

**TOWN OF NORWAY,
SOUTH CAROLINA**

ANNUAL FINANCIAL REPORT
Fiscal Year Ended December 31, 2015

TOWN OF NORWAY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended December 31, 2015

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1-3
BASIC FINANCIAL STATEMENTS:		
<i>Government-Wide Financial Statements:</i>		
Statement of Net Position	A	4
Statement of Activities	B	5
<i>Fund Financial Statements:</i>		
Balance Sheet – Governmental Fund	C	6
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	D	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	E	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	F	9
Statement of Net Position – Proprietary Fund	G	10
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	H	11
Statement of Cash Flows – Proprietary Fund	I	12-13
Statement of Fiduciary Net Position	J	14
Notes to the Financial Statements		15-35

**TOWN OF NORWAY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended December 31, 2015
(Continued)**

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTAL INFORMATION:	
<i>General Fund:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	36-37
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	38
Schedule of the Town's Proportionate Share of the Net Pension Liability	39
Schedule of Town's Contributions	40
Notes to Required Supplemental Information	41
<i>Enterprise Fund:</i>	
Water and Sewer Fund	
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	42
<i>Agency Fund:</i>	
Utility Collection Fund	
Schedule of Changes in Assets and Liabilities	43
Victims' Assistance	
Schedule of Fines, Assessments and Surcharges	44
INTERNAL CONTROL AND COMPLIANCE SECTION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	45-46
Schedule of Findings and Responses	47-50

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA (1963-2020)

TERRY M. HANCOCK, CPA, EMERITUS

LARRY F. GODWIN, CPA

THOMAS B. MYERS, CPA

DARYL W. TAYLOR, CPA

ANTHONY E. BOYKIN, CPA

JANE M. PEACOCK, CPA

MATTHEW C. IRICK, CPA

J. RICHARD PARKER, CPA

R. MARC WOOD

SHANE E. KIRKLEY, CPA

B. KEACH JORDAN, CPA

JOHN C. BOYKIN, III, CPA

MEREDITH A. BLAKE, CPA

JOHN F. MARTIN, CPA

TRACY L. FAILE, CPA

M. EMILY SKUFCA, CPA, CIA, CFE

AMANDA B. BUCKLEW

STEPHANIE G. CARO

JASON B. HARRIS

ANNETTE L. PALMER, EA

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424

FAX
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

May 16, 2023

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Norway
Norway, 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 the Town of Norway, South Carolina, as of and for the year ended December 31, 2015, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient audit evidence to provide a basis for audit opinions.

Basis for Disclaimers of Opinion

Due to the Town's loss of the computer where its financial records were maintained, not having appropriate procedures in place for off-site backup and inadequate documentation, we were unable to obtain accounting records which support the balances included in the financial statements as of and for the year ended December 31, 2015, for the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town. The accounting records for which we were unable to obtain support for beginning balances included receivables, revenue, accrued liabilities, capital assets and

expenses/expenditures, and therefore, we were unable to apply the necessary auditing procedures related to these amounts.

Disclaimer of Opinions

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norway, South Carolina, as of December 31, 2015. Accordingly, we do not express opinions on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of the Town's proportionate share of the net pension liability and the schedule of the Town's contributions are on pages 38-40 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Norway, South Carolina's financial statements. The individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual non-major fund financial statements 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. Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, it is not appropriate to and we do not express an opinion on these statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023, on our consideration of the Town of Norway, 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 the Town of Norway, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 11,689	\$ 4,971	\$ 16,660
Water and Sewer Receivables, Net	-	24,499	24,499
Other Receivables, Net	53,838	-	53,838
Internal Balances	1,600	(1,600)	-
Restricted Cash - Noncurrent	16,856	2,628	19,484
Capital Assets:			
Land	20,900	108,682	129,582
Infrastructure	787,620	-	787,620
Equipment	223,033	62,371	285,404
Construction In Progress	43,965	-	43,965
Vehicles	1,758	13,252	15,010
Water and Sewer Facilities and Equipment	-	4,155,842	4,155,842
Buildings	161,850	-	161,850
Less: Accumulated Depreciation	(309,189)	(1,706,343)	(2,015,532)
Total Capital Assets, Net of Depreciation	<u>929,937</u>	<u>2,633,804</u>	<u>3,563,741</u>
Total Assets	1,013,920	2,664,302	3,678,222
Deferred Outflows of Resources			
Prepaid Pension Cost	<u>9,197</u>	<u>2,632</u>	<u>11,829</u>
Total Assets and Deferred Outflows of Resources	<u>1,023,117</u>	<u>2,666,934</u>	<u>3,690,051</u>
Liabilities			
Accounts Payable and Accrued Liabilities	40,193	37,410	77,603
Long-Term Liabilities Due Within One Year			
Bonds Payable	-	19,629	19,629
Capital Lease Payable	2,417	-	2,417
Long-Term Liabilities Due Within One Year			
Bonds Payable	-	499,556	499,556
Capital Lease Payable	3,222	-	3,222
Net Pension Liability	<u>103,375</u>	<u>35,512</u>	<u>138,887</u>
Total Liabilities	<u>149,207</u>	<u>592,107</u>	<u>741,314</u>
Deferred Inflows of Resources			
Unavailable Revenue - Intergovernmental	27,503	-	27,503
Unavailable Revenue - Pension	<u>10,546</u>	<u>2,994</u>	<u>13,540</u>
Total Deferred Inflows of Resources	<u>38,049</u>	<u>2,994</u>	<u>41,043</u>
Net Position			
Net Investment in Capital Assets	924,298	2,114,619	3,038,917
Restricted for:			
Victims' Assistance	16,856	-	16,856
Unrestricted	<u>(105,293)</u>	<u>(42,786)</u>	<u>(148,079)</u>
Total Net Position	<u>\$ 835,861</u>	<u>\$ 2,071,833</u>	<u>\$ 2,907,694</u>

