

**TOWN OF WILLIAMSTON,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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

David R. Harvell

Marion W. Middleton

J. Michael Looper

Greg Cole

TOWN ADMINISTRATOR

Phyllis Lollis

CLERK/TREASURER

Michelle Starnes



INDEPENDENT AUDITORS' REPORT

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, 2009, 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 of Williamston, South Carolina, as of June 30, 2009, 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 18, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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.

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 schedule of court fines, assessments, and surcharges has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 18, 2009

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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, 2009. 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 for the year ended June 30, 2009 by approximately \$9,342,000 (*net assets*). Of this amount, approximately \$1,489,000 (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 \$589,000, as revenues of approximately \$4,568,000 exceeded expenses of approximately \$3,979,000.
- As of the close of the year ended June 30, 2009, the Town's General Fund reported an ending fund balance of approximately \$2,027,000, an increase of approximately \$384,000 in comparison with the prior year balance. The increase in the fund balance is due to revenues and other financing sources of approximately \$2,859,000 exceeding the Town's operating expenditures of approximately \$2,475,000, as noted below.
- Unreserved fund balance for the General Fund was approximately \$1,937,000, or 95% of total fund balance for the General Fund at June 30, 2009. Unreserved fund balance for the General Fund was approximately 78% of General Fund expenditures for fiscal year 2009.
- General Fund revenues and other financing sources were approximately \$2,859,000 for the year ended June 30, 2009, compared to approximately \$3,074,000 in the prior year. General Fund expenditures were approximately \$2,475,000 for the year ended June 30, 2009, compared to approximately \$2,563,000 in the prior year.
- Water and sewer revenues were approximately \$1,717,000 for the year ended June 30, 2009, compared to approximately \$1,669,000 in the prior year. Water and sewer expenses were approximately \$1,557,000 for the year ended June 30, 2009, compared to approximately \$1,366,000 in the prior year.
- The Sewer Fund had a deficit in its Unrestricted Net Assets of approximately \$721,000 at June 30, 2009, as it funded the engineering and other costs for the anticipated Wastewater Treatment Plan ("WWTP") upgrade internally, using cash from operations and transfers from other funds.
- The Town is currently operating under a consent order with DHEC for its WWTP. A major upgrade is required and is estimated to cost approximately \$10 million, consisting of two phases. The Town is working with the South Carolina State Office of the United States Department of Agriculture - Rural Development to obtain funding for the upgrade. The Town has expended approximately \$326,000 in engineering costs related to the upgrade as of the date of the report.
- The Town's capital assets increased by approximately \$142,000 (2%) to approximately \$8,836,000 at June 30, 2009. The increase was due to capital asset additions of approximately \$604,000, partially offset by current depreciation expense of approximately \$462,000.
- The Town's long term indebtedness decreased by approximately \$299,000 (22%) to approximately \$1,086,000 at June 30, 2009 primarily due to scheduled principal payments that were made during the 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*.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 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 period. 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 periods (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.

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.

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.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Proprietary Fund. The Town maintains one type of proprietary fund. Enterprise funds are 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 and accompanying notes, this report includes certain required supplementary information. The Town adopts an annual budget for its General Fund, as required by General 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.

Figure A-1 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	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of activities 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▪ 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 period/year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the period/year; expenditures when goods or services have been received and payment is due during the period/year or soon thereafter.	All revenues and expenses during period/year, regardless of when cash is received or paid.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

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 \$9,342,000 at June 30, 2009.

This table provides a summary of the Town's net assets as of June 30, 2009 and June 30, 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Other Assets	\$ 2,193,242	1,949,299	175,513	379,021	2,368,755	\$ 2,328,320
Capital Assets, Net	2,023,458	2,041,577	6,812,869	6,652,654	8,836,327	8,694,231
Total Assets	<u>4,216,700</u>	<u>3,990,876</u>	<u>6,988,382</u>	<u>7,031,675</u>	<u>11,205,082</u>	<u>11,022,551</u>
Liabilities						
Other Liabilities	94,214	227,658	637,024	584,064	731,238	811,722
Long-Term Liabilities	159,435	229,085	972,743	1,228,659	1,132,178	1,457,744
Total Liabilities	<u>253,649</u>	<u>456,743</u>	<u>1,609,767</u>	<u>1,812,723</u>	<u>1,863,416</u>	<u>2,269,466</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,897,827	1,868,615	5,865,030	5,456,105	7,762,857	7,324,720
Restricted	89,347	146,201	-	-	89,347	146,201
Unrestricted	1,975,877	1,519,317	(486,415)	(237,153)	1,489,462	1,282,164
Total Net Assets	<u>\$ 3,963,051</u>	<u>3,534,133</u>	<u>5,378,615</u>	<u>5,218,952</u>	<u>9,341,666</u>	<u>\$ 8,753,085</u>

Total net assets of the Town's governmental activities increased by approximately \$429,000, or 12%, to approximately \$3,963,000 at June 30, 2009, compared to approximately \$3,534,000 at June 30, 2008. 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 \$457,000 to approximately \$1,976,000 at June 30, 2009. The increase in unrestricted net assets is due to revenues exceeding the normal operating expenses of the Town's governmental activities. See next page for further details.

Total net assets of the Town's business-type activities increased by approximately \$160,000, or 3%, to approximately \$5,379,000 at June 30, 2009, compared to approximately \$5,219,000 at June 30, 2008. This increase in net assets is due to revenues continuing to exceed the operating expenses of the Town's business-type activities. See next page for further details. The deficit in unrestricted net assets of approximately \$486,000 at June 30, 2009 is comprised of a positive balance of approximately \$235,000 for water operations and a negative balance of approximately \$721,000 for sewer operations. The deficit in sewer operations increased by approximately \$363,000 during 2009 due to using cash from operations and transfers from other funds to pay for capital asset additions related to the Wastewater Treatment Plant upgrade.

