

TOWN OF YEMASSEE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Yemassee, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Yemassee, South Carolina, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yemassee, South Carolina, as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 34-38 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Yemassee, South Carolina's basic financial statements. The proprietary fund budgetary comparison schedules and the statement of fines, assessments, and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary fund budgetary comparison schedules and the statement of fines, assessments, and surcharges are the responsibility of management and were derived from and relate 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 proprietary fund budgetary comparison schedules and the statement of fines, assessments, and surcharges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the Town of Yemassee, South Carolina'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 Town of Yemassee, South Carolina's internal control over financial reporting and compliance.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
March 24, 2014

Town of Yemassee, South Carolina

Management's Discussion and Analysis

As Mayor of the Town of Yemassee, South Carolina (Town), I offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended August 31, 2013.

Financial Highlights

- The net position of the governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$813,435. Of this amount, \$737,185 represents the investment in capital assets less depreciation and debt on those assets. The remaining balance of \$79,597 represents unrestricted net position. The Town's total net position of the governmental activities increased by \$59,615.
- As of the close of the current fiscal year the governmental funds reported a combined ending fund balance of \$67,588, a decrease of \$37,807.
- As of the close of the current fiscal year the proprietary fund reported an ending balance in net position of \$3,347, a decrease of \$4,267,676.

Overview of the Financial Statements

This discussion and analysis is 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Town's assets and liabilities, and deferred inflows/outflows with the difference between the two 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 showing how the Town's net position changed during the most recent fiscal year. Changes in net position are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are supported by general revenues such as taxes and fees. The governmental activities of the Town include programs related to governmental activities including police protection, streets, garbage, fire services, parks and recreation. The Town operated a sanitation, water and sewer system that functioned as a business type activity, however, these assets were transferred to Lowcountry Regional Water Authority as of June 1, 2013.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been grouped for specific activities. The Town like other public agencies uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the programs of the Town can be divided into governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and 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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the two for similar activities and programs. 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 assist in this comparison of governmental programs and governmental activities.

The Town maintains two major governmental funds and two nonmajor 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 and development fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual budget for its general fund and proprietary fund. A statement comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparative schedules on the funds that adopt budgets and a statement on court fines, assessments, and surcharges in the supplemental information section of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Yemassee, South Carolina assets exceeded liabilities by \$816,782 in 2013. Comparative information is presented for the 2012 fiscal year report. The following table reflects the condensed government-wide statement of net position.

TOWN OF YEMASSEE, SOUTH CAROLINA NET POSITION				
	Governmental Activities	Business-type Activities	Total	Total
	2013	2013	2013	2012
Current and Other Assets	\$ 450,599	\$ 3,347	\$ 453,946	\$ 284,364
Capital Assets	819,228	-	819,228	5,010,780
Total Assets	1,269,827	3,347	1,273,174	5,295,144
Long-term Liabilities, Outstanding	66,440	-	66,440	91,582
Other Liabilities	389,952	-	389,952	178,719
Total Liabilities	456,392	-	456,392	270,301
Net Position				
Investment in Capital Assets, Net of Related Debt	737,185	-	737,185	4,909,873
Unrestricted	76,250	3,347	79,597	108,025
Restricted	-	-	-	6,945
Total Net Position	\$ 813,435	\$ 3,347	\$ 816,782	\$ 5,024,843

The portion of the Town's net position \$737,185 (90 percent) reflects its investment in capital assets less the related debt on capital assets. These capital 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 be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining net position of \$79,597 (10 percent) is unrestricted; however, the repayment of the liabilities less the loan on the building is expected to come out of these assets.

At the end of the current fiscal year, Town of Yemassee, South Carolina is able to report positive balances in all funds.

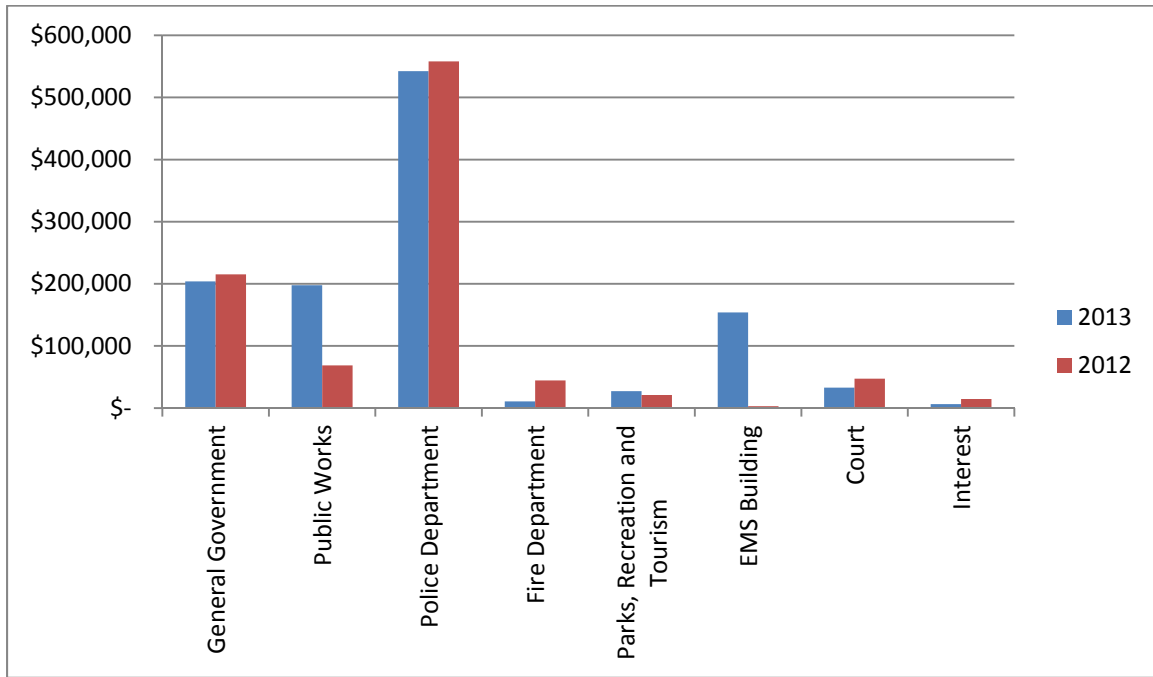
Governmental activities. The Town's total net position decreased by \$37,807 which can be attributed to the decrease in the general fund of \$39,891.

Business-type activities. The Town's total net position decreased by \$4,267,676, which for the most part represents the transfers of the water and sewer system to the Lowcountry Regional Water Authority.

