	9,291,404
NET ASSETS, End of Year					**$ 3,677,024**	**7,975,162**	**$ 11,652,186**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2011

		GENERAL FUND
ASSETS		
Cash and Cash Equivalents	$	598,000
Cash and Cash Equivalents - Restricted		57,614
Investments		557,025
Receivables, Net:		
Taxes		89,946
Accounts		68,070
Due from State Agencies		19,617
Due from Other Funds		383,569
TOTAL ASSETS	**$**	**1,773,841**
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	31,845
Accrued Salaries and Fringe Benefits		43,414
Deferred Revenue		84,136
TOTAL LIABILITIES		159,395
FUND BALANCE		
Restricted for:		
Victim's Assistance		1,742
Other		55,872
Unassigned:		
General Fund		1,556,832
TOTAL FUND BALANCE		1,614,446
TOTAL LIABILITIES AND FUND BALANCE	**$**	**1,773,841**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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

JUNE 30, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUND	**$**	**1,614,446**
Amounts reported for the governmental activities in the Statement of Net Assets 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 $6,025,066 and the accumulated depreciation was $4,007,850.		2,017,216
Property taxes in the Statement of Net Assets will be collected this year, but are not available soon enough to pay for the current fiscal year's expenditures, and therefore have been deferred in the governmental fund.		84,136
Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental fund. Long-term liabilities consisted of the following:		
Compensated absences (vacation)		(38,774)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	**$**	**3,677,024**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	GENERAL FUND
REVENUES	
Property Taxes	$ 971,545
Hospitality Taxes	169,941
Homestead Exemption	92,164
Manufacturer's Exemption	66,825
Merchant's Inventory	7,207
Franchise Fees	334,998
Licenses and Permits	308,484
Intergovernmental	84,007
Fines and Forfeitures	98,880
Sanitation Collection Fees	196,342
Charges for Services	25,632
Resource Officers	17,500
Investment Income	4,264
Donations	10,000
Grants	52,681
Other	13,337
TOTAL REVENUES ALL SOURCES	**2,453,807**
EXPENDITURES	
Current:	
General Government	694,977
Public Safety	1,154,705
Public Works	413,029
Recreation	204,893
Capital Outlay	295,965
TOTAL EXPENDITURES	**2,763,569**
EXCESS OF EXPENDITURES OVER REVENUES	**(309,762)**
OTHER FINANCING SOURCES	
Proceeds from the Sale of Capital Assets	4,901
Transfers In	405,644
TOTAL OTHER FINANCING SOURCES	**410,545**
NET CHANGE IN FUND BALANCE	**100,783**
FUND BALANCE, Beginning of Year	1,513,663
FUND BALANCE, End of Year	**$ 1,614,446**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	**$**	**100,783**
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 deferred revenues for the year.		5,933
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.		1,144
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 assets differs from the change in fund balance by the net book value of the assets disposed.		(4,920)
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 additions of $265,468 exceeded depreciation of $200,340.		65,128
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	**$**	**168,068**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - ENTERPRISE FUNDS

JUNE 30, 2011

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 978,665	928	$ 979,593
Restricted Cash and Cash Equivalents	-	121,319	121,319
Accounts Receivables, Net	92,653	85,148	177,801
Due From Federal Government	-	488,837	488,837
Due from Other Funds	-	-	-
Unbilled Revenues	42,198	43,537	85,735
Total Current Assets	1,113,516	739,769	1,853,285
Noncurrent Assets:			
Unamortized Bond Issuance Costs, Net	1,275	63,358	64,633
Non-Depreciable Capital Assets	251,416	5,656,626	5,908,042
Depreciable Capital Assets, Net	1,339,063	4,116,027	5,455,090
Total Noncurrent Assets	1,591,754	9,836,011	11,427,765
TOTAL ASSETS	**2,705,270**	**10,575,780**	**13,281,050**
LIABILITIES			
Current Liabilities:			
Accounts Payable	52,543	264,467	317,010
Accrued Salaries and Fringe Benefits	7,264	3,818	11,082
Accrued Sludge Removal	-	75,000	75,000
Accrued Capacity Encroachment	-	37,064	37,064
Accrued Interest Payable	-	15,143	15,143
Retainage Payable	-	226,636	226,636
Deposits	69,337	35,381	104,718
Due to Other Funds	287,875	95,694	383,569
Compensated Absences - Current Portion	372	994	1,366
Refunding Revenue Bond Payable - Current Portion	70,384	266,324	336,708
Total Current Liabilities	487,775	1,020,521	1,508,296
Noncurrent Liabilities:			
Compensated Absences - Noncurrent Portion	4,704	1,992	6,696
Refunding Revenue Bond Payable - Noncurrent Portion	24,245	3,766,651	3,790,896
Total Noncurrent Liabilities	28,949	3,768,643	3,797,592
TOTAL LIABILITIES	**516,724**	**4,789,164**	**5,305,888**
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,497,125	5,803,036	7,300,161
Restricted for Debt Service	-	121,319	121,319
Unrestricted Net Assets (Deficit)	691,421	(137,739)	553,682
TOTAL NET ASSETS	**$ 2,188,546**	**5,786,616**	**$ 7,975,162**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2011

