

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2017

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2017

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## INDEPENDENT AUDITORS' REPORT

Mayor Timothy A. Grimsley  
Town of Cottageville, South Carolina  
23 Salley Ackerman Drive  
Cottageville, South Carolina 29435

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cottageville, South Carolina (the "Town") as of and for the year ended June 30, 2017, 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.

### ***Auditors' Responsibility***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*The Brittingham Group LLP*

West Columbia, South Carolina  
January 16, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mayor and Town Clerk of the Town of Cottageville submit to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

## FINANCIAL HIGHLIGHTS

The combined Governmental Activity liabilities and deferred inflows of the Town of Cottageville exceeded its combined assets and deferred outflows at the end of the fiscal year by (\$581,849) (net position). Of this amount, a deficit of (\$832,306) (unrestricted net position) existed at the time.

The combined Governmental Activities Revenues and other financial sources totaled \$867,943 and combined expenses totaled \$897,737. Accordingly, combined revenues exceeded expenses by \$29,794.

At the end of fiscal year 2017, the governmental funds restricted, and spendable fund balance was \$86,732, and the unassigned fund balance was \$117,069. Accordingly, \$117,069 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$127,765 for the General Fund, the Town's principal operating fund.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to cover all or significant portions of their costs through user fees and charges.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Under the GASB 34 model for fiscal year 2017, the government-wide statements are reported using and economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities exceeded assets by (\$581,849) at the close of fiscal year 2017. Net position is reported in three categories:

Net investment in capital assets	\$ 163,725
Restricted net position	86,732
Unrestricted net position	<u>(832,306)</u>
	<u>\$ (581,849)</u>

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

A smaller portion of the Town's net position reflects restricted assets (e.g. resources that can only be used according to externally imposed restrictions). Although the Town's ownership of its restricted assets is reported, it should be noted these the resources may not be used to provide for the needs for any purposes other than those specifically described in the legally binding purpose of the externally imposed restrictions.

The following tables present a summary of the Town's statement of activities as of June 30, 2017 and June 30, 2016:

### Town of Cottageville's Statement of Activities - June 2017

	<u>Governmental Activities</u>
Revenue:	
Charges for services	\$ 527,600
General revenues	340,343
Total revenue	<u>867,943</u>
Expenses:	
General government	443,293
Police	389,297
Municipal court	58,667
Interest on long-term debt	6,480
Total expenses	<u>897,737</u>
Decrease in net position	<u><u>\$ (29,794)</u></u>

### Town of Cottageville's Statement of Activities - June 2016

	<u>Governmental Activities</u>
Revenue:	
Charges for services	\$ 515,032
General revenues	417,401
Total revenue	<u>932,433</u>
Expenses:	
General government	112,804
Police	235,818
Municipal court	460,629
Interest on long-term debt	8,105
Total expenses	<u>817,356</u>
Increase in net position	<u><u>\$ 115,077</u></u>

**Debt Administration.** At the end of fiscal year 2017, the Town of Cottageville had total debt outstanding (Real estate and police vehicle notes, and installment agreement) of \$757,006.

	<b>Governmental Activities</b>
Police vehicles	\$ 49,754
Real estate	7,071
Installment agreement	700,181
	<u>\$ 757,006</u>

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

Total revenues continue to be moderated by systematic improvements and the effects of the stabilizing economy. General Fund revenues fluctuate from fiscal year to fiscal year based on police fine collection and collections received by the State and the Municipal Association. The Town experienced a decrease in General Fund revenues due to a decrease in the collection of police fines and due to the Town not receiving as much as they did in fiscal year 2017 from the State and Municipal Association.

The Town continues to pay off portions of general long-term debt. As a result, the amount required to be budgeted for debt service payments has diminished.