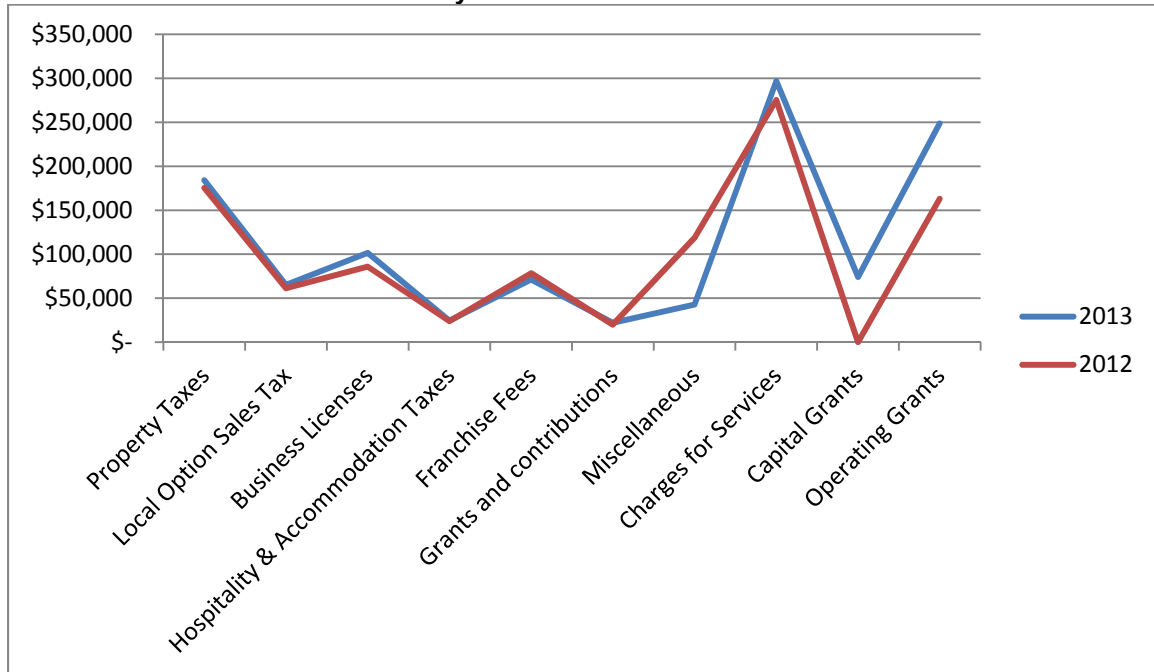
Key elements of these changes are shown in the following table.

TOWN OF YEMASSEE, SOUTH CAROLINA CHANGE IN NET POSITION				
	Governmental	Business-type	Yearly	Yearly
	Activities	Activities	Total	Total
	2013	2013	2013	2012
Expenses				
General Government	\$ 215,001	\$ -	\$ 215,001	\$ 215,323
Public Works	199,651	-	199,651	68,661
Fire Department	19,945	-	19,945	44,364
Police Department	514,590	-	514,590	558,002
Parks, Recreation, & Tourism	28,952	-	28,952	20,935
EMS Building	2,402	-	2,402	3,118
Court	29,911	-	29,911	47,353
Rehabilitation	78,044	-	78,044	22,783
Interest	6,271	-	6,271	11,149
Water and Sewer	-	258,391	258,391	508,515
Total expenses	<u>1,094,767</u>	<u>258,391</u>	<u>1,353,158</u>	<u>1,500,203</u>
Program Revenues				
Charges for Services	296,923	191,298	488,221	608,383
Operating Grants & Contributions	248,730	-	248,730	163,057
Capital Grants & Contributions	74,000	-	74,000	243,144
Total program revenues	<u>619,653</u>	<u>191,298</u>	<u>810,951</u>	<u>1,014,584</u>
General Revenues				
Property Taxes	184,111	-	184,111	175,435
Local Option Sales Taxes	65,058	-	65,058	61,282
Business Licenses	101,460	-	101,460	85,945
Hospitality & Accom Taxes	24,448	-	24,448	23,869
Franchises Fees	71,161	-	71,161	78,502
Grants and Contributions not restricted to specific programs	22,804	-	22,804	19,831
Miscellaneous	42,761	-	42,761	118,670
Transfer of Assets to LRWA	-	(4,177,657)	(4,177,657)	-
Transfer	22,926	(22,926)	-	-
Total general revenues	<u>534,729</u>	<u>(4,200,583)</u>	<u>(3,665,854)</u>	<u>563,534</u>
Change in net position	59,615	(4,267,676)	(4,208,061)	77,615
Net position – beginning	753,820	4,271,023	5,024,843	4,947,228
Net position – ending	<u>\$ 813,435</u>	<u>\$ 3,347</u>	<u>\$ 816,782</u>	<u>\$ 5,024,843</u>

