

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2021

WITH
INDEPENDENT AUDITORS' REPORT

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2021

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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, 2021, 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 March 14, 2022, 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
March 14, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

The combined Governmental Activity liabilities and deferred inflows exceeded its assets and deferred outflows of the Town of Cottageville at the end of the fiscal year by \$45,845 (net deficit). Of this amount, a deficit of \$803,318 (unrestricted net position) existed at the time.

The combined Governmental Activities Revenues and other financial sources totaled \$782,070 and combined expenses totaled \$1,030,552. Accordingly, combined expenses exceeded revenues by \$248,482.

At the end of fiscal year 2021, the governmental funds restricted, and nonspendable fund balances were \$103,683 and \$6,831, respectively. The unassigned fund balance was \$370,665. Accordingly, \$370,665 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$377,496 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 2021, 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 \$44,845 at the close of fiscal year 2021. Net position is reported in three categories:

Net investment in capital assets	\$ 647,959
Restricted net position	110,514
Unrestricted net position	<u>(803,318)</u>
	<u>\$ (44,845)</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, 2021 and June 30, 2020:

Town of Cottageville's Statement of Activities - June 2021

	Governmental Activities
Revenue:	
Charges for services	\$ 418,532
General revenues	<u>363,538</u>
Total revenue	<u>782,070</u>
Expenses:	
General government	391,827
Police	558,720
Municipal court	<u>80,005</u>
Total expenses	<u>1,030,552</u>
Decrease in net position	<u><u>\$ (248,482)</u></u>

Town of Cottageville's Statement of Activities - June 2020

	Governmental Activities
Revenue:	
Charges for services	\$ 508,892
General revenues	<u>441,625</u>
Total revenue	<u>950,517</u>
Expenses:	
General government	494,077
Police	876,118
Municipal court	102,442
Interest on long-term debt	<u>2,087</u>
Total expenses	<u>1,474,724</u>
Decrease in net position	<u><u>\$ (524,207)</u></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 police fines being impaired based on COVID-19 pandemic restrictions.

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, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 511,190
Receivables	
State	13,466
Other	70,218
Capital assets:	
Non-depreciable	5,000
Depreciable, net	642,959
Total assets	<u>1,242,833</u>
Deferred outflows of resources	
Related to pensions	308,989
Total assets and deferred outflows of resources	<u>1,551,822</u>
Liabilities	
Accounts payable	104,473
Accrued payroll and other expenses	9,222
Accrued compensated absences	22,153
Long-term liabilities:	
Due within one year	20,000
Due in more than one year	590,181
Net pension liability	844,548
Total liabilities	<u>1,590,577</u>
Deferred inflows of resources	
Related to pensions	6,090
Total liabilities and deferred inflows of resources	<u>1,596,667</u>
Net position	
Net investment in capital assets	647,959
Restricted net position - expendable	
Seized Money	6,831
Restricted net position - expendable	
Victims assistance	103,683
Unrestricted - unfunded pension obligation	(541,649)
Unrestricted - other	(261,669)
Total net deficit	<u><u>\$ (44,845)</u></u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2021

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 511,190	\$ -	\$ 511,190
State revenue, receivable	13,466	-	13,466
Due from other funds	-	103,683	103,683
Other receivable	70,218	-	70,218
Total assets	<u>594,874</u>	<u>103,683</u>	<u>698,557</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	104,473	-	104,473
Accrued payroll and other liabilities	9,222	-	9,222
Due to other funds	103,683	-	103,683
Total liabilities	<u>217,378</u>	<u>-</u>	<u>217,378</u>
Fund balances			
Nonspendable	6,831	-	6,831
Restricted	-	103,683	103,683
Unassigned	370,665	-	370,665
Total fund balances	<u>377,496</u>	<u>103,683</u>	<u>481,179</u>
Total liabilities and fund balances	<u>\$ 594,874</u>	<u>\$ 103,683</u>	<u>\$ 698,557</u>

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	General	Special Revenue	Total Governmental Funds
Revenues			
Licenses and permits	\$ 159,226	\$ -	\$ 159,226
Police fines	396,382	22,150	418,532
State shared revenues	200,130	-	200,130
Other	4,124	58	4,182
Total revenues	<u>759,862</u>	<u>22,208</u>	<u>782,070</u>
Expenditures			
General government	355,388	10,000	365,388
Police department	555,159	-	555,159
Municipal court	77,485	-	77,485
Debt service	66,894	-	66,894
Capital outlay	250,088	-	250,088
Total expenditures	<u>1,305,014</u>	<u>10,000</u>	<u>1,315,014</u>
Excess (deficit) of revenues over (under) expenditures	<u>(545,152)</u>	<u>12,208</u>	<u>(532,944)</u>
Net change in fund balance	(545,152)	12,208	(532,944)
Fund balance, beginning of year	922,648	91,475	1,014,123
Fund balance, end of year	<u>\$ 377,496</u>	<u>\$ 103,683</u>	<u>\$ 481,179</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, 2021