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

## **REQUESTS FOR INFORMATION**

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

Mayor Timothy A. Grimsley  
Town of Cottageville, South Carolina  
23 Salley Ackerman Drive  
Cottageville, South Carolina 29435



TOWN OF COTTAGEVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 192,709
Receivables	
State	12,608
Other	60,455
Capital assets:	
Non-depreciable	5,000
Depreciable, net	215,550
Total assets	<u>486,322</u>
<b>Deferred outflows of resources</b>	
Related to pensions	175,680
Total assets and deferred outflows of resources	<u>662,002</u>
<b>Liabilities</b>	
Accounts payable	45,449
Accrued payroll and other expenses	16,522
Accrued compensated absences	5,609
Long-term liabilities:	
Due within one year	45,357
Due in more than one year	711,649
Net pension liability	418,715
Total liabilities	<u>1,243,301</u>
<b>Deferred inflows of resources</b>	
Related to pensions	550
Total liabilities and deferred inflows of resources	<u>1,243,851</u>
<b>Net position</b>	
Net investment in capital assets	163,725
Restricted net position - expendable	
Victims assistance	76,036
Seized Money	10,696
Unrestricted - unfunded pension obligation	(243,585)
Unrestricted - other	(588,721)
Total net position	<u>\$ (581,849)</u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Special Revenue	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 192,709	\$ -	\$ 192,709
State revenue, receivable	12,608	-	12,608
Due from other funds	-	76,036	76,036
Other receivable	60,455	-	60,455
Total assets	<u>265,772</u>	<u>76,036</u>	<u>341,808</u>
<b>Liabilities and fund balances</b>			
Liabilities			
Accounts payable	45,449	-	45,449
Accrued payroll and other liabilities	16,522	-	16,522
Due to other funds	76,036	-	76,036
Total liabilities	<u>138,007</u>	<u>-</u>	<u>138,007</u>
Fund balances			
Restricted	10,696	76,036	86,732
Unassigned	117,069	-	117,069
Total fund balances	<u>127,765</u>	<u>76,036</u>	<u>203,801</u>
Total liabilities and fund balances	<u>\$ 265,772</u>	<u>\$ 76,036</u>	<u>\$ 341,808</u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	General	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Licenses and permits	\$ 74,354	\$ -	\$ 74,354
Police fines	499,591	28,009	527,600
State shared revenues	172,938	-	172,938
Other	93,014	37	93,051
Total revenues	<u>839,897</u>	<u>28,046</u>	<u>867,943</u>
<b>Expenditures</b>			
General government	380,238	60,243	440,481
Police department	367,503	-	367,503
Municipal court	61,987	-	61,987
Debt service	53,471	-	53,471
Capital outlay	92,695	-	92,695
Total expenditures	<u>955,894</u>	<u>60,243</u>	<u>1,016,137</u>
Deficit of expenditures over revenues	<u>(115,997)</u>	<u>(32,197)</u>	<u>(148,194)</u>
Net change in fund balance	(115,997)	(32,197)	(148,194)
Fund balance, beginning of year	<u>243,762</u>	<u>108,233</u>	<u>351,995</u>
Fund balance, end of year	<u>\$ 127,765</u>	<u>\$ 76,036</u>	<u>\$ 203,801</u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Licenses and permits	\$ 69,000	\$ 74,354	\$ 5,354
Police fines	612,004	499,591	(112,413)
State shared revenues	170,000	172,938	2,938
Other	71,521	93,014	21,493
Total revenue	<u>922,525</u>	<u>839,897</u>	<u>(82,628)</u>
<b>Expenditures</b>			
General government	422,934	380,238	42,696
Police department	408,769	367,503	41,266
Municipal court	68,946	61,987	6,959
Debt service	12,876	53,471	(40,595)
Capital outlay	9,000	92,695	(83,695)
Total expenditures	<u>922,525</u>	<u>955,894</u>	<u>(33,369)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(115,997)</u>	<u>(115,997)</u>
Net change in fund balance	<u>\$ -</u>	<u>(115,997)</u>	<u>\$ (115,997)</u>
Fund balance, beginning of year		<u>243,762</u>	
Fund balance, end of year		<u>\$ 127,765</u>	

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 1. Summary of Significant Accounting Policies

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

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

#### **Basis of Presentation**

##### Government-wide Financial Statements

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

##### *Statement of Activities*

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

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

##### Fund Financial Statements

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

##### Fund Accounting

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

-CONTINUED-

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

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

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

#### Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

#### Cash and Cash Equivalents and Investments

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

#### Accounts Receivable

The accounts receivable of the General Fund consists of amounts collected by the South Carolina State Treasurer's Office for Local Option Sales Taxes and the Municipal Association of South Carolina for various programs that the Town participates.