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended December 31, 2015

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 135,795	\$ 7,549	\$ -	\$ (128,246)	\$ -	\$ (128,246)
Public Safety	186,591	87,750	-	(98,841)	-	(98,841)
Public Works	41,182	28,627	-	(12,555)	-	(12,555)
Capital Outlay	21,090	-	-	(21,090)	-	(21,090)
Total Governmental Activities	384,658	123,926	-	(260,732)	-	(260,732)
Business-Type Activities						
Water and Sewer	277,482	235,383	-	-	390,051	390,051
Total Business-Type Activities	277,482	235,383	-	-	390,051	390,051
Total	\$ 662,140	\$ 359,309	\$ -	(260,732)	390,051	129,319
General Revenues:						
Property Taxes				105,587	-	105,587
Franchise Fees				40,914	-	40,914
Telecommunications Tax				89,787	-	89,787
Miscellaneous				19,506	-	19,506
Intergovernmental				25,405	-	1,316
Transfers				24,089	(24,089)	-
Total General Revenues				305,288	(24,089)	257,110
Change in Net Position				44,556	365,962	386,429
Net Position, Beginning of Year				791,305	1,705,871	2,497,176
Net Position, End of Year				\$ 835,861	\$ 2,071,833	\$ 2,883,605

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

TOWN OF NORWAY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2015

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$ 11,689
Receivables:	
Property Taxes, Net	23,905
Intergovernmental	27,503
Sanitation Fees, Net	2,430
Due from Water and Sewer Fund	1,600
Restricted Cash	<u>16,856</u>
Total Assets	<u><u>\$ 83,983</u></u>
Liabilities	
Accounts Payable	\$ 40,116
Accrued Liabilities	<u>77</u>
Total Liabilities	<u>40,193</u>
Deferred Inflows of Resources:	
Unavailable Revenue - Property Taxes	8,522
Unavailable Revenue - Intergovernmental	<u>27,503</u>
Total Deferred Inflows of Resources	<u>36,025</u>
Fund Balances	
Restricted For:	
Victims' Assistance	16,856
Unassigned	<u>(9,091)</u>
Total Fund Balance	<u>7,765</u>
Total Liabilities and Fund Balance	<u><u>\$ 83,983</u></u>

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

TOWN OF NORWAY, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2015

Total Fund Balance - Governmental Fund (Exhibit C) \$ 7,765

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.
 The cost of the assets is \$1,239,126 and the accumulated depreciation is \$309,189 929,937

Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:
 Property Taxes 8,522

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.
 Pension liability (103,375)
 Capital Lease Payable (5,639)

Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions 9,197

Deferred inflows of resources related to pensions (from pension schedule) (10,546)

Total Net Position - Governmental Activities (Exhibit A) \$ 835,861

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended December 31, 2015

	<u>General</u>
Revenues	
Taxes	\$ 227,766
Licenses and Permits	7,549
Intergovernmental	25,405
Charges for Services	28,627
Fines and Forfeits	87,750
Miscellaneous	<u>19,506</u>
Total Revenues	<u>396,603</u>
Expenditures	
Current:	
General Government	130,613
Public Safety	175,745
Public Works	38,494
Capital Outlay	<u>82,394</u>
Total Expenditures	<u>427,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,643)</u>
Other Financing Sources (Uses)	
Transfer to Water and Sewer Fund	<u>24,089</u>
Total Other Financing Sources (Uses)	<u>24,089</u>
Net Change in Fund Balance	(6,554)
Fund Balance, Beginning of Year	<u>14,319</u>
Fund Balance, End of Year	<u><u>\$ 7,765</u></u>

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

Total Net Change In Fund Balance - Governmental Fund (Exhibit E)	\$ (6,554)
--	------------

Amounts reported for governmental activities in the statement of activities are different because of the following:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$59,693 exceeds depreciation expense of \$24,081 in the period.

