

**TOWN OF YEMASSEE, SOUTH CAROLINA**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

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**YEAR ENDED AUGUST 31, 2014**

**WITH**

**INDEPENDENT AUDITORS REPORT**

TOWN OF YEMASSEE, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED AUGUST 31, 2014

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TOWN OF YEMASSEE, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED AUGUST 31, 2014

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# THE BRITTINGHAM GROUP, L.L.P.

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## INDEPENDENT AUDITORS REPORT

To the Honorable Mayor and Members  
Of Town Council  
Town of Yemassee, South Carolina  
101 Town Circle, Post Office Box 577  
Yemassee, South Carolina 29945

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yemassee, South Carolina (the "Town") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

The Schedule of Court Fines, Fees, Assessments and Surcharges on page 34 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule Court Fines, Fees, Assessments and Surcharges is fairly stated in all material respects in relation to the basic financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*The Brittingham Group LLP*

West Columbia, South Carolina  
January 20, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mayor and Town Clerk of the Town of Yemassee submit to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended August 31, 2014.

## FINANCIAL HIGHLIGHTS

The combined Governmental Activity and Business Type Activity assets of the Town exceeded its combined liabilities at the end of the fiscal year by \$1,084,265 (net position). Of this amount, \$138,199 was unrestricted.

The combined Governmental Activities and Business Type Activity Revenues and other financial sources totaled \$1,649,649 and combined expenses and transfers totaled \$1,651,389. Accordingly, combined expenses exceeded revenues by \$1,740.

At the end of fiscal year 2014, the governmental funds, the restricted and spendable fund balance was \$156,533, and the unassigned fund balance was \$39,185. Accordingly, \$39,185 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$47,265 for the General Fund, the Town's principal operating fund.

The Town's Business Type Activity reported a decrease in net position at the end of the fiscal year of \$3,347.

At the end of fiscal year 2014, the Town's Business Type Activity reported no cash and cash equivalents. As the Town is no longer providing water and waste water services since 2013, the Business Type Activity was discontinued during the year. All remaining assets and liabilities were transferred to the Governmental Activities.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as primer on the Town's basic financial statements. The Town's basic financial statements have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with an overview of the Town's finances, in a manner similar to businesses in the private sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information detailing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. (e.g. uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence in which the employee will be paid. (e.g. sick leave, vacation leave and holiday leave).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities). Since the Town has not provided water and waste water services since 2013, the Business Type Activity was discontinued. All remaining assets and liabilities were transferred to the Governmental Activities.

The governmental activities of the Town include administration, police, fire, streets and sanitation, recreation, community development, non-departmental and interest on long-term debt. The business-type activity of the Town of Yemassee was the water and wastewater utility system, which was transferred to the Lowcountry Regional Water System in 2013.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 10 - 11 of this document.

**Fund financial statements.** A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into these categories:

Governmental funds

Proprietary funds

Fiduciary funds

Governmental funds. Governmental funds are used to account for essentially the same functions reported as government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than the focus of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund only since no other governmental funds is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. The Town adopts an annual operating budget for the General fund.

The basic governmental fund financial statements are listed on pages 12 - 16 of this document.



Proprietary funds. The Town discontinued its enterprise fund, a type of proprietary fund because operations ceased in 2013 when the Town transferred its infrastructure to the Lowcountry Regional Water System. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town used an enterprise fund to account for its public utility system, comprised of water and wastewater operation. Proprietary funds provide the same types of information as the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 17 - 18 of this report.

Fiduciary funds. The Town maintains an Agency Fund that holds funds on behalf of others.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 19 - 31 of this document.

**Other information.** In addition to the basic financial statements and accompanying notes, the report also represents certain other financial information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2014 financial statements are the 9<sup>th</sup> consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2014, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$1,084,265 at the close of fiscal year 2014. Net position is reported in three categories:

Net investment in capital assets	\$ 789,533
Restricted net position	156,533
Unrestricted net position	138,199
	<u>\$ 1,084,265</u>

The largest portion of the Town's net position (73 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to citizen customers; consequently, these assets are not available for future expenditures. 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 be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following tables present a summary of the Town's net position as of August 31, 2014 and 2013:

**Town of Yemassee's Condensed Statement of Net Position  
August 2014**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 334,251	\$ -	\$ 334,251
Capital assets	855,481	-	855,481
<b>Total assets and deferred outflows of resources</b>	<u>1,189,732</u>	<u>-</u>	<u>1,189,732</u>
Long-term liabilities outstanding	49,810	-	49,810
Other liabilities	55,657	-	55,657
<b>Total liabilities and deferred inflows of resources</b>	<u>105,467</u>	<u>-</u>	<u>105,467</u>
Net position:			
Net investment in capital assets	789,533	-	789,533
Restricted	156,533	-	156,533
Unrestricted	138,199	-	138,199
<b>Total net position</b>	<u><u>\$ 1,084,265</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,084,265</u></u>