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for Services:			
Water Services	$ 1,010,029	-	$ 1,010,029
Sewer Services	-	769,583	769,583
Leachate Treatment	-	103,726	103,726
Other Fees and Miscellaneous Revenues	19,636	23,545	43,181
TOTAL OPERATING REVENUES	**1,029,665**	**896,854**	**1,926,519**
OPERATING EXPENSES			
Water Operations	819,794	-	819,794
Sewer Operations	-	596,513	596,513
TOTAL OPERATING EXPENSES	**819,794**	**596,513**	**1,416,307**
OPERATING INCOME (LOSS)	**209,871**	**300,341**	**510,212**
NON-OPERATING INCOME (EXPENSES)			
Amortization of Bond Issuance Cost	(900)	(3,601)	(4,501)
Grant Revenue	-	2,202,168	2,202,168
Investment Income	-	803	803
Interest Expense	(6,494)	(103,830)	(110,324)
TOTAL NON-OPERATING INCOME (EXPENSES)	**(7,394)**	**2,095,540**	**2,088,146**
Transfers Out	(150,000)	(255,644)	(405,644)
CHANGE IN NET ASSETS	**52,477**	**2,140,237**	**2,192,714**
NET ASSETS, Beginning of Year	2,136,069	3,646,379	5,782,448
NET ASSETS, End of Year	**$ 2,188,546**	**5,786,616**	**$ 7,975,162**

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2011

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Other Revenues	$ 1,041,091	847,271	$ 1,888,362
Cash Payments for Goods and Services	(507,158)	(978,049)	(1,485,207)
Cash Payments to Employees	(213,633)	(95,726)	(309,359)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**320,300**	**(226,504)**	**93,796**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advances from (to) Other Funds, Net	430,487	(20,231)	410,256
Transfers to Other Funds	(150,000)	(255,644)	(405,644)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**280,487**	**(275,875)**	**4,612**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(6,164)	(4,470,857)	(4,477,021)
Grant Revenue	-	1,713,331	1,713,331
Proceeds from Issuance of Bond Anticipation Note	-	2,714,599	2,714,599
Repayment of Bond Anticipation Note	-	(2,714,599)	(2,714,599)
Proceeds from Issuance of Revenue Bonds	-	3,751,200	3,751,200
Bond Issuance Costs	-	(60,069)	(60,069)
Principal Payments on Revenue Bonds	(66,992)	(230,024)	(297,016)
Interest Payments	(6,494)	(88,687)	(95,181)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	**(79,650)**	**614,894**	**535,244**
CASH FLOWS FROM INVESTING ACTIVITIES			
Income on Investments	-	803	803
NET CASH PROVIDED BY INVESTING ACTIVITIES	**-**	**803**	**803**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**521,137**	**113,318**	**634,455**
CASH AND CASH EQUIVALENTS, Beginning of Year	457,528	8,929	466,457
CASH AND CASH EQUIVALENTS, End of Year	**$ 978,665**	**122,247**	**$ 1,100,912**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	$ 209,871	300,341	$ 510,212
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	78,349	155,038	233,387
Change in:			
Accounts Receivable, Net	(5,242)	(29,175)	(34,417)
Unbilled Revenue	3,175	(20,408)	(17,233)
Accounts Payable	19,888	(6,549)	13,339
Accrued Salaries and Fringe Benefits	4,720	2,887	7,607
Accrued Sludge Removal	-	(630,038)	(630,038)
Deposits	13,493	-	13,493
Compensated Absences	(3,954)	1,400	(2,554)
Net Cash Provided by Operating Activities	$ 320,300	(226,504)	$ 93,796
Non-Cash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Not Yet Paid For	$ -	488,837	$ 488,837

