

**TOWN OF COTTAGEVILLE  
COTTAGEVILLE, SOUTH CAROLINA**

**AUDITED  
FINANCIAL STATEMENTS  
AS OF  
JUNE 30, 2015  
AND  
INDEPENDENT AUDITOR'S REPORT**

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# **GRIFFIN, BEACH & COMPANY, P.A.**

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**CERTIFIED PUBLIC ACCOUNTANTS**  
312 S. JEFFERIES BLVD. - P.O. BOX 1307  
WALTERBORO, SOUTH CAROLINA 29488  
843-549-5524

## **INDEPENDENT AUDITOR'S REPORT**

To The Mayor and Town Council  
Town of Cottageville  
72 Salley Ackerman Drive  
Cottageville, SC 29435

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 Cottageville, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Cottageville'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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



To The Mayor and Town Council  
Town of Cottageville  
Cottageville, SC 29435

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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cottageville, as of June 30, 2015 and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has elected to omit management's discussions 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 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.



Griffin, Beach & Co. P.A.

December 15, 2015

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

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**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**STATEMENT OF NET POSITION**

**June 30, 2015**

**ASSETS**

**GOVERNMENTAL**  
**ACTIVITIES**

Cash	\$ 250,278
Accounts Receivable-Franchise Fee	3,250
Accounts Receivable-Employee	2,760
Capital Assets (Note 2):	
Land	5,000
Buildings	155,000
Furniture and Fixtures	13,332
Christmas Decorations	23,861
Machinery and Equipment	107,445
Vehicles and Mobile Equipment	361,638
Accumulated Depreciation	(471,139)
Computer Software	14,500
Accumulated Amoritization	(10,232)
Total Assets	<u>455,693</u>
Deferred Outflows of Resources	
Related to pensions	<u>23,889</u>

**LIABILITIES**

Accounts Payable (Note 3)	695,788
Police Retirement Payable (Note 6)	2,525
Payroll Liabilities	466
Notes Payable (Note 4)	111,771
Net Pension Liability	<u>204,159</u>
Total Liabilities	<u>1,014,709</u>
Deferred Inflows of Resources	
Related to pensions	<u>21,509</u>

**NET POSITION**

Fund Balance	<u>(556,636)</u>
Total Net Position	\$ <u>(556,636)</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Expenses</u>	<u>Program Revenue</u> <u>Fines</u> <u>and Taxes</u>	<u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Assets</u>
<b><u>Program Activities</u></b>			
Governmental Activities			
General Government	\$ 665,090	\$ 800,412	\$ 135,322
Total Government Activities	\$ 665,090	\$ 800,412	\$ 135,322
General Revenues:			
Investment Earnings			\$ 27
Total General Revenues			\$ 27
Change in Net Position			\$ 135,349
Net Position Beginning			\$ (421,287)
Net Position Ending			\$ (556,636)

The accompanying notes are an integral part of the financial statements



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

**ASSETS**

**GENERAL**

Cash	\$ 250,278
Accounts Receivable-Franchise Fee	3,250
Accounts Receivable-Employee	<u>2,760</u>
Total Assets	<u>\$ 256,288</u>

**TOTAL LIABILITIES**

Accounts Payable (Note 3)	\$ 695,788
Police Retirement Payable (Note 6)	2,525
Payroll Liabilities	466
Notes Payable(Note 4)	<u>83,761</u>
Total Liabilities	<u>\$ 782,540</u>

**FUND EQUITY**

Fund Balance	<u>\$ (526,252)</u>
Total Fund Equity	<u>\$ (526,252)</u>
Total Liabilities and Fund Equity	<u>\$ 256,288</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

**June 30, 2015**

Total <i>fund balances</i> for governmental funds	\$	(526,252)
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Total *net position* reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental balance sheet. (Note 2)

199,405

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. (Note 4)

Net Pension Liability		(201,779)
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Balances at June 30, 2015 are:

Notes Payable - Short Term Portion		<u>(28,010)</u>
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Total Net Position of Governmental Activities	\$	<u>(556,636)</u>
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The accompanying notes are an integral part of the financial statements



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUND TYPES**  
**Year Ended June 30, 2015**

**REVENUES**

**GENERAL**

Aid to Subdivisions	\$ 22,008
Business Licenses	13,265
SCE&G Franchise	57,738
Local Option Sales Tax	132,277
Interest Income - Checking	27
MASC Tax	61,294
Court Fines	500,394
Miscellaneous Income	5,619
Merchant's Inventory Program	217
Victim's Advocate	2,600
Assets Sold	<u>5,000</u>
<b>Total Revenues</b>	<b>\$ <u>800,439</u></b>
<b>Total Income</b>	<b>\$ <u>800,439</u></b>

The accompanying notes are an integral part of the financial statements

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

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

**Year Ended June 30, 2015**

**EXPENSES**

**GENERAL**

Accountant & Attorney Fees	\$ 16,597
Advertising	85
Assessments Charges	259,791
Automobile Gas & Oil	20,354
Bank Charges & Credit Card Fees	9,169
Christmas Festival	1,540
Contract Labor	7,007
Capital Outlay	95,458
Dues & Subscriptions	4,192
Debt Service:	
Principal	18,709
Interest	4,366
Jurors	390
Miscellaneous Expense	1,855
Office Supplies	13,526
Public Services	12,605
Telephone	8,259
Insurance	31,572
Payroll Expense	213,733
Repairs	14,103
Safety Equipment	6,186
Training	3,044
Travel	1,057
Uniforms	4,687
Utilities	7,596
	<hr/>
<b>Total Expense</b>	<b>\$ 755,881</b>

**EXCESS (DEFICIENCY) OF REVENUES OVER  
EXPENDITURES**

<b>Net Changes in Fund Balances</b>	<b>\$ 44,558</b>
	<hr/>
<b>FUND BALANCE- BEGINNING OF YEAR</b>	<b>\$ (570,810)</b>
	<hr/>
<b>FUND BALANCE- END OF YEAR</b>	<b>\$ (526,252)</b>
	<hr/>

The accompanying notes are an integral part of the financial statements



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Net change in <i>fund balances</i> - total governmental funds	\$ 44,558
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the exceeded depreciation in the current period. (Note 2)

	<u>90,791</u>
Change in Net Position of Governmental Activities	\$ <u>135,349</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Cottageville, South Carolina was incorporated under the laws of the State of South Carolina on June 22, 1937. The Town operates under a strong Mayor-weak Council form of government. The financial statements herein reflect those operations subject to the direct control of the Town Council. The town provides police protection and general and administrative services.

**B. Accounting Method**

The Town of Cottageville accounts for its operations using Fund Accounting which is organized on the basis of funds. A fund is considered a separate accounting entity with a separate set of self-balancing accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds included in the financial statements of the Town of Cottageville, South Carolina are as follows:

**GOVERNMENTAL FUND TYPES**

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

**C. Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental 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. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

**D. Budget and Budgetary Accounting**

The Town of Cottageville, South Carolina, adopts an annual budget for the General Fund. The budget is prepared on the basis of accounting utilized by that fund. Budgets are monitored by the Town throughout the year and amended as necessary to reflect changes in funding or program expenditures. The budget for the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Town's capitalization threshold are met. In accordance with GASB Statement No. 34, depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Furniture, Equipment and Vehicles	3-20 years
Building and Improvements	80 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or external useful lives are capitalized. Upon sale or retirement of equipment the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 2 - CAPITAL ASSETS (continued)**

Capital assets activity for the year ended June 30, 2015, was as follows:

Governmental Activities:	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total assets not being depreciated	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Other capital assets:				
Building	\$ 155,000	\$ -	\$ -	\$ 155,000
Vehicle	292,381	127,271	(58,014)	361,638
Machinery and Equipment	102,400	5,045	-	107,445
Furniture and Fixtures	13,332	-	-	13,332
Christmas Decorations	23,861	-	-	23,861
Software	14,500	-	-	14,500
Total other capital assets	<u>\$ 601,474</u>	<u>\$ 132,316</u>	<u>\$ (58,014)</u>	<u>\$ 675,776</u>
Less accumulated depreciation for:				
Building	\$ (98,412)	\$ (1,938)	\$ -	\$ (100,350)
Vehicle	(283,114)	(17,628)	(58,014)	(242,728)
Machinery and Equipment	(87,220)	(3,649)	-	(90,869)
Furniture and Fixtures	(13,332)	-	-	(13,332)
Christmas Decorations	(23,860)	-	-	(23,860)
Total accumulated depreciation	<u>(505,938)</u>	<u>(23,215)</u>	<u>(58,014)</u>	<u>(471,139)</u>
Total Accumulated amortization	<u>(9,265)</u>	<u>(967)</u>	<u>-</u>	<u>(10,232)</u>
Other capital assets, net	<u>\$ 86,271</u>	<u>\$ 108,134</u>	<u>\$ -</u>	<u>\$ 194,405</u>
Governmental activities capital assets, net	<u>\$ 91,271</u>	<u>\$ 108,134</u>	<u>\$ -</u>	<u>\$ 199,405</u>



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 5 - ALLOCATION OF INDIRECT COSTS**

Expenditures indirectly benefitting more than one program are allocated based on the pro rata budget for the related budget line item.

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

Plan Description - The Town contributes to the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). The South Carolina State Legislature established the SCRS on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS is issued and public available on the web at [www.retirement.sc.gov](http://www.retirement.sc.gov) or by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

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 on or after July 1, 2012, is a Class Three member.

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 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 of 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. Group life insurance is paid with a lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service and a lump sum payment to the retiree's beneficiary of up to \$6,000 based on years of service retirement.

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS 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 the employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. 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 plan, 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 the one percent per year. Required employee contributions for Class Two and Class Three members are 10.75 percent of earnable compensation.

Plan Description - The Town (PORS) also contributes to the Police Officers Retirement System (PORS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). The South Carolina State Legislature established the SCRS on July 1, 1962, for the benefit Police Officers, Firefighters, Magistrates, Probate Judge and Coroners. The Plan's provisions are established under Title 9 chapter 11 of the South Carolina code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the PORS is issued and publicity available on the web at [www.retirement.sc.gov](http://www.retirement.sc.gov) or by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Generally, all employees who are employed by the state or employed by counties, municipalities, and other local subdivisions that elects participations in PORS are covered. All of these employees must meet PORS eligibility requirements

Police officers is defined as a person to give preservation of public order of protection of life and property, and detection of crime in the state. They need to be certified by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. They must earn at least \$2,000 per year and devote at least 1,600 hours per year to this work in order to be eligible for PORS membership.

Firefighters must give time to prevention and control of property destruction.

Magistrates are effective January 1, 2001 and are required to participate in PORS for service as a Magistrate.

Probate Judge may elect to participate in PORS or they may elect to participate in SCRS.

Coroners in fulltime must participate in PORS and part-time must join SCRS.



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2015, the Town reported a liability of \$204,159 for its proportionate share of the new pension liability. The new pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension 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 organization, actuarially determined. At June 30, 2015, the Town's proportion was 0.10910 and 013340 PORS.