The largest portion of the Town's net assets (approximately \$7,763,000 or 83%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) 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.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

This table shows the changes in net assets for the year ended June 30, 2009 and June 30, 2008:

	Governmental Activities		Business-Type Activities		Total	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	6/30/08
Revenues						
Program Revenues:						
Charges for Services	\$ 487,029	494,836	1,716,596	1,639,496	2,203,625	\$ 2,134,332
Operating Grants	2,500	30,000	-	-	2,500	30,000
Capital Grants	92,969	241,270	-	29,900	92,969	271,170
General Revenues:						
Property and Other Taxes	1,652,042	1,602,501	-	-	1,652,042	1,602,501
Other	617,150	603,925	-	-	617,150	603,925
Total Revenues	2,851,690	2,972,532	1,716,596	1,669,396	4,568,286	4,641,928
Program Expenses:						
General Government	706,813	470,195	-	-	706,813	470,195
Public Safety	822,645	1,099,727	-	-	822,645	1,099,727
Public Works	646,344	662,832	-	-	646,344	662,832
Recreation	236,228	90,145	-	-	236,228	90,145
Interest and Other Charges	10,742	7,217	-	-	10,742	7,217
Water and Sewer	-	-	1,556,933	1,366,348	1,556,933	1,366,348
Total Expenses	2,422,772	2,330,116	1,556,933	1,366,348	3,979,705	3,696,464
Change in Net Assets	428,918	642,416	159,663	303,048	588,581	945,464
Net Assets, Beginning of Year	3,534,133	2,891,717	5,218,952	5,195,904	8,753,085	8,087,621
Prior Period Adjustment	-	-	-	(280,000)	-	(280,000)
Net Assets, Beginning of Year, Restated	3,534,133	2,891,717	5,218,952	4,915,904	8,753,085	7,807,621
Net Assets, End of Year	\$ 3,963,051	3,534,133	5,378,615	5,218,952	9,341,666	\$ 8,753,085

Governmental Activities. The Town's net assets increased during 2009 by approximately \$429,000 or 12%, compared to an increase of approximately \$642,000 for the prior year. The decrease in the change in net assets of approximately \$213,000 in 2009 compared to 2008 was the result of (a) lower revenues of \$121,000, primarily due to fewer grants awarded and expended during 2009 (\$176,000), partially offset by higher property taxes; and (b) higher expenses of approximately \$92,000 (4%) compared to the prior year (primarily an increase in personnel costs for the new Town Administrator and Codes Enforcer), combined with higher workers' compensation insurance costs.

Business-Type Activities. The Town's net assets increased during 2009 by approximately \$160,000 or 3%, compared to an increase of approximately \$303,000 for 2008. The decrease in the change in net assets of approximately \$143,000 in 2009 compared to 2008 was the result of higher expenses of approximately \$190,000, due to an increase in personnel costs of \$60,000, primarily for sewer operations, combined with higher operating costs of \$130,000 (increases in water costs charged by the Anderson Regional Joint Water System, higher maintenance costs for both water and sewer operations and higher depreciation expenses). These increases in expenses were partially offset by an increase in revenues of approximately \$47,000, due primarily to an increase in leachate treatment charges of \$33,000.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the period/year. The General Fund is the chief operating fund of the Town.

At June 30, 2009, the Town's General Fund reported an ending fund balance of approximately \$2,027,000. Of this amount, approximately \$1,937,000 is unreserved fund balance, which is available for spending at the government's discretion.

General Fund Revenues

Total General Fund revenues and other financing sources were approximately \$2,859,000 for 2009, a decrease of approximately \$215,000 compared to the prior year total of \$3,074,000. 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 46% (approximately \$1,314,000) of total General Fund revenue during 2009, an increase of \$40,000 compared to the prior year. Grant revenues were approximately \$95,000 for 2009, which was a decrease of \$176,000 from the prior year as the Town was the recipient of fewer grants. The Town also issued a note payable during the prior year in the amount of approximately \$82,000 for three police cars; no additional indebtedness was incurred during the current year. In addition, sanitation fees decreased approximately \$63,000 during 2009 as the Town reduced the monthly charge from \$10 to \$8 in February 2009.

General Fund Expenditures

Total General Fund expenditures were approximately \$2,475,000 for 2009, a decrease of approximately \$88,000 compared to the prior year total of \$2,563,000. The decrease during 2009 was primarily due to higher operating costs of approximately \$107,000, offset by lower capital outlay of approximately \$195,000. The higher operating costs were primarily due to an increase in personnel (new Town Administrator and Codes Enforcer) and higher workers' compensation insurance. The decrease in capital outlay is the result of the decrease in grants, combined with not purchasing three police cars using debt proceeds, as was done in the prior year. The Public Safety function (police and fire) accounted for approximately 40% (\$920,000) of all General Fund expenditures (excluding capital outlay). The remaining General Fund expenditures (excluding capital outlay) came from the areas of General Government (\$694,000), Public Works (\$397,000), and Recreation (\$213,000). The Town also had capital outlay of approximately \$192,000 and debt service expenditures relating to long-term indebtedness of approximately \$59,000 for 2009.

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 Enterprise Funds at June 30, 2009 amounted to approximately \$5,379,000. Factors concerning the operations of these funds have already been addressed in the discussion of the Town's business-type activities.

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 fund. These statements compare the original adopted budget, the final budget, and the actual revenues and expenditures for the period/year. Amendments to the adopted budget may occur through out the year in a legally permissible manner.

Actual revenues and other financing sources of approximately \$2,859,000 for the General Fund were approximately \$123,000 more than the budget, primarily due to higher than expected fines and permits, combined with proceeds from the sale of land that was not budgeted. Actual expenditures of approximately \$2,475,000 were approximately \$261,000 less than the budget as the Town clamped down on operating expenditures in anticipation of the economic downturn.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the Town had invested a net amount of approximately \$8,836,000 in capital assets. This following table shows the capital asset balances (net of depreciation) for June 30, 2009 compared to June 30, 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 38,000	38,000	324,238	305,416	362,238	\$ 343,416
Construction in Progress	-	-	565,484	360,706	565,484	360,706
Buildings and Improvements	390,791	412,139	1,632	2,168	392,423	414,307
Motor Vehicles	328,351	400,841	23,244	30,553	351,595	431,394
Equipment	357,223	338,272	28,364	23,410	385,587	361,682
Infrastructure / Utility Systems	909,093	852,325	5,869,907	5,930,401	6,779,000	6,782,726
Totals	\$ 2,023,458	2,041,577	6,812,869	6,652,654	8,836,327	\$ 8,694,231

The major capital asset transactions during the period for the Town were as follows:

- Depreciation expense of approximately \$462,000.
- Purchase of a wood chipper of approximately \$36,000.
- Completion of a streetscape project of approximately \$114,000.
- Purchase of other equipment, including scorer field lighting of approximately \$43,000.
- Upgrades to the sewer system of approximately \$82,000.
- Completion of the Cherokee Pump Station (\$6,000) and the Old South Lagoon Pump Station Replacement (\$6,000).
- Additional costs incurred for the Wastewater Treatment Plant Phase I (\$370,000).