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

Property taxes

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Governmental funds report town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Town pension contributions	\$	6,364
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)		(999)
		5,365

Change in Net Position of Governmental Activities (Exhibit B)

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2015

	Enterprise Fund Water & Sewer
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,971
Water and Sewer Receivable, Net	<u>24,499</u>
Total Current Assets	<u>29,470</u>
Noncurrent Assets:	
Restricted Cash	2,628
Capital Assets	
Land	108,682
Equipment	62,371
Vehicles	13,252
Water and Sewer Facilities and Equipment	4,155,842
Less: Accumulated Depreciation	<u>(1,706,343)</u>
Total Noncurrent Assets	<u>2,636,432</u>
Total Assets	2,665,902
Deferred Outflows of Resources	
Prepaid Pension Cost	<u>2,632</u>
Total Assets and Deferred Outflows of Resources	<u><u>2,668,534</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	4,361
Due to General Fund	1,600
Customer Deposits	33,049
Long-Term Liabilities - Due Within One Year	
Bonds Payable	19,629
Long-Term Liabilities - Due in More Than One Year	
Bonds Payable	499,556
Net Pension Liability	<u>35,512</u>
Total Liabilities	<u>593,707</u>
Deferred Inflows of Resources	
Unavailable Revenue - Pension	<u>2,994</u>
Net Position	
Net Investment in Capital Assets	2,114,619
Unrestricted	<u>(42,786)</u>
Total Net Position	<u><u>\$ 2,071,833</u></u>

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended December 31, 2015

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
Operating Revenues	
Water and Sewer Charges	\$ 235,383
Total Operating Revenues	<u>235,383</u>
Operating Expenses	
Salaries	15,692
Employee Expenses	1,488
Fuel	4,995
Contract Services	18,728
Repairs and Maintenance	23,336
Utilities	15,515
Professional Fees	600
Postage	1,446
Dues and Permits	315
Water Purchases	64,400
Water Sampling	4,856
Supplies	4,166
Insurance	3,040
Miscellaneous	11,456
Depreciation	<u>80,390</u>
Total Operating Expenses	<u>250,423</u>
Operating Income (Loss)	<u>(15,040)</u>
Non-Operating Revenues (Expenses)	
Interest Revenue	<u>(27,059)</u>
Total Non-Operating Revenues (Expenses)	<u>(27,059)</u>
Income (Loss) Before Contributions and Transfers	(42,099)
Transfer to General Fund	(24,089)
Capital Contributions	<u>432,150</u>
Change in Net Position	365,962
Total Net Position, Beginning of Year	<u>1,705,871</u>
Total Net Position, End of Year	<u>\$ 2,071,833</u>

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended December 31, 2015

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 243,933
Cash Paid to Suppliers for Goods and Services	(194,496)
Cash Paid to Employees for Services	<u>(15,692)</u>
Net Cash Provided By Operating Activities	<u>33,745</u>
Cash Flows From Non-Capital Financing Activities:	
Increase in Due To General Fund	<u>1,600</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,600</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(435,500)
Capital Contributions	<u>435,500</u>
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>
Cash Flows From Investing Activities:	
Interest Paid	<u>(27,059)</u>
Net Cash (Used) by Investing Activities	<u>(27,059)</u>
Net Increase in Cash and Cash Equivalents	8,286
Cash and Cash Equivalents, Beginning of Year	<u>(3,315)</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,971</u></u>

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

TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended December 31, 2015
(Continued)

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

Operating Income (Loss)	\$ (15,040)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
(Increase) in Receivables	(24,499)
(Increase) in Deferred Outflows	(2,632)
Increase in Accounts Payable	4,361
Increase in Net Pension Liability	35,512
(Decrease) in Deferred Inflows	2,994
Increase in Customer Meter Deposits	<u>33,049</u>
Net Adjustments	<u>48,785</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,745</u></u>

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

**TOWN OF NORWAY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2015**

Agency Funds

Assets

Cash and Cash Equivalents	\$ 641
---------------------------	--------

Total Assets	<u>641</u>
---------------------	------------

Liabilities

Due to American Pay Systems	<u>641</u>
-----------------------------	------------

Total Liabilities	<u>\$ 641</u>
--------------------------	---------------

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

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 1. Summary of Significant Accounting Policies

The Town of Norway is a municipal corporation of the State of South Carolina located in Orangeburg County, and as such possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The financial statements of the Town of Norway have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the Town's accounting policies.

A. Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Norway has no component units.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the Town 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. The Town does not allocate indirect cost.

Fund Financial Statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund is the Town's only major governmental fund.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general administration and the traditional services provided by the Town are paid through the General Fund.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Town's proprietary fund:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Water and Sewer Fund is the Town's only enterprise fund and is used to account for the financial transactions related to the water and sewer service provided to the residents of the Town.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The Town only has one fiduciary fund, which is an agency fund.

Agency Funds

Agency Funds are used to account for assets held by the Town in a trustee capacity and do not involve measurement of results of operations. The Utility Collection Fund is the Town's only agency fund and accounts for financial resources derived primarily from the collection of utility payments and remitted to the utility company.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Town finances and meets the cash flow of its proprietary fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Items such as franchise fees, business licenses, grants, sanitation fees and intergovernmental revenues are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Budgets and Budgetary Accounting

The budgets for the general fund and the proprietary fund are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase is expected to be made. The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Town's Clerk submits to the Town Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- b. Prior to January 1, the budget is legally enacted through passage of an ordinance.
- c. The Town Clerk periodically presents a report to the Town Council explaining any variance from the approved budget.

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, restricted cash and certificates of deposits.

The Town maintains cash that is available for use by all funds. Each fund's portion is displayed on the combined balance sheet as "Cash and Cash Equivalents." Restricted cash in the proprietary fund consists of the amount required to be restricted per the 1974, 1994 and 1996 Revenue Bond Indentures.