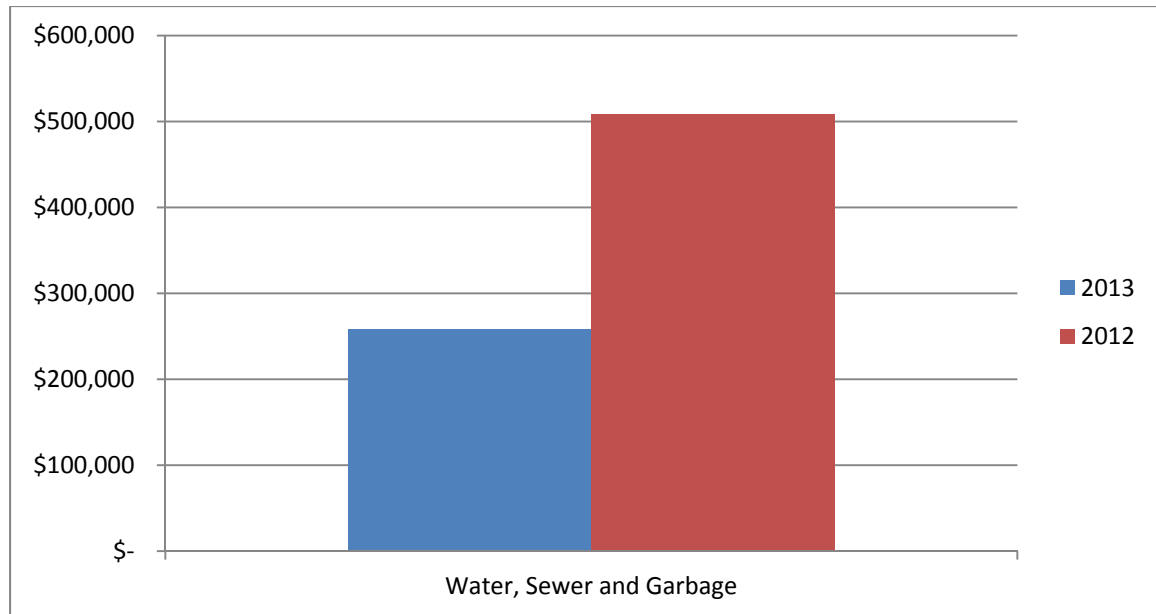
Expenses – Governmental Activities



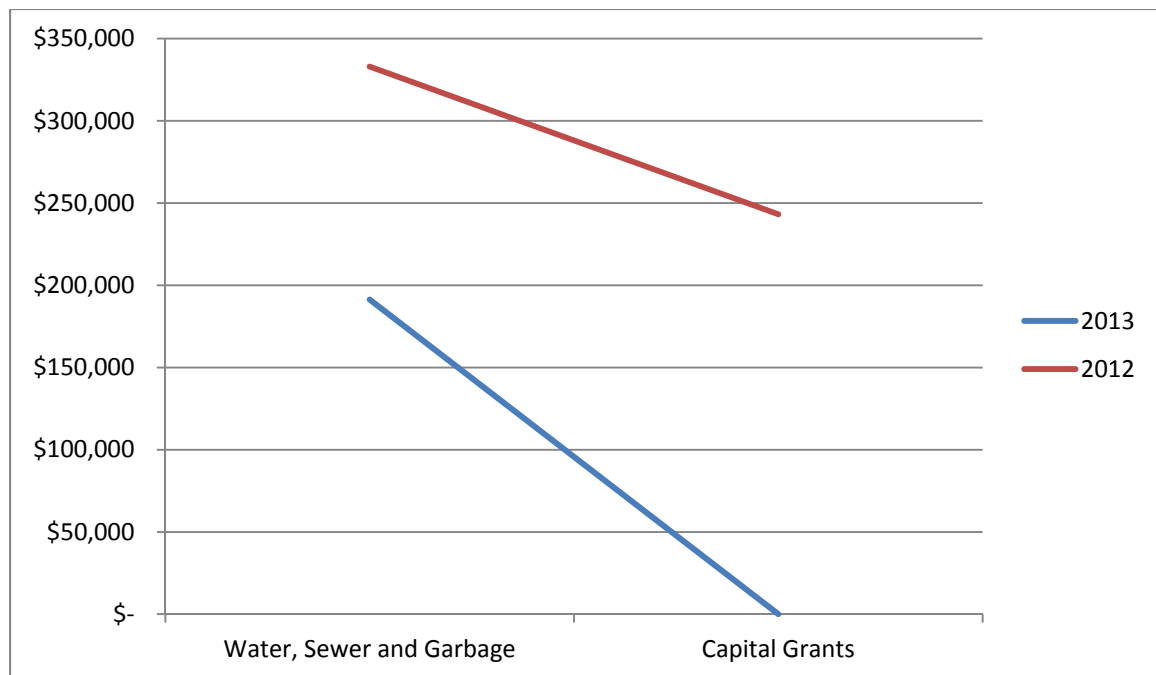
Revenues by Source – Governmental Activities



Expenses – Business-Type Activities



Revenues by Source – Business-Type Activities



Financial Analysis of the Government'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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The major governmental fund consists of the general fund and the drug fund. At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$67,588, a decrease of \$37,807. This decrease can mostly be attributed to the general fund decrease of \$39,891 which is related to budgetary overages in payroll expenditures.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The general fund equity of \$63,483 is unassigned. This represents 6% of the total general fund expenditures. The drug fund equity balance of \$352 is assigned for police service functions and the other nonmajor fund equity of \$3,753 is mostly attributable to the old health center.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary net position of \$3,347 all relates to the water and sewer activities of the Town. Ownership of the water and sewer system was transferred to the Lowcountry Regional Water Authority as of June 1, 2013.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental type activities and business-type activities as of August 31, 2013 amounts to \$819,228 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and vehicles. Increases in the Town's investment in capital assets for the current fiscal year were \$135,343 in the governmental funds which consisted of the EMS building renovations of \$74,000, police software of \$27,346, and a 2013 Chevy Tahoe of \$33,997. The proprietary fund capital assets were transferred to the Lowcountry Regional Water Authority as of June 1, 2013 in the amount of \$4,177,657 and were removed from the balance sheet. Depreciation expense for the year was \$57,689 for the governmental activities and \$108,162 for the business-type activities.

	Governmental Activities	Business-type Activities	Total	Total
	2013	2013	2013	2012
Land and Improvements	\$ 89,083	\$ -	\$ 89,083	\$ 107,258
Buildings and Improvements	542,722	-	542,722	481,288
Machinery and Equipment	33,089	-	33,089	12,188
Vehicles	154,334	-	154,334	159,015
Water & Sewer System	-	-	-	4,244,086
Total	<u>\$ 819,228</u>	<u>\$ -</u>	<u>\$ 819,228</u>	<u>\$ 5,003,835</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements of this report.

Long-term debt. At the end of the current fiscal year, the Town had long-term debt outstanding in the amount of \$82,043 that represented a decrease of \$15,070. The debt is attributable to a note payable for the town hall facility and leases on a tractor and vehicles.

TOWN OF YEMASSEE, SOUTH CAROLINA LONG-TERM DEBT OUTSTANDING				
	Governmental	Business-Type		
	Activities	Activities	Total	Total
	2013	2013	2013	2012
Leases Payable	\$ 1,317	\$ -	\$ 1,317	\$ 3,532
Notes Payable	80,726	-	80,726	93,581
Total	<u>\$ 82,043</u>	<u>\$ -</u>	<u>\$ 82,043</u>	<u>\$ 97,113</u>

Economic Factors and Next Year's Budgets

Economic development for the Town of Yemassee reflects the current trend of the economic conditions of the country as a whole. However, there have been some recent benefits from development over the past few years as indicated by the increase in the assessed valuation of the Town. The Town continues to pursue economic relief by encouraging development.

The Town passed a budget of \$887,870 for general fund for the year ended August 31, 2014 with millage set at 70 mills.

Requests for information

This financial report is designed to provide a general overview of Town of Yemassee, South Carolina finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor, Town of Yemassee, South Carolina, Post Office Box 577, Yemassee, South Carolina, 29945.

BASIC FINANCIAL STATEMENTS

TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF NET POSITION
AUGUST 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash	\$ 435,332	\$ 3,347	\$ 438,679
Investments	867	-	867
Receivables	14,400	-	14,400
Total Current Assets	450,599	3,347	453,946
Noncurrent Assets			
Capital Assets:			
Not being depreciated	89,083	-	89,083
Being depreciated	730,145	-	730,145
Total Noncurrent Assets	819,228	-	819,228
Total Assets	1,269,827	3,347	1,273,174
LIABILITIES			
Current Liabilities			
Accounts Payable	73,165	-	73,165
Salaries and Benefits Payable	6,813	-	6,813
Current Portion of Debt	16,091	-	16,091
Unearned Revenue	293,883	-	293,883
Total Current Liabilities	389,952	-	389,952
Noncurrent Liabilities			
Compensated Absences	488	-	488
Leases and Notes Payable	65,952	-	65,952
Total Noncurrent Liabilities	66,440	-	66,440
Total Liabilities	456,392	-	456,392
NET ASSETS			
Unrestricted	76,250	3,347	79,597
Invested in Capital Assets, net of related debt	737,185	-	737,185
Total Net Position	\$ 813,435	\$ 3,347	\$ 816,782