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

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 basic 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, basic financial statements present the municipality's financial information along with any component units. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit is financial accountability, which is presumed to exist if the municipality both appoints a voting majority of the entity's governing body, and either: 1) the municipality 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 municipality. 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 municipality. In order to be considered fiscally independent, an entity must have the authority to do all three of the following: (a) determine its budget without the municipality having the authority to approve or modify that budget, (b) levy taxes or set rates or charges without approval by the municipality, and (c) issue bonded debt without approval by the municipality. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the municipality's basic financial statements to be misleading or incomplete.

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. 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 municipality.

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 basic financial statements to form the reporting entity. The Town's basic 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 Assets 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.

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.

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.

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 the 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The Town applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Town has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

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.

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, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

For purposes of the basic 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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.

(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, 2011.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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, 2011, 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 Assets, 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 Assets 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 no 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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 basic 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 Assets. 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.

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

During the year ended June 30, 2011, the Town implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions"* ("GASB #54"), which establishes new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. The implementation of this statement had no impact on the total fund balances for the Town's governmental funds.

In accordance with GASB #54, the Town classifies 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).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Continued)

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 highest level of decision making authority before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the Town consist of amounts approved by a majority vote of the Town Council in subsequent requests made throughout the year.

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 Assets

Net assets represent the difference between assets and liabilities in the Statement of Net Assets. Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt, consist 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.

Outstanding debt which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are 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 basic 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 basic 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

9. Comparative Data

Comparative data (i.e. presentation of prior year totals for the basic 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. None of the Town's bank deposits of $2,254,443 as of June 30, 2011 (which had a carrying value of $2,313,551), were exposed to custodial credit risk.

Investments

As of June 30, 2011, the Town did not have any investments as defined by GASB Statement No. 40.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consisted of the following at June 30, 2011:

Debt Service Reserve	$	121,319
Cemetery Fund		32,472
Drug Forfeiture		20,716
Victims Advocate		1,742
Scholarship Fund		1,301
Other		1,383
Total Restricted Cash and Cash Equivalents	$	178,933

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

B. Accounts Receivable and Unbilled Revenue

The General Fund had accounts receivable of $68,070 at June 30, 2011, which represents the Duke Energy franchise fee, accommodations tax, and the June hospitality taxes due to the Town at June 30, 2011 that were received subsequent to June 30, 2011.

The Water and Sewer Funds have accounts receivable of $92,653 and $85,148, respectively (net of an allowance for doubtful accounts of $15,405 and $8,012, respectively) at June 30, 2011, which represents primarily unpaid water and sewer charges through the June 15, 2011 billing period. In addition, the Water and Sewer Funds have $42,198 and $43,537, respectively, in unbilled revenues related to water and sewer usage by customers for the last two weeks of June 2011 that were not billed until July 2011.

C. Property Taxes Receivable and Deferred 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 $9,304,000 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, 2011, the Town reported property taxes receivable of $89,946, of which $5,810 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, 2011, the General Fund reported $84,136 in deferred revenues, all attributable to delinquent property taxes receivable.

D. Deposits

The Water Fund and the Sewer Fund have liabilities for customer deposits totaling $104,718, which will be applied to the customer's last bill when service is terminated.

E. Interfund Receivables and Payables

At June 30, 2011, the General Fund had a receivable from the Water Fund in the amount of $287,875 and a receivable from the Sewer Fund in the amount of $95,694 primarily for expenses that were paid by the General Fund on behalf of the Water and Sewer Funds. These amounts will be repaid from future revenues from the Water and Sewer Funds.