**Town of Yemassee's Condensed Statement of Net Position  
August 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 450,599	\$ 3,347	\$ 453,946
Capital assets	819,228	-	819,228
<b>Total assets</b>	<u>1,269,827</u>	<u>3,347</u>	<u>1,273,174</u>
Long-term liabilities outstanding	66,440	-	66,440
Other liabilities	96,069	-	96,069
<b>Total liabilities</b>	<u>162,509</u>	<u>-</u>	<u>162,509</u>
Net position:			
Net investment in capital assets	737,185	-	737,185
Restricted	293,883	-	293,883
Unrestricted	76,250	3,347	79,597
<b>Total net position</b>	<u><u>\$ 1,107,318</u></u>	<u><u>\$ 3,347</u></u>	<u><u>\$ 1,110,665</u></u>

The following tables are statements of revenues and expenses for fiscal years 2014 and 2013:

### Town of Yemassee's Statement of Activities - August 2014

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenue:			
Charges for services	\$ 454,875	\$ -	\$ 454,875
Capital grants and contributions	-	639,690	639,690
General revenues	555,084	-	555,084
Total revenue	<u>1,009,959</u>	<u>639,690</u>	<u>1,649,649</u>
Expenses:			
General government	219,499	1,499	220,998
Streets	193,927	-	193,927
Police	561,679	-	561,679
Fire	9,082	-	9,082
Culture and recreation	20,008	-	20,008
Interest on long-term debt	6,005	-	6,005
Total expenses	<u>1,010,200</u>	<u>1,499</u>	<u>1,011,699</u>
Increase (decrease) in net position before transfers	(241)	638,191	637,950
Transfers	1,848	(641,538)	(639,690)
Increase (decrease) in net position	<u>\$ 1,607</u>	<u>\$ (3,347)</u>	<u>\$ (1,740)</u>

### Town of Yemassee's Statement of Activities - August 2013

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenue:			
Charges for services	\$ 296,923	\$ 191,298	\$ 488,221
Operating grants and contributions	248,730	-	248,730
Capital grants and contributions	74,000	-	74,000
General revenues	511,803	-	511,803
Total revenue	<u>1,131,456</u>	<u>191,298</u>	<u>1,322,754</u>
Expenses:			
General government	215,001	-	215,001
Streets and sanitation	199,651	-	199,651
Police	514,590	-	514,590
Fire	19,945	-	19,945
Nondepartmental	139,309	-	139,309
Interest on long-term debt	6,271	-	6,271
Combined water and sewer expenses	-	258,391	258,391
Total expenses	<u>1,094,767</u>	<u>258,391</u>	<u>1,353,158</u>
(Decrease) in net position before transfers	36,689	(67,093)	(30,404)
Transfers	22,926	(4,200,583)	(4,177,657)
Increase (decrease) in net position	<u>\$ 59,615</u>	<u>\$ (4,267,676)</u>	<u>\$ (4,208,061)</u>

**Governmental activities.** Governmental activities net position decreased by \$241, before transfers, during the fiscal year. After transfers of \$1,848 from Business-type activities, Governmental activities indicated a \$1,607 increase in net position. Governmental activities revenues and expenses showed a decrease when compared to fiscal year 2013. The decrease spending is the result of decreased spending in nondepartmental areas. However, such decrease in spending is a function of decreased related revenues and not directly related to demand levels of service.

**Business-type activities.** Business-type activities consist of the public water and wastewater system. As noted above the Town transferred all the water and waste water system infrastructure and equipment to the Lowcountry Regional Water System in 2013. Total expenses of \$1,499 exceeded total revenues of \$0 for an operational deficit of \$113. \$1,848 was transferred to Governmental Activities to reconcile operational losses in Governmental activities. After transfers, Business-type activities incurred a \$3,347 decrease in net position. The Town terminated the Business-type Activities and transferred the remaining cash to the Governmental Activities. There are no more current or planned operations in the Business-type Activities.

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental funds.** The focus on the Town’s governmental funds is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements.

At the end of fiscal year 2014, the Town’s governmental funds reported a combined ending fund balance of \$203,798. The Town’s general fund reported an ending balance of \$47,265. The General Fund represents 25% of the total fund balance of all governmental funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Selected variances between fiscal years 2014 and 2013 General Fund actual revenues were as follows:

• \$ (2,822)	property taxes decrease	1.5%	decrease
• \$ 923	license, permits and franchise fees increase	0.5%	increase
• \$ 16,127	other shared revenue increase	17.4%	increase
• \$137,385	police fines increase	63.1%	increase
• \$ 20,567	miscellaneous income increase	25.9%	increase

TOTAL SELECTED ACTUAL REVENUE INCREASE \$ 172,180 (16.3%)

While property tax revenues continue to remain steady, an increase in license fees and police related fines are the principle reasons for the Governmental activity increase. The Police department was fully staffed where in the past it was not. The 0.5% increase in license, permits and franchise fees is best characterized by consistent reporting and collection by staff and municipal association collection assistance. The 17.4% increase in other shared income is mostly accounted for by increased collections of sales tax from an overall improving economy.