The Town considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants and intergovernmental revenues. Business-type activities report water and sewer revenues as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for Federal and State revenue if they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Water and Sewer receivables compose the majority of proprietary fund receivables.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

F. Short-term Interfund Receivables/Payable

Balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." These interfund balances are the result of routine activities of the Town. Interfund receivables and payables are netted and eliminated in the Statement of Net Position.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

H. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The Town elects not to report major general infrastructure assets retroactively.

Assets capitalized have an original cost of \$200 or more and a useful life of three or more years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25-50 years
Improvements	20 years
Water and Sewer System	50 years
Furniture and Equipment	3-12 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

Employees receive one week of paid vacation during their first year of employment and two weeks per year thereafter. They receive one paid day of sick leave per month and it does not vest.

No compensated absences were payable at December 31, 2015.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

J. Deferred Outflows of Resources

In addition to assets, The Town reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The Town only has one arising from the prepaid cost related to the GASB 68 pension liability.

K. Deferred Inflows of Resources

In addition to liabilities, The County reports deferred inflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The County has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the County's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grant revenue are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

L. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in Governmental Fund operations or Proprietary Fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Bond issuance costs are expensed in the fund, in the year incurred. The long-term debt consists primarily of bonds payable, capital leases, accrued compensated absences, post-closure costs, OPEB and pension liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for Proprietary Funds is the same in the fund statements as it is in the government-wide statements.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

M. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position. All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned—All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

N. Operating and Non-Operating Revenues and Expenses

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for the Proprietary Fund include costs of sales, administrative expenses and depreciation of capital assets. All other expenses are reported as non-operating expenses.

O. Capital Contributions

Contributions of capital on government-wide and enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. Inter-fund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

R. Statement of Cash Flows

For purposes of the statement of cash flows, the County's Proprietary Fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits, treasury bills and money market funds.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Property Taxes

The Town's ad valorem property tax is levied each year in October, on the assessed value listed as of the prior January 1, for all real and business personal property located in the Town. The taxes are due without penalty if paid by January 15 and become delinquent after March 16.

In the fund financial statements, delinquent tax payments received throughout the year are recognized as revenue in the year received, except for those received within sixty days of year-end, which are recognized as revenue as of December 31. The Town considers all levied taxes to be ultimately fully collectible, since collection can be enforced upon the death of the owner through the estate or upon the sale of the property to a new owner. Therefore, no allowance for doubtful accounts is provided.

Note 3. Deposits – 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 deposit policy for custodial credit risk. As of December 31, 2015, none of the Town's bank balances of \$36,144 were exposed to credit risk.

Note 4. Receivables

Other governmental receivables at December 31, 2015, consist of intergovernmental revenues, franchise fees, landfill fees, and sanitation fees.

Sanitation fees receivable shown in the General Fund consist of sanitation services rendered as of June but not collected. Water and Sewer Receivable and Sanitation Fees Receivable are shown net of an allowance for uncollectible of \$0 as of December 31, 2015.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals & Transfers</u>	<u>Ending</u>
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 20,900	\$ -	\$ -	\$ 20,900
Construction in Progress	-	43,965	-	43,965
Total Capital Assets Not Being Depreciated	<u>20,900</u>	<u>43,965</u>	<u>-</u>	<u>64,865</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	161,850	-	-	161,850
Infrastructure	787,620	-	-	787,620
Equipment	201,813	21,219	-	223,032
Vehicles	-	1,758	-	1,758
Total Capital Assets Being Depreciated	<u>1,151,283</u>	<u>22,977</u>	<u>-</u>	<u>1,174,260</u>
Less: Accumulated Depreciation				
Buildings	(55,348)	(3,087)	-	(58,435)
Infrastructure	(40,183)	(16,349)	-	(56,532)
Equipment	(189,577)	(4,645)	-	(194,222)
Vehicles	-	-	-	-
Total Accumulated Depreciation	<u>(285,108)</u>	<u>(24,081)</u>	<u>-</u>	<u>(309,189)</u>
Total Capital Assets Being Depreciated, Net	<u>866,175</u>	<u>(1,104)</u>	<u>-</u>	<u>865,071</u>
Governmental Activities Capital Assets, Net	<u>\$ 887,075</u>	<u>\$ 42,861</u>	<u>\$ -</u>	<u>\$ 929,936</u>
Business-type Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 108,682	\$ -	\$ -	\$ 108,682
Total Capital Assets Not Being Depreciated	<u>108,682</u>	<u>-</u>	<u>-</u>	<u>108,682</u>
<i>Capital Assets Being Depreciated:</i>				
Equipment	62,371	-	-	62,371
Vehicles	13,252	-	-	13,252
Water and Sewer Facilities	3,720,342	435,500	-	4,155,842
Total Capital Assets Being Depreciated	<u>3,782,713</u>	<u>435,500</u>	<u>-</u>	<u>4,218,213</u>
Less: Accumulated Depreciation				
Equipment	(59,848)	(1,170)	-	(61,018)
Vehicles	(12,655)	(298)	-	(12,953)
Water and Sewer Facilities	(1,553,450)	(78,921)	-	(1,632,371)
Total Accumulated Depreciation	<u>(1,625,953)</u>	<u>(80,389)</u>	<u>-</u>	<u>(1,706,342)</u>
Total Capital Assets Being Depreciated, Net	<u>2,156,760</u>	<u>355,111</u>	<u>-</u>	<u>2,511,871</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,265,442</u>	<u>\$ 355,111</u>	<u>\$ -</u>	<u>\$ 2,620,553</u>

