

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, 2019

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2019

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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, 2019, 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 December 27, 2019, 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  
December 27, 2019

# 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, 2019.

## FINANCIAL HIGHLIGHTS

The combined Governmental Activity assets and deferred outflows exceeded its liabilities and deferred inflows of the Town of Cottageville at the end of the fiscal year by \$727,844 (net position). Of this amount, an excess of \$324,213 (unrestricted net position) existed at the time.

The combined Governmental Activities Revenues and other financial sources totaled \$1,198,137 and combined expenses totaled \$1,288,838. Accordingly, combined expenses exceeded revenues by \$90,701.

At the end of fiscal year 2019, the governmental funds restricted, and nonspendable fund balance was \$79,415, and the unassigned fund balance was \$1,348,747. Accordingly, \$1,348,747 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$1,352,498 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 recover all or significant portions of their costs through user fees and charges.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Under the GASB 34 model for fiscal year 2019, 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 assets exceeded liabilities by \$727,844 at the close of fiscal year 2019. Net position is reported in three categories:

Net investment in capital assets	\$ 324,216
Restricted net position	79,415
Unrestricted net position	324,213
	<u>\$ 727,844</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, 2019 and June 30, 2018:

### Town of Cottageville's Statement of Activities - June 2019

	<u>Governmental Activities</u>
Revenue:	
Charges for services	\$ 649,887
General revenues	<u>548,250</u>
Total revenue	<u>1,198,137</u>
Expenses:	
General government	636,673
Police	541,027
Municipal court	<u>111,138</u>
Total expenses	<u>1,288,838</u>
Increase in net deficit	<u>\$ (90,701)</u>

### Town of Cottageville's Statement of Activities - June 2018

	<u>Governmental Activities</u>
Revenue:	
Charges for services	\$ 541,377
General revenues	353,864
Insurance proceeds	<u>1,527,781</u>
Total revenue	<u>2,423,022</u>
Expenses:	
General government	501,346
Police	437,834
Municipal court	80,484
Interest on long-term debt	<u>2,964</u>
Total expenses	<u>1,022,628</u>
Increase in net position	<u>\$1,400,394</u>

**Debt Administration.** At the end of fiscal year 2019, the Town of Cottageville had total debt outstanding (Real estate and police vehicle notes, and installment agreement) of \$659,865.

	<b>Governmental Activities</b>
Police vehicles	\$ 9,684
Installment agreement	650,181
	<u>\$ 659,865</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 the collection of insurance proceeds over \$1.5 million due to a building burning down in the prior year.

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 ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Governmental Activities	Total
Primary government:				
Governmental activities				
General government	\$ 636,673	\$ -	\$ (636,673)	\$ (636,673)
Police department	541,027	649,887	108,860	108,860
Municipal court	111,138	-	(111,138)	(111,138)
Total governmental activities	<u>1,288,838</u>	<u>649,887</u>	<u>(638,951)</u>	<u>(638,951)</u>
Total primary government	<u>\$ 1,288,838</u>	<u>\$ 649,887</u>	<u>(638,951)</u>	<u>(638,951)</u>
General revenues:				
Licenses, permits and franchise fees			159,358	159,358
State shared revenues			209,315	209,315
Insurance proceeds			52,665	52,665
Grant proceeds			29,143	29,143
Capital asset sale proceeds			88,597	88,597
Miscellaneous			9,172	9,172
Total general revenues			<u>548,250</u>	<u>548,250</u>
Change in net position			(90,701)	(90,701)
Net deficit, beginning of year			818,545	818,545
Net position, end of year			<u>\$ 727,844</u>	<u>\$ 727,844</u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Fund balances - total governmental funds		\$ 1,428,162
Amounts reported for governmental activities in the Statement of Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, cost	\$ 718,247	
Accumulated depreciation	(384,347)	
		333,900
Long-term liabilities, including notes payable and capital lease obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:		
Compensated absences payable	(11,954)	
Installment payment agreement	(650,181)	
Notes payable	(9,684)	
		(671,819)
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. governmental funds balance sheet. Long-term liabilities consist of the following:		
Net pension liability		(538,817)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	212,927	
Deferred inflows of resources related to pensions	(36,509)	
		176,418
Net position of governmental activities		\$ 727,844

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

Net change in fund balance - total governmental funds \$ (270,617)

Amounts reported for governmental activities in the Statement of Activities  
are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities.

Acquisition of capital assets	\$ 276,768	
Depreciation expense	<u>(81,615)</u>	
		195,153

Repayment of loans and installment agreement principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		52,178
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Net change in pension liability for current year. This is an expenditure for governmental funds and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(60,705)
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In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds however, expenditures are measured by the amount of financial resources used.		<u>(6,710)</u>
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Change in net position of governmental activities		<u><u>\$ (90,701)</u></u>
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# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

### 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, 2019, the bank balances were \$1,423,804, which was adequately collateralized in accordance with state law through FDIC insurance coverage and securities held by Town's financial institution. As of June 30, 2019, the carrying value of cash deposits for the Town totaled \$1,390,721.