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

**TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities							
General Government	\$ 215,001	\$ 2,288	\$ -	\$ -	\$ (212,713)	\$ -	\$ (212,713)
Public Works	199,651	73,537	-	-	(126,114)	-	(126,114)
Fire Department	19,945	-	4,597	-	(15,348)	-	(15,348)
Police Department	514,590	217,633	166,115	-	(130,842)	-	(130,842)
Parks, Recreation and Tourism	28,952	3,465	-	-	(25,487)	-	(25,487)
EMS Building	2,402	-	-	74,000	71,598	-	71,598
Court	29,911	-	-	-	(29,911)	-	(29,911)
Rehabilitation	78,044	-	78,018	-	(26)	-	(26)
Interest	6,271	-	-	-	(6,271)	-	(6,271)
Total Governmental Activities	<u>1,094,767</u>	<u>296,923</u>	<u>248,730</u>	<u>74,000</u>	<u>(475,114)</u>	<u>-</u>	<u>(475,114)</u>
Business-type Activities							
Water and Sewer	258,391	191,298	-	-	-	(67,093)	(67,093)
Total Business-type Activities	<u>258,391</u>	<u>191,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,093)</u>	<u>(67,093)</u>
Total Primary Government	<u>\$ 1,353,158</u>	<u>\$ 488,221</u>	<u>\$ 248,730</u>	<u>\$ 74,000</u>	<u>(475,114)</u>	<u>(67,093)</u>	<u>(542,207)</u>
General Revenues							
Property Taxes					184,111	-	184,111
Local Option Sales Taxes					65,058	-	65,058
Business Licenses					101,460	-	101,460
Accommodations and Hospitality Tax					24,448	-	24,448
Franchise Fees					71,161	-	71,161
Grants and contributions not restricted to specific programs					22,804	-	22,804
Miscellaneous					42,761	-	42,761
Transfer between funds					22,926	(22,926)	-
Transfer of Water System to Regional Water Authority					-	(4,177,657)	(4,177,657)
Total General Revenues and Transfers					<u>534,729</u>	<u>(4,200,583)</u>	<u>(3,665,854)</u>
Change in Net Position					59,615	(4,267,676)	(4,208,061)
Net Position, Beginning					753,820	4,271,023	5,024,843
Net Position, Ending					<u>\$ 813,435</u>	<u>\$ 3,347</u>	<u>\$ 816,782</u>

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

TOWN OF YEMASSEE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

	GENERAL FUND	DRUG FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 230,944	\$ 200,635	\$ 3,753	\$ 435,332
Investments	867	-	-	867
Receivables	14,400	-	-	14,400
Total Assets	<u>\$ 246,211</u>	<u>\$ 200,635</u>	<u>\$ 3,753</u>	<u>\$ 450,599</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 73,165	\$ -	\$ -	\$ 73,165
Salaries and Benefits Payable	6,813	-	-	6,813
Unearned Revenues	93,600	200,283	-	293,883
Total Liabilities	<u>173,578</u>	<u>200,283</u>	<u>-</u>	<u>373,861</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	9,150	-	-	9,150
Total Deferred Inflows of Resources	<u>9,150</u>	<u>-</u>	<u>-</u>	<u>9,150</u>
Fund Balances				
Unassigned	63,483	-	-	63,483
Assigned	-	352	3,753	4,105
Total Fund Balances	<u>63,483</u>	<u>352</u>	<u>3,753</u>	<u>67,588</u>
Total Liabilities and Fund Balances	<u>\$ 246,211</u>	<u>\$ 200,635</u>	<u>\$ 3,753</u>	<u>\$ 450,599</u>

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

TOWN OF YEMASSEE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds	\$	67,588
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	\$	89,083	
Buildings and Improvements, net of \$172,044 accumulated depreciation		542,722	
Machinery and Equipment, net of \$114,836 accumulated depreciation		33,089	
Vehicles, net of \$210,546 accumulated depreciation		154,334	
Total Capital Assets			819,228

Some of the Town's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.		9,150
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at August 31, 2013 are:

Notes and Leases Payable	(82,043)	
Accrued Compensated Absences	(488)	
Total Long-Term Liabilities		(82,531)

Total net position of governmental activities	\$	813,435
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TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	GENERAL FUND	DRUG FUND	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 271,491	\$ -	\$ -	\$ 271,491
Fines, Fees and Licenses	469,544	-	-	469,544
Intergovernmental	22,804	-	4,468	27,272
Miscellaneous	116,761	166,115	78,147	361,023
Total Revenues	<u>880,600</u>	<u>166,115</u>	<u>82,615</u>	<u>1,129,330</u>
EXPENDITURES				
Current				
General Government	203,913	-	-	203,913
Public Works	197,747	-	-	197,747
Fire Department	9,443	-	1,278	10,721
Police Department	432,180	110,269	-	542,449
Courts	32,911	-	-	32,911
Parks, Recreation, and Tourism	27,159	-	-	27,159
EMS Building	75,778	-	-	75,778
Rehabilitation	-	-	78,044	78,044
Debt Service				
Principal	15,070	-	-	15,070
Interest	6,271	-	-	6,271
Total Expenditures	<u>1,000,472</u>	<u>110,269</u>	<u>79,322</u>	<u>1,190,063</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(119,872)</u>	<u>55,846</u>	<u>3,293</u>	<u>(60,733)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	79,981	-	45	80,026
Transfers Out	-	(57,100)	-	(57,100)
Total Other Financing Sources (Uses)	<u>79,981</u>	<u>(57,100)</u>	<u>45</u>	<u>22,926</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(39,891)	(1,254)	3,338	(37,807)
Fund Balances, beginning of year	103,374	1,606	415	105,395
Fund Balances, end of year	<u>\$ 63,483</u>	<u>\$ 352</u>	<u>\$ 3,753</u>	<u>\$ 67,588</u>

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

**TOWN OF YEMASSEE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$ (37,807)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$135,343) were less than depreciation (\$57,689) in the current period.	77,654
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	15,070
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,126
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 governmental funds.	
Compensated Absences	2,572
Total change in net position of governmental activities	<u>\$ 59,615</u>

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

**TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013**

		SANITATION WATER AND SEWER FUND
	ASSETS	
Current Assets		
Cash		\$ 3,347
Total Current Assets		<u>3,347</u>
Total Assets		<u><u>\$ 3,347</u></u>
	NET POSITION	
Unrestricted		<u>3,347</u>
Total Net Position		<u><u>\$ 3,347</u></u>

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

TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	SANITATION
	<u>WATER AND SEWER FUND</u>
Operating Revenues	\$ 191,298
Operating Expenses	<u>258,391</u>
Operating Income (Loss)	(67,093)
Non-Operating Income (Expenses)	<u>-</u>
Income (Loss) Before Transfers	(67,093)
Operating Transfers	(22,926)
Transfer of Water System to Lowcountry Regional Water Authority	<u>(4,177,657)</u>
Change in Net Position	(4,267,676)
Net Position, beginning of year	<u>4,271,023</u>
Net Position, end of year	<u><u>\$ 3,347</u></u>