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

Long-Term Obligations

As of June 30, 2009, the Town had total long-term obligations of approximately \$1,132,000, as detailed below. The following table presents a summary of the Town's outstanding long-term debt for June 30, 2009 compared to June 30, 2008:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
2002 Note Payable	\$ 98,322	119,707	-	-	98,322	\$ 119,707
2008 Note Payable	27,309	53,255	-	-	27,309	53,255
Water - Sewer Refunding Bonds	-	-	960,652	1,212,487	960,652	1,212,487
Compensated Absences	33,804	56,123	12,091	16,172	45,895	72,295
Totals	\$ 159,435	229,085	972,743	1,228,659	1,132,178	\$ 1,457,744

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

- The Town made scheduled principal payments of approximately \$299,000 during 2009.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations (continued)

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, 2009 was approximately \$763,000. The Town had no general obligation debt subject to this limitation at June 30, 2009.

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 ("WWTP") 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 WWTP, which is estimated to cost approximately \$10 million, consisting of two phases that will cost approximately \$5 million for each phase.

A Preliminary Engineering Report ("PER") for Phase One of the upgrade of the WWTP was submitted to DHEC in June 2007. The Town is working with the South Carolina State Office of the United States Department of Agriculture – Rural Development ("RD") to obtain funding (both grants and loans) for Phase One. The RD would administer the loan and grant on behalf of the Rural Utilities Service ("RUS"). The Town is using an independent engineering firm to assist them in completing the environmental assessments required by the RD for the funding of this upgrade.

In June 2009, the Town received a letter from the RD, in which the RD proposed funding a total of \$4,866,600 for Phase One, consisting of \$2,743,000 in a loan and \$2,123,600 in a grant. However, this letter establishes certain conditions which the Town must agree to before further consideration will be given to the Town's application for funding the upgrade. The Town is diligently pursuing all available means in order to meet the conditions required by the RD.

The Town has incurred approximately \$326,000 as of June 30, 2009 (included in construction in progress on the financial statements) for the engineering portion of the required Phase One upgrade to the WWTP. These costs have been funded to date through internal means (cash from operations and transfers from other funds), but the Town does not have the funds to move forward without external financing.

If the Town is unable to obtain sufficient funding for this project, then management will have no alternative than to try to work with DHEC in amending the Corrective Action Plan.

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 to remove the sludge from its wastewater treatment plant cell to comply with the federal standards. The Town has estimated that it will cost approximately \$280,000 for this remediation treatment based on engineering estimates and has recorded a liability for this amount as of June 30, 2009. Management is in the process of bidding out a contract for the removal of the sludge, which is anticipated to occur during the next fiscal year.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2009

ECONOMIC FACTORS

Economic factors that were considered in preparing the FY 10 budget were as follows:

- In 2009, the Town did not annex any additional properties. There are approximately 3,800 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 5%).
- 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 (approximately 22%).

The Town's 2010 General fund budget is approximately \$2,585,000, which is an increase of approximately \$110,000 from 2009 actual expenditures and a decrease of approximately \$151,000 from the 2009 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, 2009

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,625,353	78,078	\$ 1,703,431
Restricted Cash and Cash Equivalents	89,347	-	89,347
Investments	99,566	-	99,566
Property Taxes Receivable, Net	79,654	-	79,654
Accounts Receivable, Net	152,937	133,549	286,486
Unbilled Revenues	-	68,502	68,502
Due from Other Governments	28,956	-	28,956
Internal Balances	117,429	(117,429)	-
Unamortized Bond Issuance Costs	-	12,813	12,813
Capital Assets:			
Non-Depreciable	38,000	889,722	927,722
Depreciable, Net	1,985,458	5,923,147	7,908,605
TOTAL ASSETS	4,216,700	6,988,382	11,205,082
LIABILITIES			
Accounts Payable	42,587	237,696	280,283
Accrued Salaries and Fringe Benefits	47,754	9,524	57,278
Accrued Interest Payable	2,913	1,982	4,895
Accrued Sludge Removal	-	280,000	280,000
Accrued Capacity Encroachment	-	37,064	37,064
Due to Other Governments	960	-	960
Deposits	-	70,758	70,758
Non-Current Liabilities:			
Due Within One Year	61,170	268,619	329,789
Due in More Than One Year	98,265	704,124	802,389
TOTAL LIABILITIES	253,649	1,609,767	1,863,416
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,897,827	5,865,030	7,762,857
Restricted For:			
Hospitality Taxes	65,241	-	65,241
Other	24,106	-	24,106
Unrestricted Assets (Deficit)	1,975,877	(486,415)	1,489,462
TOTAL NET ASSETS	\$ 3,963,051	5,378,615	\$ 9,341,666

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, 2009

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 706,813	-	-	-	(706,813)	-	\$ (706,813)
Public Safety	822,645	225,560	-	-	(597,085)	-	(597,085)
Public Works	646,344	238,434	-	92,969	(314,941)	-	(314,941)
Recreation	236,228	23,035	2,500	-	(210,693)	-	(210,693)
Interest and Other Charges	10,742	-	-	-	(10,742)	-	(10,742)
Total Governmental Activities	2,422,772	487,029	2,500	92,969	(1,840,274)	-	(1,840,274)
Business-Type Activities:							
Water	938,828	1,035,702	-	-	-	96,874	96,874
Sewer	618,105	680,894	-	-	-	62,789	62,789
Total Business-Type Activities	1,556,933	1,716,596	-	-	-	159,663	159,663
TOTAL - PRIMARY GOVERNMENT	\$ 3,979,705	2,203,625	2,500	92,969	(1,840,274)	159,663	(1,680,611)
General Revenues:							
Taxes:							
Property Taxes					1,481,280	-	1,481,280
Hospitality Taxes					170,762	-	170,762
Franchise Fees					365,463	-	365,463
Intergovernmental Revenue					119,085	-	119,085
Licenses and Permits					49,009	-	49,009
Miscellaneous Revenue					30,571	-	30,571
Investment Income					1,615	-	1,615
Gain on Disposal of Capital Assets					51,407	-	51,407
Total General Revenues					2,269,192	-	2,269,192
CHANGE IN NET ASSETS					428,918	159,663	588,581
NET ASSETS, Beginning of Year					3,534,133	5,218,952	8,753,085
NET ASSETS, End of Year					3,963,051	5,378,615	\$ 9,341,666

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 FUNDS

JUNE 30, 2009

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 1,625,353
Cash and Cash Equivalents - Restricted	89,347
Investments	99,566
Receivables, Net:	
Taxes	79,654
Accounts	152,937
Due from State Agencies	28,956
Due from Other Funds	117,429
TOTAL ASSETS	<u>2,193,242</u>
LIABILITIES	
Accounts Payable	42,587
Accrued Salaries and Fringe Benefits	47,754
Due to Other Governments	960
Deferred Revenue	75,400
TOTAL LIABILITIES	<u>166,701</u>
FUND BALANCE	
Reserved for:	
Hospitality Taxes	65,241
Other	24,106
Unreserved and undesignated:	
General Fund	1,937,194
TOTAL FUND BALANCE	<u>2,026,541</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,193,242</u>