## Town of Yemassee's Capital Assets Net of Accumulated Depreciation - 2014

	<u>Governmental Activities</u>
Land	\$ 89,083
Buildings and improvements	529,289
Equipment	61,283
Vehicles	175,830
	<u>\$ 855,485</u>

**Debt Administration.** At the end of fiscal year 2014, the Town of Yemassee had total debt outstanding (one note payable) of \$65,952.

## Town of Yemassee's Outstanding Debt - 2014

	<u>Governmental Activities</u>
Note payable	\$ 65,952

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be steady. General Fund property tax revenues continue to gradually increase due to the increased value of the property tax base and more commercial development moving into the general area.

The Town continues to pay off large portions of general long-term debt. Because the Town retired one of the two debt service requirements, cash flow that was required to make debt payments will now be released to be spent on other needs.

In general, the Town should, from time to time, analyze all rates, charges, and fees to determine the acceptable level of service and to increase such revenues and/or reduce appropriate expenditures to fully fund the General Fund.

## REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Town Clerk  
Town of Yemassee  
101 Town Circle, P.O. Box 577  
Yemassee, South Carolina 29945

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF NET POSITION

AUGUST 31, 2014

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 295,358
Receivables, net of allowance:	
Other	739
Intergovernmental	18,967
Taxes	11,103
Prepaid expenses	8,080
Capital assets:	
Not being depreciated	89,083
Being depreciated, net	766,402
Total assets	<u>1,189,732</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	39,027
Accrued compensated absences	488
Long-term liabilities:	
Due within one year	16,142
Due in more than one year	49,810
Total liabilities	<u>105,467</u>
<b>Net position</b>	
Net investment in capital assets	789,533
Restricted for:	
Drug funds	67,027
Hospitality and tourism	20,800
Victims assistance	68,706
Unrestricted	138,199
Total net position	<u><u>\$ 1,084,265</u></u>

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities						
General government	\$ 219,499	\$ -	\$ -	\$ (219,499)	\$ -	\$ (219,499)
Streets department	193,927	99,857	-	(94,070)	-	(94,070)
Police department	561,679	355,018	-	(206,661)	-	(206,661)
Fire department	9,082	-	-	(9,082)	-	(9,082)
Nondepartmental	20,008	-	-	(20,008)	-	(20,008)
Interest on long-term debt	6,005	-	-	(6,005)	-	(6,005)
Total governmental activities	<u>1,010,200</u>	<u>454,875</u>	<u>-</u>	<u>(555,325)</u>	<u>-</u>	<u>(555,325)</u>
Business-type activities						
Water and sewer	1,499	-	639,690	-	638,191	638,191
Total business-type activities	<u>1,499</u>	<u>-</u>	<u>639,690</u>	<u>-</u>	<u>638,191</u>	<u>638,191</u>
Total primary government	<u>\$ 1,011,699</u>	<u>\$ 454,875</u>	<u>\$ 639,690</u>	<u>(555,325)</u>	<u>638,191</u>	<u>82,866</u>
General revenues and transfers:						
General revenues:						
Property taxes				186,933	-	186,933
Licenses, permits and franchise fees				173,544	-	173,544
State aid				108,633	-	108,633
Miscellaneous				85,974	-	85,974
Transfers in/(out) to local government				1,848	(1,848)	-
Transfer of Water/Sewer System to other government				-	(639,690)	(639,690)
Total general revenues and transfers				<u>556,932</u>	<u>(641,538)</u>	<u>(84,606)</u>
Change in net position				1,607	(3,347)	(1,740)
Net position, at beginning of year				1,082,658	3,347	1,086,005
Net position, end of year				<u>\$ 1,084,265</u>	<u>\$ -</u>	<u>\$ 1,084,265</u>

See accompanying notes.

TOWN OF YEMASSEE, SOUTH CAROLINA  
BALANCE SHEET- GOVERNMENTAL FUNDS  
AUGUST 31, 2014

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 295,358	\$ -	\$ 295,358
Receivables	30,809	-	30,809
Prepays	8,080	-	8,080
Due from other funds	-	156,533	156,533
Total assets	<u>\$ 334,247</u>	<u>\$ 156,533</u>	<u>\$ 490,780</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 33,494	\$ -	\$ 33,494
Accrued expenses	5,533	-	5,533
Unearned revenues	81,499	-	81,499
Due to other funds	156,533	-	156,533
Total liabilities	<u>277,059</u>	<u>-</u>	<u>277,059</u>
Deferred inflows of resources			
Unavailable revenues - property taxes	6,920	-	6,920
Unavailable revenues - charges for services	3,003	-	3,003
Total deferred inflows of resources	<u>9,923</u>	<u>-</u>	<u>9,923</u>
Fund balances			
Nonspendable	8,080	-	8,080
Restricted	-	156,533	156,533
Unassigned	39,185	-	39,185
Total fund balances	<u>47,265</u>	<u>156,533</u>	<u>203,798</u>
Total liabilities, deferred outflows of resources and fund balances	<u>\$ 334,247</u>	<u>\$ 156,533</u>	<u>\$ 490,780</u>