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Depreciation expense was charged to functions as follows:

Depreciation Expense	
General Governmental	\$ 9,121
Public Safety	12,272
Public Works	<u>2,688</u>
Total	<u>\$ 24,081</u>

Construction in progress and construction commitments – governmental activities and business type activities consisted of the following at December 31, 2015:

	Expenditures To Date	Total Contract	Contract Payments Remaining
Governmental Activities			
Park Building	<u>\$ 43,965</u>	<u>\$ 43,965</u>	<u>\$ -</u>

Note 6. Interfund Receivables and Payables/Liabilities

Interfund balances at December 31, 2015, (all of which are expected to be received or paid within one year) consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund	Water & Sewer Fund	<u>\$ 1,600</u>

Note 7. Long-term Debt

Governmental Activities:

As of December 31, 2015, the governmental long-term debt consisted of capital leases.

Capital Lease Payable

On April 2015, the Town entered into a capital lease arrangement with John Deere to purchase a tractor in the amount of \$7,250. The lease is payable in monthly installments beginning May 2015. As of December 31, 2015, the Town had an outstanding balance of \$5,639

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at December 31, 2015.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Year Ending December 31,	
2016	\$ 2,417
2017	2,417
2018	<u>805</u>
Total minimum lease payments	5,639
Less: Amounts representing interest	<u>-</u>
Present value of future minimum lease payments	<u>\$ 5,639</u>

Business-Type Activities:

In 1974, the Town issued Series 1974 Revenue Bond totaling \$125,000 with monthly principal and interest payments. The bonds range in maturity from 1975 to 2014. The interest rate is 5.0%. The outstanding principal as of December 31, 2015, was \$0.

In 1994, the Town issued Series 1994 Revenue Bond totaling \$470,400 with monthly principal and interest payments. The bonds range in maturity from 1995 to 2033. The interest rate is 5.125%. The outstanding principal as of December 31, 2015, was \$299,862.

In 1996, the Town issued Series 1996 Revenue Bond totaling \$297,300 with monthly principal and interest payments. The bonds range in maturity from 1997 to 2036. The interest rate is 4.875%. The outstanding principal as of December 31, 2015, was \$219,322.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 19,629	\$ 25,611	\$ 45,240
2017	20,642	24,598	45,240
2018	21,707	23,533	45,240
2019	22,828	22,412	45,240
2020	24,006	21,234	45,240
2021-2025	139,943	86,257	226,200
2026-2030	179,985	46,215	226,200
2031-2035	86,259	10,781	97,040
2036	<u>4,187</u>	<u>34</u>	<u>4,221</u>
	<u>\$ 519,186</u>	<u>\$ 260,675</u>	<u>\$ 779,861</u>

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 8. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2015.

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
<i>Governmental Activities:</i>					
Capital Lease	\$ -	\$ 7,250	\$ (1,611)	\$ 5,639	\$ 2,417
Total	\$ -	\$ 7,250	\$ (1,611)	\$ 5,639	\$ 2,417
<i>Business-type Activities:</i>					
1974 Revenue Bonds	\$ 3,837	\$ -	\$ (3,837)	\$ -	\$ -
1994 Revenue Bonds	312,322	-	(12,460)	299,862	13,113
1996 Revenue Bonds	225,529	-	(6,207)	219,322	6,516
Total	\$ 9,313,456	\$ 187,839	\$ (523,959)	\$ 8,977,336	\$ 19,629

Note 9. Employee Retirement Systems

Plan Description – Eligible employees of the Town are participants in the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS), which are cost-sharing, multi-employer defined benefit pension plans administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). The SCRS and PORS offers retirement, disability, survivor, and death benefits to eligible members or beneficiaries. The Plans' provisions are established under Title 9 of the SC Code of Laws.

The SC PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available on its website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the SC PEBA, Post Office Box 11960, Columbia, South Carolina 29211-1960.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership- Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits-Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions- Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00 % of earnable compensation
Employee Class Three	8.00 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41 % of earnable compensation
Employee Class Three	8.41 % of earnable compensation

Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	10.75 % of earnable compensation
Employee Class Three	10.75 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employee Class One	7.80 % of earnable compensation
Employee Class Two	13.01 % of earnable compensation
Employee Class Three	13.01 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At December 31, 2015, the Town reported a liability of \$138,887 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2014, the Town's proportion was 0.00047 percent.

For the year ended December 31, 2015, the Town recognized pension benefit of \$6,488. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,839	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	13,540
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to measurement date	7,990	-
Total	<u>\$ 11,829</u>	<u>\$ 13,540</u>

\$7,990 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the December 31, 2015, annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial			2.75
Total Expected Nominal			8.63

Discount rate- The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
System			
SCRS	\$ 194,091	\$ 138,887	\$ 93,210

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Pension Plan Fiduciary Net Position- Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payables to the Pension Plan- The Town reported a payable to the SCRS as of December 31, 2015, in the amount of \$1,021

Note 10. Commitments and Contingencies

The General Fund includes various grants. These programs are subject to compliance audits by their grantors or their representatives. Any liability for reimbursement of program revenue which may arise as a result of such an audit is not believed to be material to the finances of the Town.