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 FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 2,026,541
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 governmental funds. The cost of the assets was \$5,857,864 and the accumulated depreciation was \$3,834,406.	2,023,458
Property taxes in the Statement of Net Assets will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the funds.	75,400
Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the funds.	(2,913)
Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities consisted of the following:	
Notes Payable	(125,631)
Compensated Absences (Vacation)	<u>(33,804)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 3,963,051</u>

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 FUNDS

YEAR ENDED JUNE 30, 2009

	GENERAL FUND
REVENUES	
Property Taxes	\$ 1,314,127
Hospitality Taxes	170,762
Homestead Exemption	91,323
Manufacturer's Exemption	76,245
Merchant's Inventory	7,207
Franchise Fees	365,463
Licenses and Permits	49,009
Intergovernmental	119,085
Fines and Forfeits	182,773
Sanitation Collection Fees	237,686
Charges for Services	23,783
Resource Officers	52,500
Investment Income	1,615
Grants	95,469
Other	20,858
TOTAL REVENUES ALL SOURCES	<u>2,807,905</u>
EXPENDITURES	
Current:	
General Government	693,687
Public Safety	919,987
Public Works	397,052
Recreation	213,399
Capital Outlay	192,105
Debt Service:	
Principal	47,331
Interest and Fiscal Charges	11,812
TOTAL EXPENDITURES	<u>2,475,373</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>332,532</u>
OTHER FINANCING SOURCES	
Proceeds from Sale of Land	51,407
TOTAL OTHER FINANCING SOURCES	<u>51,407</u>
NET CHANGE IN FUND BALANCE	383,939
FUND BALANCE, Beginning of Year	<u>1,642,602</u>
FUND BALANCE, End of Year	<u>\$ 2,026,541</u>

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

YEAR ENDED JUNE 30, 2009

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 383,939
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 funds. This amount represents the change in deferred revenues for the year	(7,622)
Repayment of long-term note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	47,331
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the change in the accrual during the current year.	1,070
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.	22,319
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which current year depreciation of \$210,224 exceed current year additions of \$192,105.	<u>(18,119)</u>
TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 428,918</u></u>

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, 2009

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 78,078	-	\$ 78,078
Receivables, Net of Allowance for Doubtful Accounts	81,910	51,639	133,549
Due from Other Funds	121,779	-	121,779
Unbilled Revenue	45,373	23,129	68,502
Total Current Assets	<u>327,140</u>	<u>74,768</u>	<u>401,908</u>
Noncurrent Assets			
Unamortized Bond Issuance Costs, Net	3,075	9,738	12,813
Non-Depreciable Capital Assets	251,416	638,306	889,722
Depreciable Capital Assets, Net	1,494,395	4,428,752	5,923,147
Total Noncurrent Assets	<u>1,748,886</u>	<u>5,076,796</u>	<u>6,825,682</u>
TOTAL ASSETS	<u>2,076,026</u>	<u>5,151,564</u>	<u>7,227,590</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	40,388	197,308	237,696
Accrued Salaries and Fringe Benefits	6,804	2,720	9,524
Accrued Sludge Removal	-	280,000	280,000
Accrued Capacity Encroachment	-	37,064	37,064
Accrued Interest Payable	476	1,506	1,982
Deposits	35,379	35,379	70,758
Due to Other Funds	-	239,208	239,208
Compensated Absences - Current Portion	3,085	946	4,031
Refunding Revenue Bond Payable - Current Portion	63,501	201,087	264,588
Total Current Liabilities	<u>149,633</u>	<u>995,218</u>	<u>1,144,851</u>
Noncurrent Liabilities			
Compensated Absences - Noncurrent Portion	6,169	1,891	8,060
Refunding Revenue Bond Payable - Noncurrent Portion	167,055	529,009	696,064
Total Noncurrent Liabilities	<u>173,224</u>	<u>530,900</u>	<u>704,124</u>
TOTAL LIABILITIES	<u>322,857</u>	<u>1,526,118</u>	<u>1,848,975</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,518,330	4,346,700	5,865,030
Unrestricted Assets (Deficit)	234,839	(721,254)	(486,415)
TOTAL NET ASSETS	<u>\$ 1,753,169</u>	<u>3,625,446</u>	<u>\$ 5,378,615</u>

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, 2009

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for Services:			
Water Services	\$ 1,000,217	-	\$ 1,000,217
Sewer Services	-	556,753	556,753
Leachate Treatment	-	104,943	104,943
Other Revenues	35,485	19,198	54,683
TOTAL OPERATING REVENUES	1,035,702	680,894	1,716,596
OPERATING EXPENSES			
Water Operations	925,157	-	925,157
Sewer Operations	-	574,814	574,814
TOTAL OPERATING EXPENSES	925,157	574,814	1,499,971
OPERATING INCOME	110,545	106,080	216,625
NON-OPERATING EXPENSES			
Amortization of Bond Issuance Cost	(750)	(2,375)	(3,125)
Interest Expense	(12,921)	(40,916)	(53,837)
TOTAL NON-OPERATING EXPENSES	(13,671)	(43,291)	(56,962)
CHANGE IN NET ASSETS	96,874	62,789	159,663
NET ASSETS, Beginning of Year, as Previously Reported	5,218,952	-	5,218,952
Restatement due to Reclassification of Funds	(3,562,657)	3,562,657	-
NET ASSETS, Beginning of Year, Restated	1,656,295	3,562,657	5,218,952
NET ASSETS, End of Year	\$ 1,753,169	3,625,446	\$ 5,378,615

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, 2009

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Other Revenues	\$ 1,058,590	715,651	\$ 1,774,241
Cash Payments for Goods and Services	(668,956)	(320,670)	(989,626)
Cash Payments to Employees	(216,513)	(92,092)	(308,605)
NET CASH PROVIDED BY OPERATING ACTIVITIES	173,121	302,889	476,010
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	239,208	239,208
Transfers to Other Funds	(298,731)	-	(298,731)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	(298,731)	239,208	(59,523)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(10,546)	(308,791)	(319,337)
Principal Payments on Refunding Revenue Bonds	(60,440)	(191,395)	(251,835)
Interest Payments	(12,445)	(41,911)	(54,356)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(83,431)	(542,097)	(625,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Income on Investments	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(209,041)	-	(209,041)
CASH AND CASH EQUIVALENTS, Beginning of Year	287,119	-	287,119
CASH AND CASH EQUIVALENTS, End of Year	\$ 78,078	-	\$ 78,078
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 110,545	106,080	\$ 216,625
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	86,974	164,659	251,633
Change in:			
Accounts Receivable	17,998	29,867	47,865
Unbilled Revenue	-	-	-
Prepays	-	3,000	3,000
Accounts Payable	(50,745)	13,664	(37,081)
Accrued Salaries and Fringe Benefits	2,292	(1,792)	500
Accrued Capacity Encroachment	-	(12,231)	(12,231)
Compensated Absences	1,167	(5,248)	(4,081)
Customer Deposits	4,890	4,890	9,780
Net Cash Provided by Operating Activities	\$ 173,121	302,889	\$ 476,010
Non-Cash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Not Yet Paid For	\$ -	183,644	\$ 183,644

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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, the basic financial statements present the Town's financial information with its 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 Town both appoints a voting majority of the entity's governing body, and either: 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. 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 Town having the authority to approve or modify that budget, (b) levy taxes or set rates or charges without approval by the Town, and (c) issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town's 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 basic financial statements to emphasize they are legally separate from the Town.