TOWN OF YEMASSEE, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

AUGUST 31, 2014

Fund balances - total governmental funds		\$ 203,798
Amounts reported for governmental activities in the Statement of Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, cost	\$ 1,404,614	
Accumulated depreciation	<u>(549,129)</u>	
		855,485
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Property taxes		6,920
Charges for services		3,003
Shared federal drug funds		81,499
Long-term liabilities, including notes payable and capital lease obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:		
Compensated absences payable	(488)	
Notes payable	<u>(65,952)</u>	
		<u>(66,440)</u>
Net position of governmental activities		<u><u>\$ 1,084,265</u></u>

TOWN OF YEMASSEE, SOUTH CAROLINA

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

YEAR ENDED AUGUST 31, 2014

	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
Revenue			
Property and vehicle taxes	\$ 169,128	\$ -	\$ 169,128
Licenses and permits	173,544	-	173,544
Police fines	244,212	29,307	273,519
State shared revenues	108,633	-	108,633
Charges for services	99,857	-	99,857
Rental	7,580	-	7,580
Other	42,587	43,689	86,276
Total revenue	<u>845,541</u>	<u>72,996</u>	<u>918,537</u>
Expenditures			
Administrative	140,559	71	140,630
Fire department	9,082	-	9,082
Police department	418,200	93,735	511,935
Streets department	190,010	-	190,010
Municipal court	56,758	-	56,758
Town buildings	3,069	-	3,069
Recreation department	8,731	-	8,731
Other	-	120,237	120,237
Debt service	22,096	-	22,096
Total expenditures	<u>848,505</u>	<u>214,043</u>	<u>1,062,548</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,964)</u>	<u>(141,047)</u>	<u>(144,011)</u>
Other financing sources			
Transfers in	1,848	-	1,848
Total other financing sources	<u>1,848</u>	<u>-</u>	<u>1,848</u>
Net change in fund balance	(1,116)	(141,047)	(142,163)
Fund balance, beginning of year	<u>48,381</u>	<u>297,580</u>	<u>345,961</u>
Fund balance, end of year	<u>\$ 47,265</u>	<u>\$ 156,533</u>	<u>\$ 203,798</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

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

YEAR ENDED AUGUST 31, 2014

Net change in fund balance - total governmental funds		\$ (142,163)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense in the period.		
Acquisition of Capital Assets	\$ 108,960	
Depreciation	(72,703)	
Net change in capital assets		36,257
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Property taxes receivable	6,920	
Charges for services	3,003	
Shared federal drug funds	81,499	
		91,422
Repayment of a capital lease is an expenditure in the governmental funds, and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		1,317
Repayment of loans principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		14,774
Change in net position of governmental activities		<u>\$ 1,607</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED AUGUST 31, 2014

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenue				
Property and vehicle taxes	\$ 172,000	\$ 172,000	\$ 169,128	\$ (2,872)
Licenses and permits	231,000	231,000	173,544	(57,456)
Police fines	230,000	230,000	244,212	14,212
State shared revenues	84,000	84,000	108,633	24,633
Charges for services	95,000	95,000	99,857	4,857
Interest	2,000	2,000	-	(2,000)
Rental	15,400	15,400	7,580	(7,820)
Other	58,470	58,470	42,587	(15,883)
Total revenue	887,870	887,870	845,541	(42,329)
Expenditures				
Administrative	176,973	176,973	140,559	36,414
Fire department	19,495	19,495	9,082	10,413
Police department	387,066	387,066	418,200	(31,134)
Streets department	196,179	196,179	190,010	6,169
Municipal court	51,157	51,157	56,758	(5,601)
Town buildings	4,500	4,500	3,069	1,431
Recreation department	6,500	6,500	8,731	(2,231)
Other	22,000	22,000	-	22,000
Debt service	24,000	24,000	22,096	1,904
Total expenditures	887,870	887,870	848,505	39,365
Excess (deficit) of revenues over (under) expenditures	-	-	(2,964)	(2,964)
Other financing sources				
Transfers in	-	-	1,848	1,848
Total other financing sources	-	-	1,848	1,848
Net change in fund balance	\$ -	\$ -	(1,116)	\$ (1,116)
Fund balance, beginning of year			48,381	
Fund balance, end of year			\$ 47,265	

TOWN OF YEMASSEE, SOUTH CAROLINA

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

YEAR ENDED AUGUST 31, 2014

	<b>Water and Sewer</b>
Operating expenses	
Materials and supplies	\$ 420
Insurance	150
Dues, memberships and subscriptions	138
Bank fees	782
Miscellaneous	9
Total operating expenses	<u>1,499</u>
Operating loss	(1,499)
Nonoperating revenue (expenses)	
Grant revenues	639,690
Total nonoperating revenue (expense)	<u>639,690</u>
Income before transfers	638,191
Net transfers in (out)	<u>(641,538)</u>
Change in net position	(3,347)
Total net position, beginning	<u>3,347</u>
Total net position, ending	<u><u>\$ -</u></u>

*See accompanying notes.*

TOWN OF YEMASSEE, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED AUGUST 31, 2014