The Town has been notified that \$575,000 in federal grant funds will have to be repaid because it has been determined that the Old Willow School renovation project was not eligible for funding under the grant guidelines. Based on negotiations, the State was to repay \$500,000 and the Town \$75,000. However, based on the latest information, the Town believes the SC Department of Transportation is going to release the Town from its share of the repayment obligation. Based on this, no liability has been accrued on the Town's books at December 31, 2013.

Note 11. Insurance and Risk Management

The Town is exposed to various risks of loss related to torts; workers compensation claims; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance through the South Carolina Insurance Reserve Fund. The Town does not maintain fidelity bond coverage on its employees or Town officials.

Note 12. Intergovernmental Revenues

The Town receives funds from both the State of South Carolina and the federal government for various grants and projects. The majority of these funds are accounted for in the General Fund.

**TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2015

(Continued)

Note 13. Deferred Compensation Plan

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401(k) Deferred Compensation Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401(k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. The Town did not have any employees participating in the 401(k) Plan as of December 31, 2015.

Note 14. Subsequent Events

In 2016, the Town was notified that it was allocated \$198,068 from Capital Penny Sales Tax IV funds to be used for water/wastewater infrastructure improvement projects. Funds must be spent by November 2017.

General Fund

The General Fund is the major operating fund of the Town and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF NORWAY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property Taxes	\$ 39,000	\$ 97,065	\$ 58,065
Franchise Fees	35,500	40,914	5,414
Telecommunications Tax	-	89,787	89,787
Total Taxes	<u>74,500</u>	<u>227,766</u>	<u>153,266</u>
Licenses and Permits			
Business Licenses	<u>7,000</u>	<u>7,549</u>	<u>549</u>
Intergovernmental Revenues			
Inventory Tax	500	357	(143)
State Government	<u>-</u>	<u>25,048</u>	<u>25,048</u>
Total Intergovernmental Revenues	<u>500</u>	<u>25,405</u>	<u>24,905</u>
Charges for Services			
Sanitation Fees	<u>24,000</u>	<u>28,627</u>	<u>4,627</u>
Total Charges for Services	<u>24,000</u>	<u>28,627</u>	<u>4,627</u>
Fines and Forfeits			
Fines and Bonds	<u>32,000</u>	<u>87,750</u>	<u>55,750</u>
Miscellaneous Revenues			
Other	<u>400</u>	<u>19,506</u>	<u>19,106</u>
Total Miscellaneous Revenues	<u>400</u>	<u>19,506</u>	<u>19,106</u>
Total Revenues	<u>138,400</u>	<u>396,603</u>	<u>258,203</u>

TOWN OF NORWAY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures			
Current:			
General Government	\$ 59,350	\$ 130,613	\$ (71,263)
Public Safety	30,350	175,745	(145,395)
Public Works	46,200	38,494	7,706
Capital Outlay	<u>2,500</u>	<u>82,394</u>	<u>(79,894)</u>
Total Expenditures	<u>138,400</u>	<u>427,246</u>	<u>(288,846)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(30,643)</u>	<u>(30,643)</u>
Other Financing Sources (Uses)			
Transfer to Wastewater Fund	<u>-</u>	<u>24,089</u>	<u>24,089</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(6,554)</u>	<u>\$ (6,554)</u>
Fund Balance, Beginning of Year		<u>14,319</u>	
Fund Balance, End of Year		<u>\$ 7,765</u>	

TOWN OF NORWAY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 74,500	\$ 74,500	\$ 227,766	\$ 153,266
Licenses and Permits	7,000	7,000	7,549	549
Intergovernmental	500	500	25,405	24,905
Charges for Services	24,000	24,000	28,627	4,627
Fines and Forfeits	32,000	32,000	87,750	55,750
Miscellaneous	400	400	19,506	19,106
Total Revenues	<u>138,400</u>	<u>138,400</u>	<u>396,603</u>	<u>258,203</u>
Expenditures				
Current:				
General Government	59,350	59,350	130,613	(71,263)
Public Safety	30,350	30,350	175,745	(145,395)
Public Works	46,200	46,200	38,494	7,706
Other	2,500	2,500	82,394	(79,894)
Total Expenditures	<u>138,400</u>	<u>138,400</u>	<u>427,246</u>	<u>(288,846)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(30,643)</u>	<u>(30,643)</u>
Other Financing Sources (Uses)				
Transfer to Wastewater Fund	<u>-</u>	<u>-</u>	<u>24,089</u>	<u>24,089</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(6,554)</u>	<u>(6,554)</u>
Fund Balance, Beginning of Year	<u>14,319</u>	<u>14,319</u>	<u>14,319</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 14,319</u>	<u>\$ 14,319</u>	<u>\$ 7,765</u>	<u>\$ (6,554)</u>

TOWN OF NORWAY, SOUTH CAROLINA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
For the Fiscal Year Ended December 31, 2015

SCRS	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.00047%
Town's proportionate share of the net pension liability (asset)	\$ 80,574
Town's covered employee payroll	\$ 103,590
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.78%
Plan fiduciary net position as a percentage of total pension liability	0.00%

PORS	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.00305%
Town's proportionate share of the net pension liability (asset)	\$ 58,313
Town's covered employee payroll	\$ 103,590
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.29%
Plan fiduciary net position as a percentage of total pension liability	0.00%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>

TOWN OF NORWAY, SOUTH CAROLINA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
For the Fiscal Year Ended December 31, 2015

	<u>2015</u>
Contractually required contribution	\$ 7,990
Contributions in relation to contractually required contribution	<u>(7,990)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Town's covered-employee payroll	 \$ 103,590
Contributions as a percentage of covered-employee payroll	7.71%

<p style="text-align: center;">This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>

TOWN OF NORWAY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2015

Note 1. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at fiscal year-end.