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

F. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2011 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	$ 38,000	-	-	-	$ 38,000
Construction in Progress	25,498.00	186,586	-	(212,084)	-
Total Capital Assets, Non-Depreciable	63,498	186,586	-	(212,084)	38,000
Capital Assets, Depreciable					
Buildings and Improvements	853,938	-	-	-	853,938
Motor Vehicles	1,305,298	34,588	153,805	-	1,186,081
Equipment	842,669	44,294	68,900.00	-	818,063
Infrastructure	2,916,900	-	-	212,084	3,128,984
Total Capital Assets, Depreciable	5,918,805	78,882	222,705	212,084	5,987,066
Less: Accumulated Depreciation for					
Buildings and Improvements	484,496	21,349	-	-	505,845
Motor Vehicles	972,910	57,088	153,805	-	876,193
Equipment	501,744	56,495	63,980.00	-	494,259
Infrastructure	2,066,145	65,408	-	-	2,131,553
Total Accumulated Depreciation	4,025,295	200,340	217,785	-	4,007,850
Total Capital Assets, Depreciable, Net	1,893,510	(121,458)	4,920	212,084	1,979,216
Total Governmental Activities Capital Assets, Net	$ 1,957,008	65,128	4,920	-	$ 2,017,216

Depreciation expense for the year ended June 30, 2011 for governmental activities was charged to functions as follows:

Governmental Activities:	Depreciation Expense
General Government	$ 14,759
Public Safety	51,666
Public Works	91,851
Recreation	42,064
Total Depreciation Expense - Governmental Activities	$ 200,340

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

F. Capital Assets (Continued)

Capital asset activity for the Town's business-type activities for the year ended June 30, 2011 was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not being Depreciated				
Land	$ 369,267	3,400	-	$ 372,667
Construction in Progress	586,730	4,948,645	-	5,535,375
Total Capital Assets, Not being Depreciated	955,997	4,952,045	-	5,908,042
Capital Assets, Being Depreciated				
Land Improvements	163,865	-	-	163,865
Buildings and Improvements	22,392	-	-	22,392
Motor Vehicles	113,419	-	9,802	103,617
Equipment	74,669	13,814	-	88,483
Utility Systems	12,348,719	-	-	12,348,719
Total Capital Assets, Being Depreciated	12,723,064	13,814	9,802	12,727,076
Less: Accumulated Depreciation for				-
Land Improvements	163,865	-	-	163,865
Buildings and Improvements	21,296	536	-	21,832
Motor Vehicles	94,381	3,288	9,802	87,867
Equipment	52,425	4,262	-	56,687
Utility Systems	6,716,431	225,304	-	6,941,735
Total Accumulated Depreciation	7,048,398	233,390	9,802	7,271,986
Total Capital Assets, Being Depreciated, Net	5,674,666	(219,576)	-	5,455,090
Total Business-Type Activities Capital Assets, Net	$ 6,630,663	4,732,469	-	$ 11,363,132

G. Short-Term Obligations

In August 2010, the Town obtained interim financing through the issuance of a bond anticipation note ("2010 BAN") for $2,714,599 to fund the upgrade of the wastewater treatment plant. The Town subsequently repaid the 2010 BAN in December 2010.

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

H. Long Term Obligations

The Town's long term obligations were comprised of the following at June 30, 2011:

- 2002 Water and Sewer Refunding Revenue Bonds in the original amount of $2,533,500 to defease the Series 1997 and 1998 Revenue Bonds. It has monthly principal and interest payments of $25,516 through 2012 at an interest rate of 4.95%. Resources from the Water and Sewer Funds have been used to liquidate this obligation.

- 2010A Sewer Revenue Bonds in the original amount of $1,008,200. It has monthly principal and interest payments of $3,660 through 2051 at an interest rate of 3.00% that will begin in January 2012. Resources from the Sewer Fund will be used to liquidate this obligation.

- 2010B Sewer Revenue Bonds in the original amount of $2,743,000. It has 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 to liquidate this obligation.