	<b>Water and Sewer</b>
<b>Cash flows from operating activities</b>	
Payments to suppliers	\$ (1,499)
Net cash provided by operating activities	<u>(1,499)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers to general fund	(1,848)
Net cash used by noncapital financing activities	<u>(1,848)</u>
<b>Cash flows from capital and related financing activities</b>	
Grant revenues	639,690
Purchase of property and equipment	(639,690)
Net cash provided by capital and related financing activities	<u>-</u>
Net increase in cash and cash equivalents	(3,347)
Cash and cash equivalents, beginning	<u>3,347</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating loss	<u>\$ (1,499)</u>
Net cash provided by operating activities	<u><u>\$ (1,499)</u></u>

*See accompanying notes.*

# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

### 1. Summary of Significant Accounting Policies

The Town of Yemassee, South Carolina (the "Town") was incorporated under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule Town Act). The Town operates under a Council-form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

#### **Basis of Presentation**

##### Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. Taxes and other non-exchange transactions primarily finance the governmental activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental activities (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

##### Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

##### Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental funds. The Town has no other funds than governmental funds.

##### Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

-CONTINUED-

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

The Town only has three categories of funds – governmental, proprietary and fiduciary.

Governmental Funds

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

Proprietary Funds

**Enterprise Fund** – The water and sewer fund accounts for the activities of the water and sewer operations. The Town transferred all its water and sewer infrastructure to the Lowcountry Regional Water System in fiscal year 2013. Only the residual and closing activity of the fund is reported.

Fiduciary Funds

**Agency Fund** – The Agency Fund accounts for funds held by the Town on behalf of others.

Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

Modified Accrual Basis

The Town uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual-that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.



TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities.

If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has elected to treat all funds as major and present them in separate columns.

Budgets

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. All annual appropriations lapse at fiscal year-end.

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

Accounts Receivable

The accounts receivable of the General Fund consists of unpaid user charges for the garbage and solid waste collection program of the Town. This service is billed by and the collections are remitted from the Lowcountry Regional Water System. The amount of unpaid charges is reported net of an allowance for doubtful accounts.

Property taxes are levied, generally in November, for property on record with Hampton County and Beaufort County as of the prior December 31. These taxes are due without penalty by the January 15 following billing. All taxes outstanding for more than ten years are written off. Personal property (motor vehicles, boats, motors, etc.) taxes are levied by the county on a monthly basis.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements.

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. Expenditures materially extending the life of capital assets are capitalized. Capital assets are depreciated over their useful life, using the straight-line depreciation method. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

Equipment	3 - 10 years
Vehicles	4 - 10 years
Buildings	15 - 50 years

Compensated Absences

The Town’s policy allows employees to accumulate unused sick leave to a maximum of eighteen workweeks and vacation leave up to a maximum of six workweeks. Upon termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the Town’s governmental activities is recorded as an expense and liability in the governmental fund. The estimated liabilities include required salary-related payments.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position/Fund Balances

Net position are classified and presented in three components in the government-wide financial statements:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 1. Summary of Significant Accounting Policies (continued)

The Town reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor.

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

Fund balance is reported as assigned if the fund balance is constrained by the government's intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

Fund balance is reported as nonspendable if it is in the form of that cannot be used to satisfy current obligations. The Town has nonspendable fund balance in the form of mortgages and notes receivable in its community development revolving loan program.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. The Town has restricted fund balance in the form of amounts held that can only be used for community development revolving loans and victims' assistance programs.

Fund balance is reported as committed if amounts have been committed through the appropriations process. The Town does not have any committed funds.

Unassigned fund balance – All other fund balances that do not meet the definition of "restricted," "assigned," or "committed".

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

**2. Legal Compliance - Budgets**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

Budgeted revenue actual budgeted revenue by \$42,329. Budgeted expenditures exceeded actual expenditures by \$39,365.

**3. Deposits and Investments**

**Credit Risk** – The town has an investment policy that limits investment types to those approved by the South Carolina Code of Laws to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political subdivisions, certificates of deposit where the certificates are collaterally insured by securities described above held by a third part as escrow agent or custodian of a market value not less than the amount of certificates of deposits so secured including interest, or repurchase agreements when collateralized by securities set forth above.

**Interest Rate Risk** – In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to short-term investments in South Carolina Local Investment Pool.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**3. Deposits and Investments (continued)**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal investment policy to address custodial credit risk. The town has a deposit policy for custodial credit risk. As of August 31, 2014, the book balance for cash was \$295,358 the bank balances were \$318,857. Of this amount, \$250,000 was covered by FDIC insurance coverage and the balance of \$68,857 was adequately collateralized in accordance with state law.