**4. Receivables**

Receivables at June 30, 2019, consist of the following:

Accounts receivable:	
State revenue	\$ 11,568
Other receivables	64,181
Gross receivables	<u>75,749</u>
Less, allowance for uncollectibles	-
Net receivables	<u><u>\$ 75,749</u></u>

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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

Installment Payment Agreement

In prior years, during a period of transition, the Town was delinquent in remitting its municipal court fees and assessments to the South Carolina State Treasurer's office. The Town has agreed to an installment payment agreement with the South Carolina State Treasurer's office in order to satisfy amounts past due. The terms are for the Town to pay \$20,000 per fiscal year until the balance is paid. As of June 30, 2019, the Town owed \$650,181.

The installment payment agreement amounts are as follows:

Year Ending June 30,	Principal
2020	\$ 20,000
2021	20,000
2022	20,000
2023	20,000
2024	20,000
2025 - 2029	100,000
2030 - 2034	100,000
2035 - 2039	100,000
2040 - 2044	100,000
2045 - 2049	100,000
2050 - 2054	50,181
	<u>\$ 650,181</u>

Changes in long-term liabilities for the year ended June 30, 2019 are as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
Note payable	\$ 31,862	\$ -	\$ (22,178)	\$ 9,684	\$ 9,684
Installment payment agreement	680,181	-	(30,000)	650,181	20,000
Compensated absences	5,244	11,954	(5,244)	11,954	11,954
	<u>\$ 717,287</u>	<u>\$ 11,954</u>	<u>\$ (57,422)</u>	<u>\$ 671,819</u>	<u>\$ 41,638</u>



# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 7. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 14.41%. Included in the total SCRS employer contribution rate is a base retirement contribution of 14.26%, and .15% for the incidental death program. The Town's contributions for the years ended June 30, 2019, 2018 and 2017 are as follows:

Year Ended June 30,	Base	
	Base Rate	Contributions
2019	14.41%	\$ 8,737
2018	13.41%	7,742
2017	11.41%	5,150

As an alternative to membership in the SCRS, newly hired employees of the Fund may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The Town did not have any employees participating in the ORP during the 2019, 2018 or 2017 fiscal years.

#### ***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.

# TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 7. Pension Plan (continued)

At June 30, 2019 the Town reported \$123,452 and \$415,365, for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS and PORS defined benefit pension plan were determined based on the July 1, 2017 actuarial valuations, using most recent membership data, projected forward to June 30, 2018, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Town's SCRS proportion was 0.000551% and PORS proportion was 0.014659%.

At June 30, 2019 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<b>SCRS</b>	<b>PORS</b>
Differences between expected and actual experience	\$ 223	\$ 12,798
Assumption changes	4,898	27,387
Net difference between project and actual investment earnings	6,113	25,717
Differences between employer contributions and proportionate share	18,006	70,428
Contributions made from measurement date to June 30, 2019	8,737	38,620
<b>Total deferred outflows of resources</b>	<b>37,977</b>	<b>174,950</b>
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	726	-
Net difference between project and actual investment earnings	4,152	17,411
Differences between employer contributions and proportionate share	8,829	5,391
<b>Total deferred inflows of resources</b>	<b>13,707</b>	<b>22,802</b>
<b>Net deferred outflows/(inflows)</b>	<b>\$ 24,270</b>	<b>\$ 152,148</b>

## TOWN OF COTTAGEVILLE, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**7. Pension Plan (continued)**

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Puposoes			2.25%
Total Expected Nominal Return			7.28%

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**10. Subsequent Events**

Subsequent events were evaluated through December 27, 2019, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

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\*

	2019	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>						
Town's proportion of the net pension liability	0.0006%	0.0004%	0.0005%	0.0005%	0.0005%	0.0004%
Town's proportionate share of the net pension liability	\$ 123,452	\$ 99,276	\$112,994	\$112,994	\$100,896	\$ 67,317
Town's covered payroll	\$ 57,733	\$ 45,136	\$ 51,934	\$ 50,540	\$ 35,981	\$ 35,981
Town's proportionate share of the net pension liability as a percentage of its covered payroll	213.83%	219.95%	217.57%	223.57%	280.41%	187.09%
Plan fiduciary net position as a percentage of the total liability	54.10%	53.34%	56.99%	56.99%	59.92%	56.39%
<b>South Carolina Police Officers Retirement System</b>						
Town's proportion of the net pension liability	0.0147%	0.0150%	0.0121%	0.0121%	0.0078%	0.0072%
Town's proportionate share of the net pension liability	\$ 415,365	\$409,838	\$305,721	\$305,721	\$169,194	\$136,843
Town's covered payroll	\$ 208,024	\$207,218	\$158,261	\$ 99,131	\$ 87,196	\$ 87,196
Town's proportionate share of the net pension liability as a percentage of its covered payroll	199.67%	197.78%	193.18%	308.40%	194.04%	156.94%
Plan fiduciary net position as a percentage of the total liability	61.70%	60.94%	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 COTTAGEVILLE, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