The following is a summary of activity in the Town's long-term obligations for the year ended June 30, 2011:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 39,918	10,081	11,225	38,774	$ 11,225
Total Governmental Activities	$ 39,918	10,081	11,225	38,774	$ 11,225
Business-Type Activities:					
Bonded Indebtedness:					
2002 Refunding Revenue Bond	$ 673,420	-	279,132	394,288	$ 293,268
Series 2010A Revenue Bond	-	1,008,200	-	1,008,200	6,860
Series 2010B Revenue Bond	-	2,743,000	17,884	2,725,116	36,581
Total Bonded Indebtedness	673,420	3,751,200	297,016	4,127,604	336,709
Compensated absences	10,616	2,787	5,341	8,062	1,366
Total Business-Type Activities	$ 684,036	3,753,987	302,357	4,135,666	$ 338,075

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

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

H. Long Term Obligations (Continued)

Annual debt service requirements to maturity for the bonded indebtedness are as follows:

June 30	Principal	Interest	Total
2012	$ 336,709	124,420	$ 461,129
2013	152,745	111,072	263,817
2014	53,299	108,455	161,754
2015	54,921	106,833	161,754
2016	56,592	105,162	161,754
2017-2021	309,862	498,909	808,771
2022-2026	359,960	448,811	808,771
2027-2031	418,158	390,612	808,770
2032-2036	485,766	323,005	808,771
2037-2041	564,304	244,466	808,770
2042-2046	655,541	153,230	808,771
2047-2051	679,747	47,752	727,499
Total	$ 4,127,604	2,662,727	$ 6,790,331

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, 2011, the Town had no bonded debt subject to the 8% limit, which was approximately $744,000.

In 2002, the Town defeased its 1997 and 1998 Revenue Bonds by placing the proceeds of its 2002 Water and Sewer Refunding Revenue Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Town's basic financial statements. On June 30, 2011, approximately $394,000 of bonds outstanding related to these issues were considered defeased.

The Town incurred $40,000 and $60,070 in costs associated with the issuance of the 2002 Water and Sewer Refunding Revenue Bonds and the Series 2010A and 2010B Revenue Bonds, respectively. These costs are being amortized over the life of the bonds using the straight-line method, which approximates the interest method. On June 30, 2011, the unamortized balance was $64,633.

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 ("PORS"). The SCRS and the PORS are cost-sharing multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems, a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the SC Code of Laws. Comprehensive annual financial reports containing financial statements and required supplementary information for both systems are issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Funding Policy – Both employees and employers are required to contribute to the plans under authority of Title 9 of the SC Code of Laws. Employees covered under PORS were required to contribute 6.5% of their salary, and employees covered under SCRS were required to contribute 6.5% of their salary during the year ended June 30, 2011. The Town was required to contribute 11.13% of gross earnings under PORS and 9.24% of gross earnings under SCRS through June 30, 2011. The Town did not participate in the group life insurance during the year ended June 30, 2011. The Town contributed amounts equal to the required contribution to the SCRS and PORS of $138,536, $131,056, and $121,024 for the years ended June 30, 2011, 2010, and 2009, respectively. Only the South Carolina State Budget and Control Board has the authority to establish and amend funding policy.

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. Beginning in January 2011, the Town obtained commercial insurance for 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.

Prior to its switch to a commercial insurance carrier in January 2011, the Town had joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Town paid an annual premium to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets from its most recently issued audited financial statements at December 31, 2010 were $40,788,687.

C. Contingent Liabilities

Sewer Operations

The Town's wastewater treatment plant was cited by the South Carolina Department of Health and Environmental Control ("DHEC") in 2005 as it repeatedly failed to comply with the permitted discharge limits for biochemical oxygen demand, fecal coliform and suspended solids percent removal. The Town submitted a pretreatment program to DHEC, which was approved and is currently in progress. The Town also submitted a corrective action plan for the required upgrading of the wastewater treatment plant, which is estimated to cost approximately $6.7 million.

A preliminary engineering report for the wastewater treatment plant upgrade was submitted to DHEC in June 2007. The Town obtained funding commitments (both grants and loans) from the United States Department of Agriculture – Rural Development ("USDA - RD") for the upgrade. In June 2009, the USDA - RD committed to funding a total of $4,866,900 for the upgrade, consisting of a $2,743,300 loan and a $2,123,600 grant. In June 2010, the USDA - RD committed to additional funding totaling $1,833,000 for the upgrade, consisting of a $1,008,200 loan and an $824,800 grant.