**4. Receivables**

Receivables at August 31, 2014 consist of the following:

Accounts receivable:

State of South Carolina (merchants' inventory tax and local option sales tax)	\$	8,165
Hampton County (property taxes)		10,289
Beaufort County (property taxes)		814
Lowcountry Regional Water System		10,802
Other receivables		739
Gross receivables		<u>30,809</u>
Less, allowance for uncollectibles		<u>-</u>
Net receivables	\$	<u><u>30,809</u></u>

# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 5. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 89,083	\$ -	\$ -	\$ 89,083
Total capital assets, not being depreciated	89,083	-	-	89,083
Capital assets, being depreciated				
Buildings and improvements	714,766	-	-	714,766
Equipment and machinery	147,925	42,509	-	190,434
Vehicles	364,880	66,450	(21,000)	410,330
Total capital assets, being depreciated	1,227,571	108,959	(21,000)	1,315,530
Less accumulated depreciation for:				
Buildings and improvements	(172,046)	(13,431)		(185,477)
Equipment and machinery	(114,837)	(14,314)		(129,151)
Vehicles	(210,542)	(44,958)	21,000	(234,500)
Total accumulated depreciation	(497,425)	(72,703)	21,000	(549,128)
Total capital assets, being depreciated, net	730,146	36,256	-	766,402
Governmental activities capital assets, net	\$ 819,229	\$ 36,256	\$ -	\$ 855,485

Depreciation expense was charged to functions/programs as follows:

General government	\$ 13,573
Public safety	49,744
Public works	3,917
Municipal court	5,469
Total Depreciation - governmental activities	<u>\$ 72,703</u>

### 6. Long-Term Debt

#### Note Payable

The Town has the following note payable outstanding as of August 31, 2014:

\$163,528 note payable to BB&T for the town hall building payable in monthly payments of \$1,692 including 7.0% interest over twelve years. It is collateralized by the Town Hall Building.	<u>\$ 65,952</u>
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# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 6. Long-Term Debt (continued)

Debt service requirements to maturity for this note payable are as follows:

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 16,142	\$ 4,163	\$ 20,305
2016	17,154	3,151	20,305
2017	18,394	1,911	20,305
2018	14,262	720	14,982
	<u>\$ 65,952</u>	<u>\$ 9,944</u>	<u>\$ 75,897</u>

Changes in long-term liabilities for the year ended August 31, 2014 are as follows:

	<b>September 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>August 31, 2014</b>	<b>Due within One year</b>
Note payable	\$ 80,726	\$ -	\$ (14,774)	\$ 65,952	\$ 16,142
Capital lease payable	1,317	-	(1,317)	-	-
Compensated absences	488	-	-	488	408
Total governmental activities	<u>\$ 82,531</u>	<u>\$ -</u>	<u>\$ (16,091)</u>	<u>\$ 66,440</u>	<u>\$ 16,550</u>

### 7. Pension Plan

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.



# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 7. Pension Plan (continued)

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2013 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members.

Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

TOWN OF YEMASSEE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**7. Pension Plan (continued)**

Effective July 1, 2014, employees participating in the SCRS were required to contribute 8.00% of all earnable compensation. The employer contribution rate for SCRS was 10.45%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.30%, and .15% for the incidental death program. The Town's actual contributions to the SCRS for the years ended August 31, 2014, 2013 and 2012 were approximately \$8,939, \$14,490, and \$14,491, respectively, and equaled the base required retirement contribution rate.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment.

This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2014, employees participating in the PORS were required to contribute 8.41% of all earnable compensation. The employer contribution rate for PORS was 12.44%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.24% and .20% for the incidental death program. The Town's actual contributions to the PORS for the years ended August 31, 2014, 2013 and 2012 were approximately \$14,178, \$15,603, and \$9,274, respectively, and equaled the base retirement required contribution rate.

# TOWN OF YEMASSEE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### **7. Pension Plan (continued)**

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

### **8. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the last two years, and settled claims have not exceeded coverage in any of the last four fiscal years.

The Town participates in the South Carolina Insurance Reserve Fund, an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$600,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property.

### **9. Contingent Liabilities**

The Town is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arose, in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Town. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year-end.

### **10. Subsequent Events**

Subsequent events were evaluated through January 20, 2017, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

TOWN OF YEMASSEE, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR  
GOVERNMENTAL FUNDS

AUGUST 31, 2014

	<b>Drug Fund</b>	<b>Local Hospitality Tax Fund</b>	<b>Local Accommodations Tax Fund</b>	<b>Victims Assistance Fund</b>	<b>Total</b>
<b>Assets</b>					
Due from other funds	\$ 67,027	\$ 20,714	\$ 86	\$ 68,706	\$ 156,533
Total assets	<u>\$ 67,027</u>	<u>\$ 20,714</u>	<u>\$ 86</u>	<u>\$ 68,706</u>	<u>\$ 156,533</u>
<b>Liabilities and fund balances</b>					
Fund Balances					
Restricted	\$ 67,027	\$ 20,714	\$ 86	\$ 68,706	\$ 156,533
Total fund balances	<u>67,027</u>	<u>20,714</u>	<u>86</u>	<u>68,706</u>	<u>156,533</u>
Total liabilities and fund balances	<u>\$ 67,027</u>	<u>\$ 20,714</u>	<u>\$ 86</u>	<u>\$ 68,706</u>	<u>\$ 156,533</u>

TOWN OF YEMASSEE, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR  
GOVERNMENTAL FUNDS