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

Major Operations

All activities for which the Council exercises oversight responsibility have been incorporated into the 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.

The Town changed the presentation of its water and sewer operations, which had been combined in one enterprise fund in previous reports with total net assets of \$5,218,952 at June 30, 2008. The Town established separate enterprise funds to account for these activities, effective July 1, 2008. This change resulted in recording initial net assets of \$1,656,295 and \$3,562,657 for water and sewer operations, respectively, with no impact to the Town's General Fund.

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

The government-wide basic 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 basic financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 basic 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 basic financial statements are prepared (see further detail below). Governmental fund basic 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 basic 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 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.

Fund basic financial statements report detailed information about the Town. The focus of governmental fund basic 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 major funds and fund types 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 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.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following is the Town's major 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 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 ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), 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. 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. 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 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.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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 agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts 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 or funds in deposit accounts 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;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) 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), and (e) 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 used certificates of deposit during the year ended June 30, 2009.

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 basic 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, 2009, 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 types of fees, charges and services, including franchise fees, sanitation, water, sewer and other fees and charges.

TOWN OF WILLIAMSTON, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

3. Inventories and Prepaid Assets

The Town records inventories as expenditures when purchased (purchase method) rather than when used in future periods (consumption method).

The Town records certain other payments to vendors (i.e., insurance) as expenditures when used in future periods (consumption method).

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund basic 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 basic financial statements.

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

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

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

5. *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 basic financial statements. The portion applicable to the proprietary fund is also recorded in the proprietary fund basic 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.

6. *Accrued Liabilities and Long-Term Obligations*

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

7. *Fund Balance*

In the fund basic financial statements, the Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods.

The Town's use of the term "reserve" relative to the fund balance of its governmental funds is limited to indicating that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Reservations of fund balance have been established for hospitality taxes, drug forfeitures, cemetery funds and other similar types of items. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

8. *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.

9. *Accounting Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America 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.

10. *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 Proprietary 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 appropriate amount) is established on the budget as a whole.

TOWN OF WILLIAMSTON, SOUTH CAROLINA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009

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 balances of \$1,955,559 as of June 30, 2009 (which had a carrying value of \$1,892,344), were exposed to custodial credit risk.

Investments

As of June 30, 2009, 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, 2009:

Hospitality Taxes	\$ 65,241
Drug Forfeiture	12,784
Cemetery Fund	9,972
Other	1,350
Total Restricted Cash and Cash Equivalents	<u>\$ 89,347</u>

B. Accounts Receivable and Unbilled Revenue

The General Fund had accounts receivable of \$152,937 at June 30, 2009, which represents franchise fees and hospitality taxes due to the Town at June 30, 2009 that were received subsequent to June 30, 2009.

The Water and Sewer Funds have accounts receivable of \$81,910 and \$51,639, respectively (net of an allowance for doubtful accounts of \$19,605 and \$10,001, respectively) at June 30, 2009, which represents primarily unpaid water and sewer charges through the June 15, 2009 billing period. In addition, the Water and Sewer Funds have \$45,373 and \$23,129, respectively, in unbilled revenues related to water and sewer usage by customers for the last two weeks of June 2009 that were not billed until July 2009.

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 these 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 \$9,545,000 at a rate of 110.0 mills, and are payable without penalty through January 14. On January 15, a fifteen percent 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, 2009, the Town reported property taxes receivable of \$79,654, of which \$4,254 was received within 60 days after year end. The General Fund reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The General Fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2009, the General Fund reported \$75,400 in deferred revenues, all attributable to delinquent property taxes receivable.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

D. Deposits

The Water Fund and the Sewer Fund have liabilities for customer deposits totaling \$70,758, which will be applied to the customer's last bill when service is terminated.

E. Interfund Receivables and Payables

At June 30, 2009, the Sewer Fund had a payable to the General Fund in the amount of \$117,429 and a payable to the Water Fund in the amount of \$121,779 primarily for capital outlay expenditures paid by these funds on behalf of the Sewer Fund. This amount will be repaid from future revenues from the Sewer Fund.

F. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2009 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-Depreciable				
Land	\$ 38,000	-	-	\$ 38,000
Total Capital Assets, Non-Depreciable	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
Capital Assets, Depreciable				
Buildings and Improvements	853,938	-	-	853,938
Motor Vehicles	1,246,135	-	-	1,246,135
Equipment	724,752	78,139	-	802,891
Infrastructure	2,802,934	113,966	-	2,916,900
Total Capital Assets, Depreciable	<u>5,627,759</u>	<u>192,105</u>	<u>-</u>	<u>5,819,864</u>
Less: Accumulated Depreciation for				
Buildings and Improvements	441,799	21,348	-	463,147
Motor Vehicles	845,294	72,490	-	917,784
Equipment	386,480	59,188	-	445,668
Infrastructure	1,950,609	57,198	-	2,007,807
Total Accumulated Depreciation	<u>3,624,182</u>	<u>210,224</u>	<u>-</u>	<u>3,834,406</u>
Total Capital Assets, Depreciable, Net	<u>2,003,577</u>	<u>(18,119)</u>	<u>-</u>	<u>1,985,458</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 2,041,577</u>	<u>(18,119)</u>	<u>-</u>	<u>\$ 2,023,458</u>

Depreciation expense for the year ended June 30, 2009 for governmental activities was charged to functions as follows:

Governmental Activities:	Depreciation Expense
General Government	\$ 13,126
Public Safety	74,580
Public Works	99,689
Recreation	22,829
Total Depreciation Expense - Governmental Activities	<u>\$ 210,224</u>

TOWN OF WILLIAMSTON, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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, 2009 was as follows:

Business-Type Activities:	Beginning				Ending
	Balance	Increases	Decreases	Transfers	Balance
Capital Assets, Not being Depreciated					
Land	\$ 305,416	18,822	-	-	\$ 324,238
Construction in Progress	360,706	382,480	-	(177,702)	565,484
Total Capital Assets, Not being Depreciated	<u>666,122</u>	<u>401,302</u>	<u>-</u>	<u>(177,702)</u>	<u>889,722</u>
Capital Assets, Being Depreciated					
Land Improvements	163,865	-	-	-	163,865
Buildings and Improvements	22,392	-	-	-	22,392
Motor Vehicles	113,419	-	-	-	113,419
Equipment	64,123	10,546	-	-	74,669
Utility Systems	12,171,017	-	-	177,702	12,348,719
Total Capital Assets, Being Depreciated	<u>12,534,816</u>	<u>10,546</u>	<u>-</u>	<u>177,702</u>	<u>12,723,064</u>
Less: Accumulated Depreciation for					
Land Improvements	163,865	-	-	-	163,865
Buildings and Improvements	20,224	536	-	-	20,760
Motor Vehicles	82,866	7,309	-	-	90,175
Equipment	40,713	5,592	-	-	46,305
Utility Systems	6,240,616	238,196	-	-	6,478,812
Total Accumulated Depreciation	<u>6,548,284</u>	<u>251,633</u>	<u>-</u>	<u>-</u>	<u>6,799,917</u>
Total Capital Assets, Being Depreciated, Net	<u>5,986,532</u>	<u>(241,087)</u>	<u>-</u>	<u>177,702</u>	<u>5,923,147</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 6,652,654</u>	<u>160,215</u>	<u>-</u>	<u>-</u>	<u>\$ 6,812,869</u>

G. Long Term Obligations

The Town’s long term obligations were comprised of the following at June 30, 2009:

- 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.
- 2002 Note Payable for fire fighting equipment in the original amount of approximately \$211,000. It has annual payments of \$28,148 beginning in 2004 and continuing through 2013 with an interest rate of 5.38%. Resources from the General Fund have been used to liquidate this obligation.
- 2008 Note Payable for three 2008 Ford Crown Victoria Police Sedans in the amount of \$81,997. It has annual payments of \$28,742 through February 2010 with an interest rate of 5.25%. Resources from the General Fund have been used to liquidate this obligation.

TOWN OF WILLIAMSTON, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

G. Long Term Obligations (Continued)

The following is a summary of activity in the Town's long-term obligations for 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable:					
2002 Note Payable	\$ 119,707	-	21,385	98,322	\$ 22,593
2008 Note Payable	53,255	-	25,946	27,309	27,309
Total Debt	<u>172,962</u>	<u>-</u>	<u>47,331</u>	<u>125,631</u>	<u>49,902</u>
Compensated absences	<u>56,123</u>	<u>28,729</u>	<u>51,048</u>	<u>33,804</u>	<u>11,268</u>
Total Governmental Activities	<u>229,085</u>	<u>28,729</u>	<u>98,379</u>	<u>159,435</u>	<u>61,170</u>
Business-Type Activities:					
Bonded Indebtedness:					
2002 Refunding Revenue Bond	1,212,487	-	251,835	960,652	264,588
Total Bonded Indebtedness	<u>1,212,487</u>	<u>-</u>	<u>251,835</u>	<u>960,652</u>	<u>264,588</u>
Compensated absences	<u>16,172</u>	<u>11,140</u>	<u>15,221</u>	<u>12,091</u>	<u>4,031</u>
Total Business-Type Activities	<u>\$ 1,228,659</u>	<u>11,140</u>	<u>267,056</u>	<u>972,743</u>	<u>\$ 268,619</u>

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

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

Years Ended June 30	Notes Payable		Bonded Indebtedness		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 49,902	6,989	264,588	41,603	314,490	\$ 48,592
2011	23,869	4,279	277,986	28,205	301,855	32,484
2012	25,218	2,930	292,063	14,128	317,281	17,058
2013	<u>26,642</u>	<u>1,505</u>	<u>126,015</u>	<u>1,563</u>	<u>152,657</u>	<u>3,068</u>
Total	<u>\$ 125,631</u>	<u>15,703</u>	<u>960,652</u>	<u>85,499</u>	<u>1,086,283</u>	<u>\$ 101,202</u>

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 eight percent (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 thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2009, the Town had no bonded debt subject to the 8% limit of approximately \$763,000.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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

G. Long Term Obligations (Continued)

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, 2009, approximately \$961,000 of bonds outstanding related to these issues were considered defeased.

The Town incurred \$40,000 in costs associated with the issuance of the 2002 Water and Sewer Refunding Revenue Bonds. These costs are being amortized over the life of the bonds using the straight-line method, which approximates the interest method. On June 30, 2009, the unamortized balance was \$12,813.

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. The 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 the Systems are issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

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. Employees covered under SCRS were required to contribute 6.5% of their salary through June 30, 2009. The Town was required to contribute 10.65% of gross earnings under PORS and 9.24% of gross earnings under SCRS through June 30, 2009. The Town did not participate in the group life insurance for fiscal year 2009. The Town contributed amounts equal to the required contribution to the SCRS and PORS of \$121,204, \$107,944, and \$47,473 for the year ended June 30, 2009, June 30, 2008, and the six months ended June 30, 2007, 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 has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. In the year ended June 30, 2009, the Town made premium payments totaling approximately \$57,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. The SCMIRF net assets from its most recently issued audited financial statements at December 31, 2008 were approximately \$24,400,000.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

B. Risk Management (Continued)

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The Town pays an annual premium to SCMIT. In the year ended June 30, 2009, the Town made premium payments totaling approximately \$48,000. 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, 2008 were approximately \$25,069,000.

The Town has also joined together with other local governments in the South Carolina Local Government Assurance Group (SCLGAG) to provide medical, dental and life insurance for its employees. This is also a public entity risk pool operating a common risk management and insurance program. The group reinsures to cover large specific losses. In the year ended June 30, 2009, the Town made premium payments totaling approximately \$211,000. The SCLGAG’s net assets from its most recently issued audited financial statements at June 30, 2008 were approximately \$9,162,000.

The Town could be in the position of having to make additional contributions to a pool if required by the financial condition of the pool. There were no significant reductions in coverage over the past year and there were no settlements exceeding insurance coverage in the past three fiscal years.

C. Contingent Liabilities

Sewer Operations

The Town’s Wastewater Treatment Plant (“WWTP”) 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 WWTP, which is estimated to cost approximately \$10 million, consisting of two phases that will be approximately \$5 million for each phase.