The Town has incurred approximately $5,535,000 as of June 30, 2011 (included in construction in progress on the financial statements) for the required upgrade to the wastewater treatment plant. These costs have been funded to date through internal means (cash from operations and transfers from other funds) and through grants and loans from USDA - RD.

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities (Continued)

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 percent 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.

In the second quarter of 2009, the System's Board approved a base project to improve water transmission lines. The project has been awarded for $7 million, construction has been started, and the project will be paid for by the benefitting parties. The Town's portion of this future cost is estimated to be approximately $203,000, or 2.89% of the total, which will be an additional charge on the Town's monthly water bill once the project is completed.

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities (Continued)

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 basic 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.

Sludge Removal

During 2008, DHEC inspected the Town's sewer operations, informing the Town that its biosolids (sludge) exceeded federal prescribed limits. As a result, the Town determined that removal of the sludge from its wastewater treatment plant cell was necessary to comply with the federal standards. The Town had this removal performed in the year ended June 30, 2011. The Town believes that additional sludge removal will be needed periodically and has accrued $75,000 at June 30, 2011 for such.

D. Economic Dependency

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

E. Commitments

At June 30, 2011, the Town had a construction commitment of approximately $342,134, which includes retainage of $226,636, for the completion of the wastewater treatment plant at June 30, 2011.

F. Subsequent Events

In July 2011 the Town was awarded a Community Infrastructure Grant from the Community Development Block Grant Program in the amount of $447,611 for the continued work on the wastewater treatment plant.

Required Supplementary Information

TOWN OF WILLIAMSTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Property Taxes	$ 924,700	924,700	971,545	$ 46,845
Hospitality Taxes	150,000	150,000	169,941	19,941
Homestead Exemption	90,000	90,000	92,164	2,164
Manufacturer's Exemption	70,000	70,000	66,825	(3,175)
Merchant's Inventory	7,200	7,200	7,207	7
Franchise Fees	375,000	375,000	334,998	(40,002)
Licenses and Permits	320,000	320,000	308,484	(11,516)
Intergovernmental	80,000	80,000	84,007	4,007
Fines and Forfeitures	100,000	100,000	98,880	(1,120)
Sanitation Collection Fees	205,000	205,000	196,342	(8,658)
Other Charges for Services	22,000	22,000	25,632	3,632
Resource Officers	35,000	35,000	17,500	(17,500)
Donations	-	-	10,000	10,000
Investment Income	1,500	1,500	4,264	2,764
Grants	35,000	35,000	52,681	17,681
Other	8,000	8,000	13,337	5,337
TOTAL REVENUE ALL SOURCES	**2,423,400**	**2,423,400**	**2,453,807**	**30,407**
EXPENDITURES				
General Government:				
Salaries and Wages	169,975	169,975	206,875	(36,900)
Payroll Taxes	13,003	13,003	15,358	(2,355)
Retirement	15,706	15,706	18,930	(3,224)
Health Insurance	31,877	31,877	50,223	(18,346)
Transportation Expenditures	200	200	618	(418)
Consultants and Contract Services	25,000	25,000	32,500	(7,500)
Operating Expenditures	383,995	383,995	370,473	13,522
Total General Government	639,756	639,756	694,977	(55,221)
Public Safety:				
Police:				
Salaries and Wages	656,987	656,987	672,258	(15,271)
Payroll Taxes	50,260	50,260	50,493	(233)
Retirement	64,398	64,398	70,260	(5,862)
Health Insurance	102,004	102,004	127,661	(25,657)
Operating Expenditures	102,600	102,600	163,755	(61,155)
Total Police	976,249	976,249	1,084,427	(108,178)
Fire:				
Payroll Taxes	4,049	4,049	1,183	2,866
Transportation Expenditures	26,780	26,780	26,761	19
Operating Expenditures	53,300	53,300	42,334	10,966
Total Fire	84,129	84,129	70,278	13,851
Total Public Safety	$ 1,060,378	1,060,378	1,154,705	$ (94,327)

(Continued)