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

**TOWN OF YEMASSEE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2013**

	ENTERPRISE FUND SANITATION WATER AND SEWER
Cash Flows From Operating Activities	
Cash received from customers	\$ 191,198
Cash paid for operating goods	(130,329)
Cash paid to employees	(43,306)
Net Cash Provided (Used) by Operating Activities	<u>17,563</u>
Cash Flows From Noncapital and Related Financing Activities	
Transfers to General Fund	(22,926)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(22,926)</u>
 NET INCREASE (DECREASE) IN CASH	 (5,363)
 CASH AT BEGINNING OF YEAR	 <u>8,710</u>
 CASH AT END OF YEAR	 <u><u>\$ 3,347</u></u>
 Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (67,093)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	108,162
Increase (decrease) in accounts payable	(23,406)
Increase (decrease) in water deposits	(100)
 Total adjustments	 <u>84,656</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 17,563</u></u>

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

TOWN OF YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information about the reporting government as a whole, except for its fiduciary activities. For the most part, the effect of interfund activity has been removed from these 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

For the year ended August 31, 2013, the Town of Yemassee implemented GASB Statement No. 63 and GASB Statement No. 65. This implementation resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement also re-titled net assets as net position.

Reporting Entity

The Town of Yemassee was incorporated in 1904. The Town operates under a mayor-council form of government. The mayor and four town council members are elected for four-year terms. The Town operates a police department, a fire department, a street department and a sanitation, water and sewer system. The Town transferred the water and sewer system to the Lowcountry Regional Water Authority on June 1, 2013. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The Town has no discretely presented component units.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues for the various functions concerned.

TOWN OF YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *drug fund* accounts for the assets seized in drug related forfeitures.

The Town reports the following non-major funds:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants and fire and other special purpose fees.

The Town reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer operations. The Town operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the presentation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

The Town's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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. For this purpose, the Town considers revenues to be available if they are collected within the first 60 days of the end of the current fiscal period, except for grant reimbursements for which the availability period is 90 days. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt for acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and issuances of debt) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash refers to resources that are classified as restricted because their use is restricted by applicable bond covenants.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the Town are reported at fair value.

Receivable and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 0 percent of outstanding property taxes at August 31, 2013 because management deems it to be fully collectible.

The Town Ordinance provides for the taxation of all real and personal property located within the Town limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the Town in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for tax year 2012 is 70 mills. All taxes are assessed and collected by Hampton and Beaufort County under a joint billing and collection agreement.

TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

Inventories consisting of miscellaneous supplies are not significant. Supplies are considered expenditures at the time of purchase.

Capital Assets

Capital assets, which include property and equipment and infrastructure assets (e.g. roads, lighting, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as property and equipment with an initial, individual cost of more than \$5,000 and infrastructure assets with an initial, individual cost of more than \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30 to 50 years
Water and Sewer System	30 to 50 years
Vehicles and Equipment	5 to 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 (expenses/expenditures) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (expenses/expenditures) until then. The Town has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purposes from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Compensated Absences

Unused vacation leave liabilities are reported in the general fund and proprietary fund columns in the government-wide financial statements. With sufficient advance notification of resignation or involuntary separation, Yemassee will pay annual leave provided that the employee is in good standing with the Town. Sick pay does not vest. The liability for accrued compensated absences including related payroll benefits of retirement and payroll taxes for the general fund as of August 31, 2013 is \$488.

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 business-type activities. Bond premiums and discounts are amortized 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 the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific resources. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Mayor and Town Council is the highest level of decision-making authority for the Town that can, by vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another policy) to remove or revise the limitation.

TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town may assign fund balance as deemed necessary. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Comparative Data

Comparative total data for the prior year has not been presented.

Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities report expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provides for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those amounts.

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 2 CASH AND INVESTMENTS

South Carolina statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and South Carolina government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits but do allow the pooling of governmental funds for investment purposes.

Deposits of the governmental funds are maintained in demand deposits or savings accounts, or certificates of deposits. The reconciled balance of cash at August 31, 2013 was \$439,546 while the bank balance was \$477,982. The bank balance was insured by the FDIC for \$250,000 FDIC's general deposit insurance coverage rules and pledged collateral with the balance uninsured and uncollateralized.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Yemassee does not have a deposit policy for custodial credit risk.

For purposes of the financial statements, the Town considers all highly liquid debt instruments (cash equivalents) purchased with a maturity of three months or less to be cash. The statement of cash flows is prepared by the direct method. No taxes were paid during the year.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

<u>Receivables</u>	<u>General Fund</u>	<u>Total</u>
Property taxes and assessments	\$ 9,150	\$ 9,150
Fines and fees	5,250	5,250
Gross receivables	14,400	14,400
Less allowance for uncollectible accounts	-	-
Net total receivables	<u>\$ 14,400</u>	<u>\$ 14,400</u>

Management considers the General Fund receivables to be fully collectible.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows and unearned revenues reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 9,150	\$ -
Business Licenses	-	8,423
Equitable Sharing Funds	-	200,283
Court Fines	-	85,177
Total	<u>\$ 9,150</u>	<u>\$ 293,883</u>

TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year.

Governmental Activities	Aug 31, 2012	Increase	Decreases	Aug 31, 2013
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 89,083	\$ -	\$ -	\$ 89,083
Total capital assets, not being depreciated	89,083	-	-	89,083
<i>Capital assets being depreciated</i>				
Buildings and improvements	640,766	74,000	-	714,766
Machinery and equipment	120,579	27,346	-	147,925
Vehicles	330,883	33,997	-	364,880
Total capital assets being depreciated	1,092,228	135,343	-	1,227,571
Less accumulated depreciation for:				
Buildings and improvements	159,478	12,566	-	172,044
Machinery and equipment	108,391	6,445	-	114,836
Vehicles	171,868	38,678	-	210,546
Total accumulated depreciation	439,737	57,689	-	497,426
Total capital assets being depreciated, net	652,491	77,654	-	730,145
Governmental activities capital assets, net	\$ 741,574	\$ 77,654	\$ -	\$ 819,228
Business-type Activities	Aug 31, 2012	Increase	Decreases	Aug 31, 2013
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 18,175	\$ -	\$ 18,175	\$ -
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	18,175	-	18,175	-
<i>Capital assets being depreciated</i>				
Water System	1,649,028	-	1,649,028	-
Sewer System	4,691,484	-	4,691,484	-
Buildings and improvements	4,455	-	4,455	-
Machinery and equipment	22,134	-	22,134	-
Total capital assets being depreciated	6,367,101	-	6,367,101	-
Less accumulated depreciation for:				
Water System	787,966	27,915	815,881	-
Sewer System	1,308,460	80,247	1,388,707	-
Buildings and improvements	4,455	-	4,455	-
Machinery and equipment	22,134	-	22,134	-
Total accumulated depreciation	2,123,015	108,162	2,231,177	-
Total capital assets being depreciated, net	4,244,086	108,162	4,135,924	-
Business type activites capital assets, net	\$ 4,262,261	\$ 108,162	\$ 4,154,099	\$ -

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 4 CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 11,088
Fire	9,224
Medical	624
Police	33,056
Recreation	1,793
Streets	1,904
<u>Business-type Activities</u>	
Water and Sewer	108,162
Total	<u>\$ 165,851</u>

NOTE 5 LONG-TERM DEBT

Operating Leases

The Town has operating leases on its office equipment that varies in length. It is anticipated that these leases will be renewed or continued on a monthly basis. These amounts are immaterial to the financial statements.