The Town does not use encumbrance accounting due to the size of operations involved.

Note 2. Legal Compliance - Budgets

The Town Council prepares the annual operating budget. The budget includes proposed expenditures and the means for financing them. The budget is prepared by fund, object and activity. Public meetings are held to obtain additional comments from interested individual taxpayers. The fiscal year of the Town begins each July 1, and the Council adopts the tentative budget for the coming year. The budget is legally adopted after majority approval by Town Council in two consecutive readings.

Expenditures may not legally exceed budgeted appropriations at the object class level. General Government, Public Safety and Capital Outlay had operating expenditures in excess of appropriations in the amount of \$71,263, \$145,395, and \$79,894, respectively.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. The Town of Norway has one Enterprise Fund described below:

Water and Sewer - This fund is used to account for all financial resources associated with furnishing water and sewer service to domestic and industrial users.

TOWN OF NORWAY, SOUTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating Revenues			
Water and Sewer Charges	\$ -	\$ 235,383	\$ 235,383
Total Operating Revenues	-	235,383	235,383
Operating Expenses			
Salaries	-	15,692	(15,692)
Employee Expenses	-	1,488	(1,488)
Fuel	-	4,995	(4,995)
Contract Services	-	18,728	(18,728)
Repairs and Maintenance	-	23,336	(23,336)
Utilities	-	15,515	(15,515)
Professional Fees	-	600	(600)
Postage	-	1,446	(1,446)
Dues and Permits	-	315	(315)
Water Purchases	-	64,400	(64,400)
Water Sampling	-	4,856	(4,856)
Supplies	-	4,166	(4,166)
Insurance	-	3,040	(3,040)
Miscellaneous	-	11,456	(11,456)
Depreciation	-	80,390	(80,390)
Total Operating Expenses	-	250,423	(250,423)
Operating Income (Loss)	-	(15,040)	(15,040)
Non-Operating Revenues (Expenses)			
Interest Expense	-	(27,059)	(27,059)
Total Non-Operating Revenues (Expenses)	-	(27,059)	(27,059)
Income (Loss) Before Contributions and Transfers	-	(42,099)	(42,099)
Transfer to General Fund	-	(24,089)	(24,089)
Capital Contributions	-	432,150	432,150
Change in Net Position	<u>\$ -</u>	<u>365,962</u>	<u>\$ 365,962</u>
Total Net Position, Beginning of Year		<u>1,705,871</u>	
Total Net Position, End of Year		<u>\$ 2,071,833</u>	

Agency Funds

Agency Funds are used to account for assets held by a governmental unit as an agent for individuals or other entities. The Town of Norway utilizes one Agency Fund described below:

Utility Collection Fund - This fund is used to account for financial resources derived primarily from the collection of utility payments and remitted to the utility company.

TOWN OF NORWAY, SOUTH CAROLINA
UTILITY COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended December 31, 2015

	Balance <u>12/31/2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>12/31/2015</u>
ASSETS				
Cash in Bank	\$ <u>1,396</u>	\$ <u>290,950</u>	\$ <u>291,705</u>	\$ <u>641</u>
TOTAL ASSETS	<u>\$ <u>1,396</u></u>	<u>\$ <u>290,950</u></u>	<u>\$ <u>291,705</u></u>	<u>\$ <u>641</u></u>
LIABILITIES				
Due to American Pay Systems	\$ <u>1,396</u>	\$ <u>290,950</u>	\$ <u>291,705</u>	\$ <u>641</u>
TOTAL LIABILITIES	<u>\$ <u>1,396</u></u>	<u>\$ <u>290,950</u></u>	<u>\$ <u>291,705</u></u>	<u>\$ <u>641</u></u>

**TOWN OF NORWAY, SOUTH CAROLINA
VICTIMS' ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended December 31, 2015**

	<u>Totals</u>
Court Fines	
Court Fines Collected	\$ 35,993
Court Fines Retained by Town	<u>(35,993)</u>
 Court Fines Remitted to the State Treasurer	 <u><u>-</u></u>
Court Assessments	
Court Assessments Collected	37,404
Court Assessments Retained by Town	<u>(4,173)</u>
 Court Assessments Remitted to the State Treasurer	 <u><u>33,231</u></u>
Court Surcharges	
Court Surcharges Collected	6,848
Court Surcharges Retained by Town	<u>(355)</u>
 Court Surcharges Remitted to the State Treasurer	 <u><u>6,493</u></u>
Victims' Services	
Funds Available for Carryforward, Beginning of Year	12,221
Court Assessments Allocated to Victim Services	4,280
Court Surcharges Retained by Town	<u>355</u>
 Funds Available for Carryforward, End of Year	 <u><u>\$ 16,856</u></u>

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA (1963-2020)