TOWN OF WILLIAMSTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
Public Works:				
Street Department:				
Salaries and Wages	$ 182,896	182,896	191,064	$ (8,168)
Payroll Taxes	15,992	15,992	17,634	(1,642)
Retirement	16,602	16,602	17,380	(778)
Health Insurance	44,627	44,627	49,369	(4,742)
Operating Expenditures	139,134	139,134	137,582	1,552
Total Public Works	399,251	399,251	413,029	(13,778)
Recreation:				
Salaries and Wages	55,545	55,545	70,434	(14,889)
Payroll Taxes	4,249	4,249	5,397	(1,148)
Retirement	4,346	4,346	4,321	25
Health Insurance	6,375	6,375	7,228	(853)
Transportation Expenditures	500	500	-	500
Operating Expenditures	218,000	218,000	117,513	100,487
Total Recreation	289,015	289,015	204,893	84,122
Capital Outlay	35,000	35,000	295,965	(260,965)
TOTAL EXPENDITURES	**2,423,400**	**2,423,400**	**2,763,569**	**(340,169)**
EXCESS OF EXPENDITURES OVER REVENUES	**-**	**-**	**(309,762)**	**(309,762)**
OTHER FINANCING SOURCES				
Proceeds from the Sale of Capital Assets	-	-	4,901	4,901
Transfers In	-	-	405,644	405,644
TOTAL OTHER FINANCING SOURCES	**-**	**-**	**410,545**	**410,545**
NET CHANGE IN FUND BALANCE	**-**	**-**	**100,783**	**100,783**
FUND BALANCE, Beginning of Year	1,513,663	1,513,663	1,513,663	-
FUND BALANCE, End of Year	**$ 1,513,663**	**1,513,663**	**1,614,446**	**$ 100,783**

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.

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Other Supplementary Information

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	WATER ENTERPRISE FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Water Services	$ 1,054,000	1,054,000	1,010,029	$ (43,971)
Tap Fees	5,000	5,000	1,500	(3,500)
Reconnect Fees	12,000	12,000	11,400	(600)
Miscellaneous Revenues	2,400	2,400	6,736	4,336
TOTAL OPERATING REVENUES	**1,073,400**	**1,073,400**	**1,029,665**	**(43,735)**
OPERATING EXPENSES				
Water Operations:				
Salaries and Wages	168,604	168,604	214,399	(45,795)
Payroll Taxes	12,898	12,898	16,422	(3,524)
Retirement	15,699	15,699	20,176	(4,477)
Health Insurance	31,876	31,876	43,131	(11,255)
Transportation Expenses	5,000	5,000	3,933	1,067
Operating Expenses	532,323	532,323	443,384	88,939
Depreciation	-	-	78,349	(78,349)
TOTAL OPERATING EXPENSES	**766,400**	**766,400**	**819,794**	**(53,394)**
OPERATING INCOME	**307,000**	**307,000**	**209,871**	**(97,129)**
NON-OPERATING EXPENSES				
Amortization of Bond Issuance Costs	-	-	(900)	(900)
Interest and Fiscal Changes	(307,000)	(307,000)	(6,494)	300,506
TOTAL NON-OPERATING EXPENSES	**(307,000)**	**(307,000)**	**(7,394)**	**299,606**
Transfers Out	-	-	(150,000)	(150,000)
CHANGE IN FUND NET ASSETS	**-**	**-**	**52,477**	**52,477**
NET ASSETS, Beginning of Year	2,136,069	2,136,069	2,136,069	-
NET ASSETS, End of Year	**$ 2,136,069**	**2,136,069**	**2,188,546**	**$ 52,477**