For the year ended June 30, 2015, the Town recognized pension expenses of \$16,690. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pension from the following sources:

	SCORS & PORS Combined	
	Deferred Outflows of Resources \$	Deferred Inflows of Resources \$
Differences between expected and actual experience	5,559	
Net difference between projected and actual earnings On Pension plan investments		21,509
Town contributions	18,330	0
Total	<u>\$ 23,889</u>	<u>\$ 21,509</u>

The \$18,830 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	SCORS	PORS
2016	\$(12,309)	(5,337)
2017	(12,309)	(5,337)
2018	(12,309)	(5,337)
2019	(12,309)	(5,337)
2020	(12,309)	(5,337)

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.5 percent
Investment rate of return	7.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 date through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

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 2013. 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. For actuarial purposes, the long-term expected rate of return is calculated by weighing the expected future real 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:



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5%	
Cash	2%	0.01
Short Duration	3%	0.02
Domestic Fixed Income	13%	
Core Fixed Income	7%	0.08
High Yield	2%	0.07
Bank Loans	4%	0.11
Global Fixed Income	9%	
Global Fixed Income	3%	0.02
Emerging Markets Debt	6%	0.25
Global Public Equity	31%	2.42
Global Tactical asset Allocation	10%	0.51
Alternatives	32%	
Hedge Funds (Low Beta)	8%	0.32
Private Debt	7%	0.71
Private Equity	9%	0.92
Real Estate (Broad Market)	5%	0.29
Commodities	3%	0.15
Total Expected Real Return	100%	5.88
Inflation for Actuarial Purposes		2.75
Total Expected Nominal Return		8.63

Discount rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the contributions from participating employers in SCRS and PORS will be made based on actuarially determined rates based on provisions in 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>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of			
The net pension liability:			
SCRS	\$ 87,113	\$ 67,316	\$ 50,803
PORS	\$ 191,235	\$ 136,843	\$ 91,839

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5%	
Cash	2%	0.01
Short Duration	3%	0.02
Domestic Fixed Income	13%	
Core Fixed Income	7%	0.08
High Yield	2%	0.07
Bank Loans	4%	0.11
Global Fixed Income	9%	
Global Fixed Income	3%	0.02
Emerging Markets Debt	6%	0.25
Global Public Equity	31%	2.42
Global Tactical asset Allocation	10%	0.51
Alternatives	32%	
Hedge Funds (Low Beta)	8%	0.32
Private Debt	7%	0.71
Private Equity	9%	0.92
Real Estate (Broad Market)	5%	0.29
Commodities	3%	0.15
Total Expected Real Return	100%	5.88
Inflation for Actuarial Purposes		2.75
Total Expected Nominal Return		8.63

Discount rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the contributions from participating employers in SCRS and PORS will be made based on actuarially determined rates based on provisions in 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>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of			
The net pension liability:			
SCRS	\$ 87,113	\$ 67,316	\$ 50,803
PORS	\$ 191,235	\$ 136,843	\$ 91,839



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

Schedule of the Town's Proportionate Share of the Net Pension Liability  
(Last Fiscal Year)

<u>For the year ended June 30</u>	SCRS	PORS
Town's proportion of the net pension liability	.000391%	.000715%
Town's proportionate share of the net pension liability	\$ 67,317	136,843
Town's covered employee payroll	\$ 50,542	99,133
Town's proportionate share of the net pension Liability as a percentage of its covered employee payroll	133.19%	138.03%
Plan fiduciary net position as a percentage of the Total pension liability	59.9%	67.5%

The Town owed a balance of \$2,525 to SCRS at the end of the year for the second quarter of 2015.

**NOTE 7 - RESTATEMENTS OF NET POSITION - BEGINNING**

Beginning Net Position was restated to report net pension liability and deferred outflows related to pensions from the prior year. The effect of the change is as follows:

Deferred outflows	\$ 23,889
Net pension liability	<u>45,030</u>
Net change	68,919
Net Position – June 30, 2014	<u>(490,206)</u>
Restated Net Position – June 30, 2014	<u>\$ (421,287)</u>

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – POST EMPLOYEE BENEFITS OTHER THAN PENSIONS**

In June 2004, the Government Accounting Standards Board issued GASB statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions. This statement established standards for the measurement, recognition and display of other post-employment benefit expenses, related liabilities and notes. The Town does not provide post employment benefits as defined by GASB No. 45.