TERRY M. HANCOCK, CPA, EMERITUS

LARRY F. GODWIN, CPA

THOMAS B. MYERS, CPA

DARYL W. TAYLOR, CPA

ANTHONY E. BOYKIN, CPA

JANE M. PEACOCK, CPA

MATTHEW C. IRICK, CPA

J. RICHARD PARKER, CPA

R. MARC WOOD

SHANE E. KIRKLEY, CPA

B. KEACH JORDAN, CPA

JOHN C. BOYKIN, III, CPA

MEREDITH A. BLAKE, CPA

JOHN F. MARTIN, CPA

TRACY L. FAILE, CPA

M. EMILY SKUFCA, CPA, CIA, CFE

AMANDA B. BUCKELEW

STEPHANIE G. CARO

JASON B. HARRIS

ANNETTE L. PALMER, EA

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424

FAX
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

May 16, 2023

INDEPENDENT AUDITOR'S 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

Honorable Mayor and Town Council
Town of Norway
Norway, 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 the Town of Norway, South Carolina as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Norway, South Carolina's basic financial statements and have issued our report thereon dated May 16, 2023. Our report disclaims an opinion on such financial statements because of several reasons. Due to the Town's loss of the computer where its financial records were maintained, not having appropriate procedures in place for off-site backup and inadequate documentation. The amount by which the departure would affect the assets, liabilities, net assets, revenues and expenses/expenditures of the financial statements as a whole is not known.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Norway, 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 the Town of Norway, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Norway'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 responses, 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 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 responses as items 15-1, 15-2, 15-3 and 15-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Norway, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 15-5 and 15-6.

Town of Norway, South Carolina's Response to Findings

Town of Norway, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Norway, 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.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

TOWN OF NORWAY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2015

15-1 Lack of Segregation of Duties

Condition:

There is a lack of segregation of duties over the collection and recording of cash receipts. The same employee is responsible for the recording of cash receipts in the Town's general ledger and has custody of cash.

Criteria:

A separation of duties between the recording of cash receipts and the custody of cash should be maintained or adequate oversight or review procedures should be in place.

Questioned Cost:

Unknown

Recommendations:

We realize due to the Town's size, an ideal separation of duties is not possible. Therefore, we recommend that the Mayor and Council continue to monitor and review operations on a regular basis to provide some level of control.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding.

15-2 Lack of Expertise in the Preparation of Financial Statements

Condition:

As is common in small municipalities, the Town does not have anyone on staff with sufficient knowledge to prepare and complete year-end financial statements including related footnote disclosures in accordance with accounting principles generally accepted in the United States of America. As such, Town officials requested us to assist in identifying adjustments to the accounting records and prepare the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of the Town's size and is a cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

Criteria:

The Town should have a system of internal controls that would enable Town officials to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

TOWN OF NORWAY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2015
(Continued)

Questioned Cost:

Unknown

Recommendations:

We recommend that the Town provide continuing education and training to its employees in order to develop a financial reporting internal control system that would allow Town officials to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding but recognize the outsourcing of certain financial reporting services may remain as a cost benefit decision for the Town given its size and the cost of internal resources.

15-3

Material Audit Adjustment

Condition:

Several material audit adjustments were proposed that had a significant impact on the amounts reported in the financial statements.

Criteria:

The Town should present a trial balance to the auditor that does not require any audit adjustments that would have a material effect on the financial statements.

Questioned Costs:

Unknown

Recommendations:

We recommend that the Town hire an outside consultant to work with to ensure the trial balances are correct and all necessary adjustments have been posted.

View of Responsible Official and Planned Corrective Action Plan:

Town officials agree with this finding.

TOWN OF NORWAY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2015
(Continued)

15-4 Scope Limitations/Missing Documentation

Condition:

Due to the audits being performed so late, we were unable to confirm certain revenue with third party providers and due to lack of documentation from 2014, we were not able to verify and support beginning balances.

Criteria:

Independent documentation should exist to support all revenues and expenditures of the Town, and also to support amounts reported as assets and liabilities.

Questioned Cost:

Unknown

Recommendations:

The Town should retain all documentation to support amounts reported in the financial statements.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding.

15-5 Cushion Fund Requirement

Condition:

The Town did not have an adequate amount set aside in the bond cushion fund to meet the requirement threshold at December 31, 2015.

Criteria:

Based on the bond covenants, the Town is required to have a total of \$45,240 set aside in a bond cushion fund at December 31, 2015. The Town had \$2,000 in a restricted bank account at that date to meet this requirement.

Questioned Cost:

Unknown

Recommendations:

The Town should transfer funds to bring the cushion fund accounts up to the required amounts.

TOWN OF NORWAY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2015
(Continued)

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding.

15-6

Compliance with State Laws

Condition:

The Town is required by state law and bond covenants to have an annual financial audit performed.

Criteria:

Annual audits are required to be submitted to the State in order to receive state funding, and to Rural Development as part of its ongoing compliance requirements.

Questioned Cost:

Unknown

Recommendations:

The Town should hire a Certified Public Accounting Firm to help the Town perform the delinquent annual audits.

View of Responsible Official and Planned Corrective Action:

Town officials agree with this finding and has hired a licensed Certified Public Accounting Firm to help perform the delinquent audits in order to bring the Town back into compliance.