Notes Payable

The following summarizes notes payable in the general fund at August 31, 2013:

	<u>Balance</u>
\$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. Collateralized by Town Hall.	<u><u>\$ 80,726</u></u>

The five year debt requirements to pay outstanding notes payable are as follows:

<u>Year Ended Aug, 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 14,774	\$ 5,531	\$ 20,305
2015	16,142	4,163	20,305
2016	17,154	3,151	20,305
2017	18,394	1,911	20,305
2018	14,262	4,720	18,982
Total	<u>\$ 80,726</u>	<u>\$ 19,476</u>	<u>\$ 100,202</u>

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 5 LONG-TERM DEBT - CONTINUED

Leases Payable

The following summarizes leases payable in the general fund at August 31, 2013:

	<u>BALANCE</u>
\$8,641 lease payable to John Deere Credit for a tractor payable in monthly payments of \$191 including interest of 4.95% for over four years. Collateralized by a tractor.	\$1,317
Total Leases Payable	<u>\$1,317</u>

The five year debt requirements to pay outstanding leases payable are as follows:

<u>Year Ended Aug 31,</u>	<u>Total</u>
2014	\$ 1,338
Total	1,338
Less amount representing interest	(21)
Net leases payable	<u>\$ 1,317</u>

The changes in long-term debt during the year are as follows:

	<u>Balance</u> <u>Aug 31, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Aug 31, 2013</u>
Capital Leases	\$ 3,532	\$ -	\$ 2,215	\$ 1,317
Notes Payable	93,581	-	12,855	80,726
Compensated Absences	3,060	-	2,572	488
Total	<u>\$ 100,173</u>	<u>\$ -</u>	<u>\$ 17,642</u>	<u>\$ 82,531</u>

NOTE 6 LEGAL DEBT MARGIN

The Town has a legal debt margin of eight percent of the assessed value of the Town. The following details the legal debt margin:

Assessed value (\$3,581,086 X 8%)	\$ 286,487
General obligation debt at August 31, 2013	(80,726)
Excess of debt limit over general obligation debt	<u>\$ 205,761</u>

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 7 RETIREMENT PLAN

Plan Description - As a condition of employment, all eligible Town employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers Retirement System (SCPORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS) administered by the Retirement Division of the State Budget and Control Board. Retirement costs are funded by withholding from the employees' salaries, and by a contribution from the Town of a percentage of the employees' salaries. Both Retirement Systems are administered by the South Carolina Retirement System, which is a state agency. The Town has no fiduciary responsibility for or further liability for either of the retirement plans beyond their current contributions.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System may be obtained by writing to the South Carolina Retirement System, PO Box 11960, Columbia, South Carolina 29211.

Funding Policy

South Carolina Retirement System (SCRS)

The Town is required to contribute 10.45 percent. The Town's contributions for the years ending June 30, 2013, 2012, and 2011 were \$14,490, \$14,491, and \$15,217, respectively, and were equal to the required contributions for each year.

Police Officers Retirement System (PORS)

The Town is required to contribute 11.90 percent. The Town's contributions for the years ending June 30, 2013, 2012, and 2011 were \$15,603, \$9,274 and \$16,911, respectively, for SCPORS members and were equal to the required contributions for each year.

NOTE 8 OPERATING TRANSFERS

Operating transfers among the Town's funds are detailed as follows:

	Transfers In		Total
	General Fund	Other Nonmajor	
Transfers Out			
Drug Fund	\$ 57,100	\$ -	\$ 57,100
Proprietary Fund	22,881	45	22,926
Total	<u>\$ 79,981</u>	<u>\$ 45</u>	<u>\$ 80,026</u>

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 9 RISK MANAGEMENT

The Town has purchased insurance policies through the State of South Carolina divided into coverage of workers' compensation, property and casualty, tort liability, and employee health insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits. The State of South Carolina itself assumes substantially all risks for the following: 1)Property and casualty insurance on buildings, equipment, and vehicles owned by the Town as well as tort liability on Town employees (South Carolina Insurance Reserve Fund), and 2)claims of injuries that occur as a result of employment (South Carolina State Accident Fund).

The Town has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund and the proprietary fund. These expenditures do not include estimated claim losses and estimable premium adjustments. There have not been any reductions in insurance coverage from the prior year.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Town is a recipient of federal grants. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal or state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 11 RELATED PARTY TRANSACTIONS

The Town purchases various supplies and services from various council members who own businesses in the area. Management does not consider amounts to be material to the financial statements.

NOTE 12 SUBSEQUENT EVENT

Management has reviewed subsequent events through February 27, 2014 and there are no events that require disclosure.

**TOWN YEMASSEE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013**

NOTE 13 TRANSFER OF WATER AND SEWER

Effective June 1, 2013, the proprietary fund's water and sewer system was transferred to the Lowcountry Regional Water Authority. The transfer consisted of the following:

	PROPRIETARY FUND AMOUNT
Capital assets, net of depreciation	\$ 4,154,099
Accounts Receivable	30,958
Customer Deposits	<u>(7,400)</u>
Total	<u><u>\$ 4,177,657</u></u>

REQUIRED
SUPPLEMENTAL INFORMATION
SECTION

TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
TAXES				
Local Option Sales Tax	\$ 55,000	\$ 55,000	\$ 65,058	\$ 10,058
Property Taxes	142,000	142,000	162,504	20,504
Payment in Lieu of Tax	10,000	10,000	7,484	(2,516)
Accommodations Tax	5,000	5,000	11,997	6,997
Local Accommodations Tax	4,000	4,000	6,013	2,013
Local Hospitality Tax	18,000	18,000	18,435	435
Total Taxes	234,000	234,000	271,491	37,491
FINES, FEES AND LICENSES				
Business Licenses	150,000	150,000	101,460	(48,540)
Garbage Billings	95,000	95,000	73,537	(21,463)
Recreation Fees	-	-	3,465	3,465
Police Fines	200,000	200,000	217,633	17,633
Building Inspector Fees	750	750	2,288	1,538
Franchise Fees	80,000	80,000	71,161	(8,839)
Total Fines, Fees and Licenses	525,750	525,750	469,544	(56,206)
INTERGOVERNMENTAL				
Aid-To-Subdivisions	24,000	24,000	22,804	(1,196)
Total Intergovernmental	24,000	24,000	22,804	(1,196)
MISCELLANEOUS				
Rental Income	1,000	1,000	445	(555)
Interest Income	2,000	2,000	-	(2,000)
Grant	-	-	74,000	74,000
Other	42,660	42,660	42,316	(344)
Total Miscellaneous	45,660	45,660	116,761	71,101
Total Revenues	\$ 829,410	\$ 829,410	\$ 880,600	\$ 51,190

TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>EXPENDITURES</u>				
Current				
GENERAL GOVERNMENT				
Salaries	\$ 86,360	\$ 86,360	\$ 87,945	\$ (1,585)
State Unemployment	-	-	773	(773)
FICA Expense	6,610	6,610	6,523	87
Health Insurance	9,600	9,600	7,799	1,801
Workmens Compensation	1,000	1,000	439	561
Retirement	8,115	8,115	7,769	346
Advertising	2,500	2,500	3,922	(1,422)
Bond Insurance	250	250	590	(340)
Building Maintenance	1,500	1,500	2,467	(967)
Computer Maintenance	1,200	1,200	3,063	(1,863)
Dues and Subscriptions	500	500	1,114	(614)
Equipment Maintenance	3,000	3,000	3,734	(734)
Festivals	500	500	1,112	(612)
Gas, Oil, and Grease	500	500	52	448
Insurance	6,000	6,000	11,220	(5,220)
Licenses and Permits	100	100	109	(9)
Materials and Supplies	10,000	10,000	14,184	(4,184)
Miscellaneous	5,000	5,000	1,970	3,030
Postage	900	900	811	89
Process Tax Notices	1,000	1,000	-	1,000
Professional Fees	30,000	30,000	25,968	4,032
Public Relations	400	400	141	259
Telephone	7,500	7,500	6,698	802
Travel, Training, and Conventions	2,700	2,700	2,583	117
Utilities	15,000	15,000	12,927	2,073
Total General Government	\$ 200,235	\$ 200,235	\$ 203,913	\$ (3,678)

TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
PUBLIC WORKS				
Salaries	\$ 43,630	\$ 43,630	\$ 51,532	\$ (7,902)
FICA Expense	3,340	3,340	4,377	(1,037)
Health Insurance	7,200	7,200	8,049	(849)
Workmens Compensation	5,000	5,000	535	4,465
Retirement	4,100	4,100	5,360	(1,260)
Garbage Collections	75,000	75,000	76,138	(1,138)
Gas, Oil, and Grease	5,000	5,000	4,759	241
Materials and Supplies	2,500	2,500	3,280	(780)
Insurance	6,000	6,000	6,484	(484)
Equipment Maintenance	1,500	1,500	2,217	(717)
Equipment Leases	500	500	1,309	(809)
Maintenance Vehicles	2,500	2,500	266	2,234
Utilities	18,000	18,000	20,832	(2,832)
Telephone	1,250	1,250	401	849
Miscellaneous	250	250	56	194
Contract Labor	15,000	15,000	11,552	3,448
Dog Pound	600	600	600	-
Total Public Works	191,370	191,370	197,747	(6,377)
FIRE DEPARTMENT				
Workmens Compensation	5,000	5,000	1,146	3,854
Equipment Maintenance	500	500	288	212
Insurance	5,000	5,000	4,323	677
Firefighting Insurance	750	750	-	750
Volunteers	3,500	3,500	3,330	170
Materials and Supplies	4,470	4,470	231	4,239
Permits and Licenses	75	75	25	50
Vehicle Maintenance	200	200	100	100
Total Fire Department	19,495	19,495	9,443	10,052
Courts				
Salaries	-	-	7,030	(7,030)
FICA Expense	-	-	535	(535)
Health Insurance	-	-	33	(33)
Workmens Compensation	500	500	-	500
Bond Insurance	200	200	-	200
Retirement	-	-	228	(228)
Travel, Training, and Conventions	2,400	2,400	2,395	5
Materials and Supplies	1,000	1,000	2,150	(1,150)
Computer Maintenance	2,500	2,500	2,782	(282)
Telephone	3,500	3,500	-	3,500
Contract Labor	15,000	15,000	14,758	242
Capital Outlay	-	-	3,000	(3,000)
Total Public Works	\$ 25,100	\$ 25,100	\$ 32,911	\$ (7,811)

TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
				(UNFAVORABLE)
POLICE DEPARTMENT				
Salaries	\$ 181,075	\$ 181,075	\$ 253,051	\$ (71,976)
State Unemployment	500	500	-	500
FICA Expense	13,850	13,850	18,607	(4,757)
Health Insurance	27,000	27,000	31,516	(4,516)
Workmens Compensation	11,500	11,500	11,389	111
Retirement	20,310	20,310	15,603	4,707
Bond Insurance	400	400	-	400
Computer Maintenance	2,500	2,500	3,213	(713)
Dues and Subscriptions	500	500	2,360	(1,860)
Equipment Maintenance	1,000	1,000	822	178
Gas, Oil, and Grease	35,000	35,000	44,296	(9,296)
Insurance	5,000	5,000	4,356	644
Materials and Supplies	14,000	14,000	7,059	6,941
Miscellaneous	1,000	1,000	2,807	(1,807)
DJJ	5,000	5,000	4,850	150
Permits and Licenses	-	-	59	(59)
Postage	1,000	1,000	5	995
Professional Fees	1,100	1,100	560	540
Telephone	8,500	8,500	12,783	(4,283)
Travel, Training, and Conventions	1,000	1,000	685	315
Vehicle Maintenance	15,000	15,000	18,159	(3,159)
Total Police Department	345,235	345,235	432,180	(86,945)
PARKS, RECREATION, AND TOURISM				
Repairs and Maintenance	1,750	1,750	1,267	483
Miscellaneous	500	500	5,811	(5,311)
Materials, Supplies, and Forms	-	-	7	(7)
Equipment Rental	1,000	1,000	1,027	(27)
Janitorial Service	250	250	105	145
Utilities	2,000	2,000	2,914	(914)
Accommodations/Hospitality Tax Expense	22,000	22,000	16,028	5,972
Total Parks, Recreation, and Tourism	\$ 27,500	\$ 27,500	\$ 27,159	\$ 341

TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	BUDGET			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
EMS Building				
Utilities	\$ 2,500	\$ 2,500	\$ 1,195	\$ 1,305
Miscellaneous	-	-	583	(583)
Capital Outlay	-	-	74,000	(74,000)
Total EMS Building	2,500	2,500	75,778	(73,278)
 Debt Service				
Principal	24,000	24,000	15,070	8,930
Interest	9,400	9,400	6,271	3,129
Total Debt Service	33,400	33,400	21,341	12,059
 Total Expenditures	844,835	844,835	1,000,472	(155,637)
 Excess (Deficiency) of Revenues over Expenditures	(15,425)	(15,425)	(119,872)	(104,447)
 OTHER FINANCING SOURCES (USES)				
Transfers In	15,425	15,425	79,981	64,556
Total Other Financing Sources (Uses)	15,425	15,425	79,981	64,556
 Net Change in Fund Balance	-	-	(39,891)	(39,891)
 Fund Balance, beginning of year	103,374	103,374	103,374	-
Fund Balance, end of year	\$ 103,374	\$ 103,374	\$ 63,483	\$ (39,891)