**NOTE 9 - SUBSEQUENT EVENTS**

As of December 15, 2015 there are no active matters against the Town of Cottageville.



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL -**  
**GENERAL FUND**  
**Year Ended June 30, 2015**

<b><u>REVENUE</u></b>	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b> <b><u>FAVORABLE</u></b> <b><u>UNFAVORABLE</u></b>
Aid to Subdivisions	\$ 75,000	\$ 22,008	\$ (52,992)
Business Licences & Permits	11,000	13,265	2,265
SCE&G Franchise	53,000	57,738	4,738
Local Option Sales Tax	75,000	132,277	57,277
Interest Income-Checking	12	27	15
MASC Tax	30,000	61,294	31,294
Court Fines	345,760	500,394	154,634
Miscellaneous Income	500	5,619	5,119
Merchant's Inventory Program	0	217	217
Seized Money	2000		(2,000)
Assets Sold	0	5,000	5,000
Victims Advocate	0	2,600	2,600
Total Income	<u>\$ 592,272</u>	<u>\$ 800,439</u>	<u>\$ 208,167</u>

**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL -**  
**GENERAL FUND**

**Year Ended June 30, 2015**

<b><u>EXPENSES</u></b>	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE FAVORABLE (UNFAVORABLE)</u></b>
Accountant & Attorney Fees	\$ 10,000	\$ 16,597	\$ 6,597
Advertising	600	85	(515)
Assessments Charges	176,000	259,791	83,791
Automobile Gas & Oil	22,000	20,354	(1,646)
Bank Charges\Credi Card Fees	5,000	9,169	4,169
Christmas Festival		1,540	1,540
Contract Labor	10,500	7,007	(3,493)
Capital Outlays	21,000	95,458	74,458
Dues & Subscriptions	4,040	4,192	152
Debt Services:			
Principal	54,385	18,709	(35,676)
Interest	250	4,366	4,116
Jurors		390	390
Miscellaneous Expense	2,500	1,855	(645)
Office Supplies	5,000	13,526	8,526
Public Services	7,000	12,605	5,605
Telephone	5,800	8,259	2,459
Insurance	34,615	31,572	(3,043)
Payroll Expense & Fringe Benefits	215,082	213,733	(1,349)
Repairs	4,000	14,103	10,103
Safety Equipment	2,500	6,186	3,686
Training	1,500	3044	1,544
Travel	1,000	1,057	57
Uniforms	2,500	4,687	2,187
Utilities	7,000	7,596	596
<b>Total Expense</b>	<b>\$ 592,272</b>	<b>\$ 755,881</b>	<b>\$ 163,609</b>
<b>NET INCOME (LOSS)</b>	<b>\$ -</b>	<b>\$ 44,558</b>	<b>\$ 44,558</b>



**TOWN OF COTTAGEVILLE**  
**COTTAGEVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES**  
**GENERAL FUND – VICTIM’S ADVOCATE**

**For the Year Ended June 30, 2015**

**Court Fines**

Court fines collected	\$ 500,394
Court fines retained by the Town	<u>259,791</u>
Court fines remitted to the State Treasurer	<u>\$ 240,603</u>

**Court Surcharges**

Court surcharges collected and retained by the Town	<u>\$ 0.00</u>
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**Victim’s Advocate**

Court assessments allocated to Victim’s Advocate	\$ 31,005
Court surcharges allocated to Victim’s Advocate	<u>31</u>

Funds allocated to Victim’s Advocate	\$ 31,036
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Victim’s Advocate expenditures	<u>0</u>
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Funds available to carryforward	-
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Funds carryforward from prior year	<u>\$ 47,513</u>
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Fund balance for Victim’s Advocate	<u>\$ 78,549</u>
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