#### Short-Term Interfund Receivables/Payables

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

#### Capital Assets and Depreciation

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

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

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

#### Deferred Outflows/Inflows of Resources (continued)

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

#### Net Position/Fund Balances

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

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

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

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

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

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

Fund balance is reported as nonspendable if it is in the form of that cannot be used to satisfy current obligations.

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

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 3. Deposits and Investments

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

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

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal investment policy to address custodial credit risk. The town has a deposit policy for custodial credit risk. As of June 30, 2017, the bank balances were \$228,812, which was adequately collateralized in accordance with state law through FDIC insurance coverage. As of June 30, 2017, the carrying value of cash deposits for the Town totaled \$192,709.

### 4. Receivables

Receivables at June 30, 2017, consist of the following:

Accounts receivable:	
State revenue	\$ 12,608
Other receivables	60,455
Gross receivables	<u>73,063</u>
Less, allowance for uncollectibles	<u>-</u>
Net receivables	<u><u>\$ 73,063</u></u>



TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**6. Long-Term Debt**

Notes Payable

The Town has the following notes payable outstanding as of June 30, 2017:

Note payable to Enterprise Bank used to finance the purchase of real estate payable in monthly installments of \$1,065 (principal and interest) at an annual rate of 6.0%. The note matures in 2018. \$ 7,071

Note payable to Enterprise Bank used to finance the purchase of 4 Chevrolet Tahoes payable in monthly installments of \$1,706 (principal and interest) at an annual rate of 6.0%. The note matures in 2020. 49,754

\$ 56,825

Debt service requirements to maturity for these notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 25,357	\$ 2,296	\$ 27,653
2019	19,318	1,154	20,472
2020	12,150	174	12,324
	<u>\$ 56,825</u>	<u>\$ 3,624</u>	<u>\$ 60,449</u>

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 7. Pension Plan

#### ***South Carolina Retirement System***

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

The Retirement Division (Division) maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. The CAFR is available online at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of the 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 7. Pension Plan (continued)

#### *Police Officers Retirement System*

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

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

Effective July 1, 2016, employees participating in the PORS were required to contribute 9.24% of all earnable compensation. The employer contribution rate for PORS was 14.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.84%, a 0.20% contribution rate for the incidental death program and a 0.20% contribution rate for the accidental death program. The Town elected not to participate in the incidental death or accidental death programs for its employees. The Town's contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

Year Ended	Base	
June 30,	Base Rate	Contribution
2017	13.84%	\$ 28,679
2016	13.34%	21,112
2015	13.01%	12,897

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Deferred outflows of \$5,150 and \$28,679 for SCRS and PORS, respectively, reported as 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 ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2018	\$ (8,637)	\$ (30,920)	\$ (39,557)
2019	(8,026)	(30,690)	(38,716)
2020	(4,661)	(35,418)	(40,079)
2021	(2,122)	(20,827)	(22,949)
	<u>\$ (23,446)</u>	<u>\$ (117,855)</u>	<u>\$ (141,301)</u>

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.50%	7.50%
Projected Salary Increases	3.5% to 12.5%	4.0% to 10.0%
Inflation Rate	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

## TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**7. Pension Plan (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100%		5.10%
Inflation for Actuarial Puposos			2.75%
Total Expected Nominal Return			7.85%

The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the plans' 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION  
LIABILITIES