SUPPLEMENTAL INFORMATION

SECTION

TOWN OF YEMASSEE, SOUTH CAROLINA
PROPRIETARY FUND - BUDGET AND ACTUAL
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES				
Water and Sewer Billings	\$ 120,000	\$ 120,000	\$ 187,948	\$ 67,948
Nonrefundable Deposits	1,750	1,750	3,350	1,600
Total Operating Revenues	<u>121,750</u>	<u>121,750</u>	<u>191,298</u>	<u>69,548</u>
OPERATING EXPENSES				
Salaries	27,575	27,575	43,306	(15,731)
FICA Expense	2,110	2,110	2,528	(418)
Health Insurance	5,250	5,250	7,971	(2,721)
Retirement	2,590	2,590	3,647	(1,057)
Workmens Compensation	2,500	2,500	4,669	(2,169)
Advertising	250	250	-	250
Computer Maintenance	2,500	2,500	711	1,789
Depreciation	-	-	108,162	(108,162)
Dues and Subscriptions	250	250	662	(412)
Equipment Maintenance	3,000	3,000	3,149	(149)
Travel, Training and Conventions	125	125	140	(15)
Vehicle Maintenance	2,500	2,500	132	2,368
Gas and Oil	3,750	3,750	5,655	(1,905)
Insurance	3,500	3,500	-	3,500
Miscellaneous	1,000	1,000	2,510	(1,510)
Permits and Licenses	750	750	1,330	(580)
Postage	1,250	1,250	1,937	(687)
Materials and Supplies	7,500	7,500	9,025	(1,525)
Professional Fees	2,500	2,500	2,820	(320)
Public Relations	125	125	50	75
Rental Property Right of Way	1,050	1,050	2,050	(1,000)
Telephone	1,250	1,250	3,799	(2,549)
Utilities	30,000	30,000	53,648	(23,648)
Water Analysis	5,000	5,000	490	4,510
Total Operating Expenses	<u>\$ 106,325</u>	<u>\$ 106,325</u>	<u>\$ 258,391</u>	<u>\$ (152,066)</u>

**TOWN OF YEMASSEE, SOUTH CAROLINA
 PROPRIETARY FUND - BUDGET AND ACTUAL
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Income (Loss) Before Operating Transfers	\$ 15,425	\$ 15,425	\$ (67,093)	\$ (82,518)
Transfers to General Fund	(15,425)	(15,425)	(22,926)	(7,501)
Transfers to Lowcountry Regional Water Authority	-	-	(4,177,657)	(4,177,657)
Total Transfers	<u>(15,425)</u>	<u>(15,425)</u>	<u>(4,200,583)</u>	<u>(4,185,158)</u>
Change in Net Position	-	-	(4,267,676)	(4,267,676)
Net Position, beginning of year	4,271,023	4,271,023	4,271,023	-
Net Position, end of year	<u>\$ 4,271,023</u>	<u>\$ 4,271,023</u>	<u>\$ 3,347</u>	<u>\$ (4,267,676)</u>

**TOWN YEMASSEE, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
FOR THE YEAR ENDED AUGUST 31, 2013**

Total Municipal Court Fines Collected	<u>\$ 494,251</u>
Assessments Paid to State	179,339
Surcharges Paid to State	97,279
Victim Assessments	22,186
Fines Paid to Town	<u>195,447</u>
Total Municipal Court Fines Disbursed	<u>494,251</u>

VICTIMS ACCOUNT RECONCILIATION

Assessment Allocated	<u>22,186</u>
Total Funds	<u>22,186</u>
Victim Expenditures	<u>7,640</u>
Net Increase (Decrease)	14,546
Beginning of Year	<u>43,562</u>
End of Year	<u><u>\$ 58,108</u></u>

COMPLIANCE SECTION

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 Town Council
Town of Yemassee, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Yemassee, South Carolina, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Town of Yemassee, South Carolina's basic financial statements and have issued our report thereon dated March 24, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013-1 through 2013-2.

Compliance and Other Matters

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

Town of Yemassee, South Carolina's Response to Findings

Town of Yemassee, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Yemassee, South Carolina'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.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
March 24, 2014

**TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2013**

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, 2013.
- B. Our audit of the basic financial statements disclosed two significant deficiencies in internal controls over financial reporting.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.

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

Audit finding reported for the year ended August 31, 2013:

Finding: 2013-1 - Significant deficiency

Criteria:

The accounting department should have adequate segregation of duties.

Condition:

The accounting department of the Town of Yemassee does not have adequate segregation of duties.

Cause:

The Town has a very small accounting staff. The Town is not able to adequately segregate duties among its small staff.

Effect:

Initiation, approval, and recording of transactions are performed by the same person.

Auditors' Recommendation:

Management should adopt policies and procedures that promote adequate segregation of duties. When adequate segregation cannot be obtained, management should implement additional management oversight procedures and controls to mitigate risk of loss or misuse of the Town assets.

Management's Response:

The Town has limited resources available to provide adequate segregation of duties. However, the Town had policies and procedures in place to authorize and approve transactions as incurred for payables, payroll, and cash receipts to insure proper accountability. Additionally, from October 2011 to October 2013, the Town had outsourced accounting functions to an outside accounting firm that provided additional oversight to insure the policies and procedures were functioning properly.

**TOWN OF YEMASSEE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Finding related to the Audit of the Financial Statements of the Town of Yemassee, South Carolina: (Continued)

Finding: 2013-2 - Significant Deficiency

Criteria:

Account transactions should be accurately recorded and posted prior to start of the audit.

Condition:

An adjustment to properly record deferred revenue in the Drug Fund was required to fairly state the Funds net position.

Cause:

Due to a clerical error, Deferred Revenues were recorded as a revenue in the Drug Fund.

Effect:

The financial statements did not accurately report the account balances for the Drug Fund in the Town of Yemassee financial statements.

Recommendation:

To improve operating efficiency and internal control, management should establish policies and procedures that will correctly state account balances at the end of each audit period.

Management's Response:

In the past, cash received from the Drug Seizure program was small enough that it was spent prior to the end of the year. During the year ended August 31, 2013, a large receipt of cash was received from the Drug Seizure program that was not spent prior to year end. We agree that all unspent grant funds received in advance should be deferred if not spent prior to the end of the year and have made the necessary adjustments to reflect this.

Auditors' recommendation to management:

When performing fieldwork, we found through inquiry and observation that the Town of Yemassee is not processing in day to day accounting functions in-house. During this and prior engagements the Town used an outside Certified Public Accounting firm to reconcile its accounts and to perform certain recording and reporting functions. This firm also had custody, care and control of the "Equitable Sharing Fund" account. By using this firm, the Town is providing additional management oversight to help mitigate the risks from its lack of segregation of duties and very poor internal controls over compliance and reporting.

We strongly recommend that the Town of Yemassee retain an outside Certified Public Accounting firm to reconcile its accounts and to perform certain recording and reporting functions for the Town.