JUNE 30, 2019

For the Month of:

	July	August	September	October	November	December	January	February	March	April	May	June	Total
<b>Court Fines</b>													
Court Fines Collected	\$ 30,904	\$ 27,971	\$ 25,035	\$ 23,677	\$ 21,394	\$ 11,415	\$ 12,559	\$ 19,980	\$ 19,961	\$ 52,217	\$ 4,717	\$ 31,483	\$ 281,313
Court Fines Retained	30,904	27,971	25,035	23,677	21,394	11,415	12,559	19,980	19,961	52,217	4,717	31,483	281,313
Court Fines Remitted to State Treasurer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Court Assessments</b>													
Court Assessments Collected	\$ 29,338	\$ 26,472	\$ 23,749	\$ 22,551	\$ 20,217	\$ 10,699	\$ 12,059	\$ 18,848	\$ 18,982	\$ 49,598	\$ 31,015	\$ 29,880	\$ 293,408
Court Assessments Retained by Town	3,274	2,954	2,650	2,517	2,256	1,194	1,346	2,103	2,118	5,535	3,461	3,335	32,743
Court Assessments Remitted to State Treasurer	\$ 26,064	\$ 23,518	\$ 21,099	\$ 20,034	\$ 17,961	\$ 9,505	\$ 10,713	\$ 16,745	\$ 16,864	\$ 44,063	\$ 27,554	\$ 26,545	\$ 260,665
<b>Court Surcharges</b>													
Court Surcharges Collected	\$ 7,436	\$ 6,827	\$ 6,248	\$ 5,421	\$ 5,446	\$ 2,827	\$ 3,303	\$ 4,518	\$ 4,166	\$ 12,843	\$ 8,810	\$ 7,711	\$ 75,556
Court Surcharges Retained by Town	303	275	246	176	277	143	175	276	160	521	416	338	3,306
Court Surcharges Remitted to State Treasurer	\$ 7,133	\$ 6,552	\$ 6,002	\$ 5,245	\$ 5,169	\$ 2,684	\$ 3,128	\$ 4,242	\$ 4,006	\$ 12,322	\$ 8,394	\$ 7,373	\$ 72,250
<b>Victim Services</b>													
Court Assessments Allocated to Victim Services	\$ 3,274	\$ 2,954	\$ 2,650	\$ 2,517	\$ 2,256	\$ 1,194	\$ 1,346	\$ 2,103	\$ 2,118	\$ 5,535	\$ 3,461	\$ 3,335	\$ 32,743
Court Surcharges Allocated to Victim Services	303	275	246	176	277	143	175	276	160	521	416	338	3,306
Funds Allocated to Victim Services	\$ 3,577	\$ 3,229	\$ 2,896	\$ 2,693	\$ 2,533	\$ 1,337	\$ 1,521	\$ 2,379	\$ 2,278	\$ 6,056	\$ 3,877	\$ 3,673	\$ 36,049
Funds Allocated to Victim Services	\$ 3,577	\$ 3,229	\$ 2,896	\$ 2,693	\$ 2,533	\$ 1,337	\$ 1,521	\$ 2,379	\$ 2,278	\$ 6,056	\$ 3,877	\$ 3,673	\$ 36,049
Victim Services interest income	3	3	3	4	3	3	4	3	3	4	4	3	40
Victim Services expenditures	-	-	-	-	-	-	(10,000)	(45,315)	-	-	-	-	(55,315)
Revenues in excess (deficit) of available funds	\$ 3,580	\$ 3,232	\$ 2,899	\$ 2,697	\$ 2,536	\$ 1,340	\$ (8,475)	\$ (42,933)	\$ 2,281	\$ 6,060	\$ 3,881	\$ 3,676	(19,226)
Victim's Fund carryover balance from FYE 2018													94,890
Victim's Fund ending balance for FYE 2019													\$ 75,664



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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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 27, 2019.

### **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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

TOWN OF COTTAGEVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2019

**Summary of Auditors' Results:**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Cottageville (the "Town").
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the 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*.
3. No instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements were noted.

**Financial Statement Findings:**

No findings were noted.

**Status of Prior Year Findings:**

**Finding 2018-001: Segregation of Duties**

**Criteria:**

Town Clerk performs multiple accounting functions that causes there to be a lack of segregation of duties.

**Condition:**

The Town Clerk receives payments from customers, posts the payments into the accounting system, creates deposits for these payments, makes the deposit for these payments and performs the monthly bank reconciliation without being reviewed by any member of management.

**Cause:**

The Town has trouble maintaining adequate segregation of duties due to complicated factors such as staff turn-over, budget constraints and overall staff shortages.

**Effect:**

The Town has a higher potential for fraudulent activities to occur when there is a lack of segregation of duties.