A Preliminary Engineering Report (“PER”) for Phase One of the upgrade of the WWTP was submitted to DHEC in June 2007. The Town is working with the South Carolina State Office of the United States Department of Agriculture – Rural Development (“RD”) to obtain funding (both grants and loans) for the Phase One upgrade. The RD would administer the loan and grant on behalf of the Rural Utilities Service (“RUS”). The Town is using an independent engineering firm to assist them in completing the environmental assessments required by the RD for the funding of this first upgrade.

In June 2009, the Town received a letter from the RD, in which the RD proposed funding a total of \$4,866,600 for Phase One, consisting of \$2,743,000 in a loan and \$2,123,600 in a grant. However, this letter establishes certain conditions which the Town must agree to before further consideration will be given to the Town’s application for funding the upgrade. The Town is diligently pursuing all available means in order to meet the conditions required by the RD.

The Town has incurred approximately \$326,000 as of June 30, 2009 (included in construction in progress on the financial statements) for the engineering portion of the required upgrade to the WWTP. These costs have been funded to date through internal means (cash from operations and transfers from other funds), but the Town does not have the funds to move forward without external financing.

If the Town is unable to obtain sufficient funding for this project, then management will have no alternative than to try to work with DHEC in amending the Corrective Action Plan.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities (Continued)

Capacity Encroachment

In 1987, the Town executed an agreement with Anderson County (the "County") whereby the County is to be provided a certain portion of the Town's sewer capacity. During 2007, the Town discovered when it began the pretreatment program noted above that it had been encroaching on the County's capacity for the past several years and continues to do so. Under the terms of a verbal agreement with the County, the Town began paying \$3,000 a month to the County in January 2007 through December 2008, with \$1,359 being applied to the past due balance and \$1,641 for the on-going current encroachment. The Town estimates that the unpaid amount of this encroachment is approximately \$37,000 at June 30, 2009, which is reflected as a current liability.

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 benefiting 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.

The Town's water tank is in need of major overhaul and rehabilitation. In an agreement reached with DHEC in prior years, the Town will perform the interior and exterior renovation in the near future, with annual inspections and maintenance thereafter. The Town has executed a contract with a firm to perform the renovations and to provide the annual inspections and maintenance at a cost of approximately \$36,000 annually for two years, with a base fee of approximately \$12,000 for the third through fifth years, and maximum increases of 5% beginning after the fifth year. The Town will engage an engineering firm in fiscal year 2010 to help resolve the problem due to the Town not having a backup water tank.

TOWN OF WILLIAMSTON, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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 to remove the sludge from its wastewater treatment plant cell to comply with the federal standards. The Town has estimated that it will cost approximately \$280,000 for this remediation treatment based on engineering estimates and has recorded a liability for this amount as of June 30, 2009. Management is in the process of bidding out a contract for the removal of the sludge, which is anticipated to occur during the next fiscal year.

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. Subsequent Events

Subsequent to year end, the Town was awarded a grant from the Justice Department in the amount of approximately \$120,000, to assist in the funding of additional public safety personnel for three years. The Town Council approved the purchase of property on Mill Street for approximately \$35,000 and approved the purchase of a vehicle for both the Mayor and the Police Chief, totaling approximately \$50,000. The Town Council also awarded a contract to a local contractor for approximately \$44,000 to build an access road into the wastewater treatment plant.

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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, 2009

GENERAL FUND				
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 1,277,800	1,277,800	1,314,127	\$ 36,327
Hospitality Taxes	136,000	136,000	170,762	34,762
Homestead Exemption	89,000	89,000	91,323	2,323
Manufacturer's Exemption	76,000	76,000	76,245	245
Merchant's Inventory	7,200	7,200	7,207	7
Franchise Fees	398,000	398,000	365,463	(32,537)
Licenses and Permits	46,000	46,000	49,009	3,009
Intergovernmental	122,000	122,000	119,085	(2,915)
Fines and Forfeits	102,400	102,400	182,773	80,373
Sanitation Collection Fees	276,000	276,000	237,686	(38,314)
Other Charges for Services	23,900	23,900	23,783	(117)
Resource Officers	85,000	85,000	52,500	(32,500)
Investment Income	1,500	1,500	1,615	115
Grants	88,217	88,217	95,469	7,252
Other	7,000	7,000	20,858	13,858
TOTAL REVENUE ALL SOURCES	2,736,017	2,736,017	2,807,905	71,888
EXPENDITURES				
General Government:				
Salaries and Wages	179,500	179,500	163,435	16,065
Payroll Taxes	13,388	13,388	11,468	1,920
Retirement	16,170	16,170	14,706	1,464
Health Insurance	24,907	24,907	21,588	3,319
Transportation Expenditures	500	500	-	500
Consultants and Contract Services	20,000	20,000	32,500	(12,500)
Operating Expenditures	605,080	605,080	449,990	155,090
Total General Government	859,545	859,545	693,687	165,858
Public Safety:				
Police:				
Salaries and Wages	597,010	597,010	565,142	31,868
Payroll Taxes	45,427	45,427	38,180	7,247
Retirement	62,917	62,917	58,822	4,095
Health Insurance	84,682	84,682	70,135	14,547
Operating Expenditures	226,475	226,475	129,258	97,217
Total Police	1,016,511	1,016,511	861,537	154,974
Fire:				
Salaries and Wages	26,000	26,000	28,516	(2,516)
Payroll Taxes	1,989	1,989	2,182	(193)
Retirement	-	-	(1,349)	1,349
Transportation Expenditures	-	-	272	(272)
Operating Expenditures	58,800	58,800	28,829	29,971
Total Fire	86,789	86,789	58,450	28,339
Total Public Safety	\$ 1,103,300	1,103,300	919,987	\$ 183,313

(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, 2009

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
Public Works:				
Street Department:				
Salaries and Wages	\$ 239,000	239,000	200,458	\$ 38,542
Payroll Taxes	18,284	18,284	20,736	(2,452)
Retirement	22,084	22,084	15,536	6,548
Health Insurance	29,888	29,888	32,918	(3,030)
Transportation Expenditures	60,400	60,400	25	60,375
Operating Expenditures	185,833	185,833	127,379	58,454
Total Public Works	<u>555,489</u>	<u>555,489</u>	<u>397,052</u>	<u>158,437</u>
Recreation:				
Salaries and Wages	46,705	46,705	49,540	(2,835)
Payroll Taxes	3,573	3,573	3,789	(216)
Retirement	3,768	3,768	3,837	(69)
Health Insurance	9,963	9,963	15,045	(5,082)
Transportation Expenditures	1,000	1,000	25	975
Operating Expenditures	88,025	88,025	141,163	(53,138)
Total Recreation	<u>153,034</u>	<u>153,034</u>	<u>213,399</u>	<u>(60,365)</u>
Capital Outlay	<u>6,500</u>	<u>6,500</u>	<u>192,105</u>	<u>(185,605)</u>
Debt Service:				
Principal	51,385	51,385	47,331	4,054
Interest and Fiscal Changes	6,764	6,764	11,812	(5,048)
Total Debt Service	<u>58,149</u>	<u>58,149</u>	<u>59,143</u>	<u>(994)</u>
TOTAL EXPENDITURES	<u>2,736,017</u>	<u>2,736,017</u>	<u>2,475,373</u>	<u>260,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>332,532</u>	<u>332,532</u>
OTHER FINANCING SOURCES				
Proceeds from Sale of Land	-	-	51,407	51,407
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>51,407</u>	<u>51,407</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>383,939</u>	<u>383,939</u>
FUND BALANCE, Beginning of Year	<u>1,642,602</u>	<u>1,642,602</u>	<u>1,642,602</u>	<u>-</u>
FUND BALANCE, End of Year	<u><u>\$ 1,642,602</u></u>	<u><u>1,642,602</u></u>	<u><u>2,026,541</u></u>	<u><u>\$ 383,939</u></u>