YEAR ENDED AUGUST 31, 2014

	<b>Drug Fund</b>	<b>Local Hospitality Tax Fund</b>	<b>Local Accommodations Tax Fund</b>	<b>Victims Assistance Fund</b>	<b>Total</b>
<b>Revenues</b>					
Law enforcement seized funds	\$ 35,807	\$ -	\$ -	\$ -	\$ 35,807
Fines, fees, assessments and surcharges	-	-	-	29,307	29,307
Taxes	-	7,827	55	-	7,882
Total revenues	<u>35,807</u>	<u>7,827</u>	<u>55</u>	<u>29,307</u>	<u>72,996</u>
<b>Expenditures</b>					
Hospitality and tourism	-	6,703	-	-	6,703
General government	-	35	36	-	71
Public safety	75,026	-	-	18,709	93,735
Capital outlay	94,038	19,496	-	-	113,534
Total expenditures	<u>169,064</u>	<u>26,234</u>	<u>36</u>	<u>18,709</u>	<u>214,043</u>
Excess (deficit) of revenues over (under) expenditures	<u>(133,257)</u>	<u>(18,407)</u>	<u>19</u>	<u>10,598</u>	<u>(141,047)</u>
Net change in fund balances	(133,257)	(18,407)	19	10,598	(141,047)
Fund balances, beginning	<u>200,284</u>	<u>39,121</u>	<u>67</u>	<u>58,108</u>	<u>297,580</u>
Fund balances, ending	<u>\$ 67,027</u>	<u>\$ 20,714</u>	<u>\$ 86</u>	<u>\$ 68,706</u>	<u>\$ 156,533</u>

## OTHER FINANCIAL INFORMATION

TOWN OF YEMASSEE, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

YEAR ENDED AUGUST 31, 2014

**For the Month of:**

	September	October	November	December	January	February	March	April	May	June	July	August	Total
<b>Court Fines</b>													
Court Fines Collected	\$ 18,705	\$ 72,296	\$ 61,275	\$ 49,509	\$ 51,229	\$ 47,760	\$ 53,504	\$ 56,148	\$ 59,383	\$ 49,598	\$ 61,900	\$ 52,756	\$ 634,063
Court Fines Retained	7,009	27,521	23,780	19,234	19,330	18,202	20,436	21,784	23,148	18,764	24,064	20,396	243,668
Court Fines Remitted to State Treasurer	11,696	44,775	37,495	30,275	31,899	29,558	33,068	34,364	36,235	30,834	37,836	32,360	390,395
<b>Court Assessments</b>													
Court Assessments Collected	7,534	29,585	25,564	20,676	21,425	19,729	21,944	23,408	24,884	20,171	25,861	21,925	262,706
Court Assessments Retained by Town	841	3,302	2,853	2,307	2,391	2,202	2,452	2,613	2,777	2,251	2,886	2,447	29,322
Court Assessments Remitted to State Treasurer	6,693	26,283	22,711	18,369	19,034	17,527	19,492	20,795	22,107	17,920	22,975	19,478	233,384
<b>Court Surcharges</b>													
Court Surcharges Collected	4,234	15,294	11,932	9,524	9,822	9,632	11,041	11,231	11,325	10,584	11,962	10,416	126,997
Court Surcharges Retained by Town	42	16	3	75	1	1	47	22	50	-	1	1	259
Court Surcharges Remitted to State Treasurer	4,192	15,278	11,929	9,449	9,821	9,631	10,994	11,209	11,275	10,584	11,961	10,415	126,738
<b>Victim Services</b>													
Court Assessments Allocated to Victim Services	841	3,302	2,853	2,307	2,391	2,202	2,452	2,613	2,777	2,251	2,886	2,447	29,322
Court Surcharges Allocated to Victim Services	12	16	3	75	1	1	47	22	50	-	1	1	229
Funds Allocated to Victim Services	853	3,318	2,856	2,382	2,392	2,203	2,499	2,635	2,827	2,251	2,887	2,448	29,551
Funds Allocated to Victim Services	853	3,318	2,856	2,382	2,392	2,203	2,499	2,635	2,827	2,251	2,887	2,448	29,551
Victim Services Expenditures	9,003	199	8,526	3	3	3	3	175	179	86	306	221	18,707
Revenues in Excess (Deficit) of Available Funds	\$ (8,150)	\$ 3,119	\$ (5,670)	\$ 2,379	\$ 2,389	\$ 2,200	\$ 2,496	\$ 2,460	\$ 2,648	\$ 2,165	\$ 2,581	\$ 2,227	10,844
Victim's Fund carryover balance from year ending August 31, 2013													58,108
<b>Victim's Fund ending balance for year ending August 31, 2014</b>													<u><u>\$ 68,952</u></u>

# THE BRITTINGHAM GROUP, L.L.P.

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

To the Honorable Mayor and Members  
Of Town Council  
Town of Yemassee, South Carolina  
101 Town Circle  
Post Office Box 577  
Yemassee, South Carolina 29945

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Yemassee, South Carolina (the "Town"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 20, 2017.

#### **Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement



of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses which are described in the accompanying schedule of findings and responses as items 2014-1 and 2014-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies as described in the accompanying schedule of findings and responses as item 2014-3, 2014-4 and 2014-5.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-4 and 2014-5.