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2011

	SEWER ENTERPRISE FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Sewer Services	$ 662,000	662,000	769,583	$ 107,583
Leachate Treatment	60,000	60,000	103,726	43,726
Tap Fees	1,000	1,000	-	(1,000)
Miscellaneous Revenues	22,500	22,500	23,545	1,045
TOTAL OPERATING REVENUES	**745,500**	**745,500**	**896,854**	**151,354**
OPERATING EXPENSES				
Sewer Operations:				
Salaries and Wages	165,391	165,391	100,013	65,378
Payroll Taxes	12,652	12,652	8,769	3,883
Retirement	15,282	15,282	9,112	6,170
Health Insurance	25,501	25,501	26,779	(1,278)
Operating Expenses	526,674	526,674	296,802	229,872
Depreciation	-	-	155,038	(155,038)
TOTAL OPERATING EXPENSES	**745,500**	**745,500**	**596,513**	**148,987**
OPERATING LOSS	**-**	**-**	**300,341**	**300,341**
NON-OPERATING REVENUES (EXPENSES)				
Amortization of Bond Issuance Costs	-	-	(3,601)	(3,601)
Grant Revenue	-	-	2,202,168	2,202,168
Investment Income	-	-	803	803
Interest and Fiscal Changes	-	-	(103,830)	(103,830)
TOTAL NON-OPERATING REVENUES (EXPENSES)	**-**	**-**	**2,095,540**	**2,095,540**
Transfers Out	-	-	(255,644)	(255,644)
CHANGE IN FUND NET ASSETS	**-**	**-**	**2,140,237**	**2,140,237**
NET ASSETS, Beginning of Year	3,646,379	3,646,379	3,646,379	-
NET ASSETS, End of Year	**$ 3,646,379**	**3,646,379**	**5,786,616**	**$ 2,140,237**

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2011

Court Fines and Assessments		
Court Fines and Assessments Collected	$	127,873
Court Fines and Assessments Retained by the Town		(68,477)
Total Court Fines and Assessments Remitted to the State Treasurer	**$**	**59,396**
Court Surcharges		
Court Surcharges Collected	$	27,048
Total Court Surcharges Remitted to State Treasurer	**$**	**27,048**
Victim Fund		
Funds Available for Carryforward, Beginning of Year		
Court Assessments Allocated to Victim Assistance Fund - Current Year	$	9,964
Interest Earned on Available Funds		214
Victim Assistance Fund Expenditures (Primarily Salaries and Benefits)		(8,436)
Funds Available for Carryforward, End of Year	**$**	**1,742**

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE			
Direct Programs:			
ARRA - Water and Wate Disposal Systems for Rural Communities	10.781	SC9205 to SC9208	$ 5,927,086
US DEPARTMENT OF JUSTICE			
Direct Programs:			
ARRA - COPS Hiring Recovery Act Program	16.710	2009RKWX0737	34,110
TOTAL FEDERAL ASSISTANCE EXPENDED			**$ 5,961,196**

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

A. – General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Town of Williamston, South Carolina (the "Town") for the year ended June 30, 2011. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note I to the Town's basic financial statements.

C. – Relationship to Basic Financial Statements

Federal award expenditures are reported in the Town's basic financial statements as expenditures in the General Fund and Sewer Fund.

D. – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited 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, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 26, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town in a separate letter dated September 26, 2011.

The Town's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Town Council, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 26, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Town of Williamston, South Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2011. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 26, 2011

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
10.781	USDA - Water and Waste Disposal Systems for Rural Communities - ARRA

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee?		Yes	X	No

(Continued)

Section II – Findings – 2011 Financial Statements Audit

2011-1: INTERNAL CONTROLS OVER THE ANNUAL FINANCIAL REPORTING PROCESS

Condition: The Town does not have adequate internal controls over its annual financial reporting process that would allow for the Town to prevent or detect material misstatements in its basic financial statements. Instead, the Town has chosen to use its external independent auditors as its internal control for the annual financial reporting process, from the recording of various receivables and payables on the modified accrual basis to the conversion to the full accrual basis that is used for the government-wide financial statements.

Criteria: The Town should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements from the recording of day-to-day transactions through to the reporting of those transactions in its annual financial statements.

Cause: The limited resources available at the Town.

Context and Effect: There is a higher risk that material misstatements in the basic financial statements will go undetected.

Recommendation: The Town should consider the cost/benefit factors related to providing adequate internal controls over its annual financial reporting process.

Response: The Town will continue to evaluate the cost/benefit factors of providing adequate internal controls over its annual financial reporting process. Currently, the Town believes it is most cost beneficial to use its external auditors to perform these functions related to its annual financial reporting process and to prepare the Town's annual financial statements.

Section III – Federal Awards Findings and Questions Costs

NONE