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

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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, 2009

	WATER ENTERPRISE FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Water Services	\$ 1,032,000	1,032,000	1,000,217	\$ (31,783)
Tap Fees	5,000	5,000	7,900	2,900
Reconnect Fees	18,000	18,000	13,350	(4,650)
Miscellaneous Revenues	1,500	1,500	14,235	12,735
TOTAL OPERATING REVENUES	1,056,500	1,056,500	1,035,702	(20,798)
OPERATING EXPENSES				
Salaries and Wages	176,355	176,355	219,972	(43,617)
Payroll Taxes	13,491	13,491	18,669	(5,178)
Retirement	16,295	16,295	19,387	(3,092)
Health Insurance	24,907	24,907	30,428	(5,521)
Transportation Expenses	26,500	26,500	4,448	22,052
Operating Expenses	516,004	516,004	545,279	(29,275)
Depreciation	-	-	86,974	(86,974)
TOTAL OPERATING EXPENSES	773,552	773,552	925,157	(151,605)
OPERATING INCOME	282,948	282,948	110,545	(172,403)
NON-OPERATING REVENUES (EXPENSES)				
Amortization of Bond Issuance Costs	-	-	(750)	(750)
Interest and Fiscal Changes	-	-	(12,921)	(12,921)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	(13,671)	(13,671)
CHANGE IN FUND NET ASSETS	282,948	282,948	96,874	(186,074)
NET ASSETS, Beginning of Year, as Previously Reported	5,218,952	5,218,952	5,218,952	-
Restatement due to Reclassification of Funds	(3,562,657)	(3,562,657)	(3,562,657)	-
NET ASSETS, Beginning of Year, Restated	1,656,295	1,656,295	1,656,295	-
NET ASSETS, End of Year	\$ 1,939,243	1,939,243	1,753,169	\$ (186,074)

TOWN OF WILLIAMSTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2009

SEWER ENTERPRISE FUND				
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES				
Sewer Services	\$ 645,600	645,600	556,753	\$ (88,847)
Tap Fees	2,000	2,000	2,400	400
Leachate Treatment	75,000	75,000	104,943	29,943
Miscellaneous Revenues	8,000	8,000	16,798	8,798
TOTAL OPERATING REVENUES	730,600	730,600	680,894	(49,706)
OPERATING EXPENSES				
Salaries and Wages	154,659	154,659	85,052	69,607
Payroll Taxes	11,831	11,831	5,578	6,253
Retirement	14,290	14,290	8,364	5,926
Health Insurance	24,907	24,907	14,766	10,141
Operating Expenses	837,860	837,860	296,395	541,465
Depreciation	-	-	164,659	(164,659)
TOTAL OPERATING EXPENSES	1,043,547	1,043,547	574,814	468,733
OPERATING INCOME	(312,947)	(312,947)	106,080	419,027
NON-OPERATING REVENUES (EXPENSES)				
Amortization of Bond Issuance Costs	-	-	(2,375)	(2,375)
Interest and Fiscal Changes	-	-	(40,916)	(40,916)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	(43,291)	(43,291)
CHANGE IN FUND NET ASSETS	(312,947)	(312,947)	62,789	375,736
NET ASSETS, Beginning of Year, as Previously Reported	-	-	-	-
Restatement due to Reclassification of Funds	3,562,657	3,562,657	3,562,657	-
NET ASSETS, Beginning of Year, Restated	3,562,657	3,562,657	3,562,657	-
NET ASSETS, End of Year	\$ 3,249,710	3,249,710	3,625,446	\$ 375,736

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2009

Court Fines and Assessments

Court Fines and Assessments Collected	\$ 254,631
Court Fines and Assessments Retained by the Town	154,541
Total Court Fines and Assessments Remitted to the State Treasurer	<u>100,090</u>

Court Surcharges

Court Surcharges Collected	40,092
Total Court Surcharges Remitted to State Treasurer	<u>40,092</u>

Victim Fund

Funds Available for Carryforward, Beginning of Year	-
Court Assessments Allocated to Victim Fund - Current Year	18,519
Interest Earned on Available Funds	865
Victim Fund Expenditures (Primarily Salaries and Benefits)	(19,384)
Funds Available for Carryforward, End of Year	<u>\$ -</u>

**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**

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, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 18, 2009. 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's basic financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider items 2009-1 and 2009-2 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2009-1 described in the accompanying schedule of findings and responses 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 18, 2009.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 18, 2009

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2009

2009-1: 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.
- 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.

2009-2: FINANCIAL PROCEDURES AND CONTROLS

- Condition:** The Town does not have effective financial procedures and controls to ensure that all transactions are handled correctly and are recorded timely and accurately. We noted the following items during our audit:
- The Clerk/Treasurer prepares and posts the journal entries that are recorded in the Town's general ledger. However, there is no review and approval of these journal entries.
- Criteria:** Proper and effective financial procedures and controls, including the monitoring and review process, should be in place to ensure that all transactions are handled correctly and are recorded timely and accurately.
- Cause:** The Town was implementing other significant controls and procedures during 2009 and was not able to adequately address the area noted above.
- Effect:** There is a higher risk that the books and records of the Town will not be accurate. In addition, the risk of fraud is increased.

TOWN OF WILLIAMSTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2009

2009-2: FINANCIAL PROCEDURES AND CONTROLS (CONTINUED)

Recommendation: We recommend that the Town implement procedures whereby all journal entries prepared by the Clerk/Treasurer are reviewed and approved by either the Town Administrator or other qualified personnel. These reviews should be timely and should be evidenced by appropriate sign-offs.

Response: Subsequent to June 30, 2009, the Town Administrator has implemented the process of reviewing and signing off on journal entries.