### **Town of Yemassee, South Carolina's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The Brittingham Group LLP*

West Columbia, South Carolina  
January 20, 2017

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED AUGUST 31, 2014

**I. Summary of Auditors Results**

- A.** An unmodified opinion was issued on the basic financial statements of the Town of Yemassee, South Carolina for the year ended August 31, 2014.
- B.** Our audit of the basic financial statements disclosed two material weaknesses in internal control over financial reporting.
- C.** Our audit of the basic financial statements disclosed three significant deficiencies in internal control over financial reporting.
- D.** Our audit of the basic financial statements disclosed two instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.

**II. Findings related to the Audit of the Financial Statements of the Town of Yemassee, South Carolina:**

**Finding 2014-1: Material weakness**

**Criteria:**

The Town does not have a method by which to measure and record receivables at year-end.

**Condition:**

The accounting department of the Town does not have procedures in place to capture and record transactions related to accounts receivable.

**Cause:**

The Town has a very small accounting staff. In addition, the Town has had significant turnover in the areas of clerk, bookkeeping and accounting.

**Effect:**

Amounts for accounts receivable were not recorded before year-end. The balance that was recorded was incorrect and had to be adjusted through an audit entry.

**Auditors Recommendation:**

Management should adopt policies and procedures that promote the proper capturing and recording of accounts receivable.

**Management's Response:**

The Town has hired a Town Clerk with considerable accounting experience.

-CONTINUED-

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

-CONTINUED-

**Finding 2014-2: Material weakness**

**Criteria:**

The Town does not have a method by which to measure and record accounts payable at year-end.

**Condition:**

The accounting department of the Town does not have procedures in place to capture and record transactions related to accounts payable.

**Cause:**

The Town has a very small accounting staff. In addition, the Town has had significant turnover in the areas of clerk, bookkeeping and accounting.

**Effect:**

Amounts for accounts payable were not recorded before year-end. The balance that was recorded was incorrect and had to be adjusted through an audit entry.

**Auditors Recommendation:**

Management should adopt policies and procedures that promote the proper capturing and recording of accounts payable.

**Management's Response:**

The Town has hired a Town Clerk with considerable accounting experience.

**Finding 2014-3: Significant deficiency**

**Criteria:**

The Town does not have a method by which to insure all original documents are housed and safeguarded in a secure maner.

**Condition:**

The accounting department of the Town does not have procedures in place to make sure original documentation is kept securely.

**Cause:**

The Town has had significant turnover in the areas of clerk, bookkeeping and accounting. During the period of high turnover, the Town's staff packed and moved a great deal of original documents to storage and then later retrieved this information.

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

-CONTINUED-

**Finding 2014-3 (continued):            Significant deficiency**

**Effect:**

Upon initiating fieldwork for the audit, several pieces of original documentation were not available for inspection or review. As a result, the Town had to request several pieces of information and many documents from banks, lessors and third party vendors and customers.

**Auditors Recommendation:**

Management should adopt policies and procedures that promote the proper safe-keeping of original documents.

**Management's Response:**

The Town has hired a Town Clerk with considerable accounting experience.

**Finding 2014-4:            Significant deficiency and Instance of noncompliance**

**Criteria:**

The Town does not have a method by which to insure the proper amount of payroll taxes are calculated and timely remitted to various taxing agencies.

**Condition:**

The accounting department of the Town does not have procedures in place to make sure that payroll taxes are calculated properly and timely submitted to the Internal Revenue Service and the South Carolina Department of Revenue.

**Cause:**

The Town's former bookkeeping staff had very little formal training. In addition, the Town has had significant turnover in the areas of clerk, bookkeeping and accounting.

**Effect:**

There were instances during the year where the Town did not properly calculate its payroll tax liabilities nor did it submit the amounts on a timely basis.

**Auditors Recommendation:**

Management should provide adequate training to all personnel charged with calculating and submitting payroll taxes.

TOWN OF YEMASSEE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

-CONTINUED-

**Finding 2014-4 (continued):      Instance of noncompliance**

**Management's Response:**

The Town has hired a Town Clerk with considerable accounting experience. Further, the Town has opted to engage a nationally recognized outside payroll service.

**Finding 2014-5:      Significant deficiency and Instance of noncompliance**

**Criteria:**

The Town does not have a method by which to insure the proper calculation and timely remission of the amounts for retirement plan withholdings and matching portions to the South Carolina Retirement System.

**Condition:**

The accounting department of the Town does not have procedures in place to make sure that retirement plan withholdings and matching amounts are calculated properly and timely submitted to the South Carolina Retirement System.

**Cause:**

The Town's former bookkeeping staff had very little formal training. In addition, the Town has had significant turnover in the areas of clerk, bookkeeping and accounting.

**Effect:**

There were instances during the year where the Town did not properly calculate its retirement plan contributions nor did it submit the amounts on a timely basis.

**Auditors Recommendation:**

Management should provide adequate training to all personnel charged with calculating and submitting retirement plan contributions.

**Management's Response:**

The Town has hired a Town Clerk with considerable accounting experience. Further, the Town has opted to engage a nationally recognized outside payroll service.