LAST TEN FISCAL YEARS\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>South Carolina Retirement System</b>				
Town's proportion of the net pension liability	0.0005%	0.0005%	0.0005%	0.0004%
Town's proportionate share of the net pension liability	\$112,994	\$112,994	\$100,896	\$ 67,317
Town's covered payroll	\$ 45,136	\$ 51,934	\$ 50,540	\$ 35,981
Town's proportionate share of the net pension liability as a percentage of its covered payroll	250.34%	217.57%	199.64%	187.09%
Plan fiduciary net position as a percentage of the total liability	56.99%	56.99%	59.92%	56.39%
<b>South Carolina Police Officers Retirement System</b>				
Town's proportion of the net pension liability	0.0121%	0.0121%	0.0078%	0.0072%
Town's proportionate share of the net pension liability	\$305,721	\$305,721	\$169,194	\$136,843
Town's covered payroll	\$207,218	\$158,261	\$ 99,131	\$ 87,196
Town's proportionate share of the net pension liability as a percentage of its covered payroll	147.54%	193.18%	170.68%	156.94%
Plan fiduciary net position as a percentage of the total liability	64.57%	64.57%	67.55%	62.98%

\* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, information only available for fiscal years subsequent to 2015.

OTHER FINANCIAL INFORMATION



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

JUNE 30, 2017

For the Month of:

	July	August	September	October	November	December	January	February	March	April	May	June	Total
<b>Court Fines</b>													
Court Fines Collected	\$ 15,935	\$ 25,091	\$ 24,029	\$ 15,774	\$ 15,311	\$ 15,004	\$ 14,970	\$ 20,800	\$ 19,539	\$ 23,834	\$ 15,331	\$ 35,906	\$ 241,524
Court Fines Retained	15,935	25,091	24,029	15,774	15,311	15,004	14,970	20,800	19,539	23,834	15,331	35,906	241,524
Court Fines Remitted to State Treasurer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Court Assessments</b>													
Court Assessments Collected	14,823	23,674	22,592	14,905	14,406	14,161	14,196	19,052	18,567	22,729	14,550	34,066	227,721
Court Assessments Retained by Town	1,655	2,642	2,521	1,663	1,608	1,580	1,584	2,126	2,072	2,537	1,624	3,802	25,414
Court Assessments Remitted to State Treasurer	13,168	21,032	20,071	13,242	12,798	12,581	12,612	16,926	16,495	20,192	12,926	30,264	202,307
<b>Court Surcharges</b>													
Court Surcharges Collected	5,694	8,246	7,796	4,854	5,303	4,744	4,661	6,261	5,515	6,009	4,341	9,166	72,590
Court Surcharges Retained by Town	376	116	332	191	278	176	101	337	319	69	150	150	2,595
Court Surcharges Remitted to State Treasurer	5,318	8,130	7,464	4,663	5,025	4,568	4,560	5,924	5,196	5,940	4,191	9,016	69,995
<b>Victim Services</b>													
Court Assessments Allocated to Victim Services	1,655	2,642	2,521	1,663	1,608	1,580	1,584	2,126	2,072	2,537	1,624	3,802	25,414
Court Surcharges Allocated to Victim Services	376	116	332	191	278	176	101	337	319	69	150	150	2,595
Funds Allocated to Victim Services	2,031	2,758	2,853	1,854	1,886	1,756	1,685	2,463	2,391	2,606	1,774	3,952	28,009
Funds Allocated to Victim Services	2,031	2,758	2,853	1,854	1,886	1,756	1,685	2,463	2,391	2,606	1,774	3,952	28,009
Victim Services interest income	4	5	4	2	3	3	3	2	3	2	3	3	37
Victim Services expenditures	-	-	50,000	-	-	-	10,000	-	-	-	243	-	60,243
Revenues in excess (deficit) of available funds	\$ 2,035	\$ 2,763	\$ (47,143)	\$ 1,856	\$ 1,889	\$ 1,759	\$ (8,312)	\$ 2,465	\$ 2,394	\$ 2,608	\$ 1,534	\$ 3,955	(32,197)
Victim's Fund carryover balance from FYE 2016													108,233
Victim's Fund ending balance for FYE 2017													\$ 76,036

# THE BRITTINGHAM GROUP, L.L.P.

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

Mayor Timothy A. Grimsley  
Town of Cottageville, South Carolina  
23 Salley Ackerman Drive  
Cottageville, South Carolina 29435

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town Cottageville, South Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 16, 2018.

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

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

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