	Final Budget	Actual	Variance with Final Budget
Revenues			
Licenses and permits	\$ 67,000	\$ 159,226	\$ 92,226
Police fines	386,391	396,382	9,991
State shared revenues	192,363	200,130	7,767
Other	947,330	4,124	(943,206)
Total revenue	<u>1,593,084</u>	<u>759,862</u>	<u>(833,222)</u>
Expenditures			
General government	244,354	355,388	(111,034)
Police department	381,711	555,159	(173,448)
Municipal court	53,277	77,485	(24,208)
Debt service	11,722	66,894	(55,172)
Capital outlay	902,020	250,088	651,932
Total expenditures	<u>1,593,084</u>	<u>1,305,014</u>	<u>288,070</u>
Excess of revenues over expenditures	<u>-</u>	<u>(545,152)</u>	<u>(545,152)</u>
Net change in fund balance	<u>\$ -</u>	<u>(545,152)</u>	<u>\$ (545,152)</u>
Fund balance, beginning of year		<u>922,648</u>	
Fund balance, end of year		<u>\$ 377,496</u>	

See accompanying notes.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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.

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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, 2021, the bank balances were \$541,631, 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, 2021, the carrying value of cash deposits for the Town totaled \$511,190.

4. Receivables

Receivables at June 30, 2021, consist of the following:

Accounts receivable:	
State revenue	\$ 13,466
Other receivables	70,218
Gross receivables	<u>83,684</u>
Less, allowance for uncollectibles	<u>-</u>
Net receivables	<u>\$ 83,684</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, 2021, the Town owed \$610,181.

The installment payment agreement amounts are as follows:

Year Ending June 30,	Principal
2022	\$ 20,000
2023	20,000
2024	20,000
2025	20,000
2026	20,000
2027 - 2031	100,000
2032 - 2036	100,000
2037 - 2041	100,000
2042 - 2046	100,000
2047 - 2051	100,000
2052	10,181
	\$ 610,181

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021	Due Within One Year
Note payable	\$ 46,894	\$ -	\$ (46,894)	\$ -	\$ -
Installment payment agreement	630,181	-	(20,000)	610,181	20,000
Compensated absences	17,381	22,153	(17,381)	22,153	22,153
	\$ 694,456	\$ 22,153	\$ (84,275)	\$ 632,334	\$ 42,153

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.

Effective July 1, 2020, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 15.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41%, and .15% for the incidental death program. The Town's actual contributions to the SCRS for the years ended June 30, 2021, 2020 and 2019 were approximately \$10,044, \$11,793, and \$8,737, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 15.41% for 2021, 15.41% for 2020, and 14.41% for 2019.

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).

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

On June 30, 2021, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	SCRS	PORS
Differences between expected and actual experience	\$ 1,939	\$ 14,377
Assumption changes	206	8,255
Net difference between project and actual investment earnings	12,362	69,271
Differences between employer contributions and proportionate share	22,762	119,022
Contributions made from measurement date to June 30, 2021	10,044	50,751
Total deferred outflows of resources	47,313	261,676
Deferred Inflows of Resources		
Differences between expected and actual experience	636	2,978
Differences between employer contributions and proportionate share	306	2,170
Total deferred inflows of resources	942	5,148
Net deferred outflows/(inflows)	\$ 46,371	\$ 256,528

Deferred outflows of \$10,044 and \$50,751 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	SCRS	PORS	Net
2021	\$ 13,644	\$ 69,316	\$ 82,960
2022	10,272	57,877	68,149
2023	9,257	55,101	64,358
2024	3,154	23,483	26,637
	\$ 36,327	\$ 205,777	\$ 242,104

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:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.00%		
Global Public Equity	35.00%	7.81%	2.73%
Private Equity	9.00%	8.91%	0.80%
Equity Options Strategies	7.00%	5.09%	0.36%
Real Assets	12.00%		
Real Estate (Private)	8.00%	5.55%	0.44%
Real Estate (REITs)	1.00%	7.78%	0.08%
Infrastructure (Private)	2.00%	4.88%	0.10%
Infrastructure (Public)	1.00%	7.05%	0.07%
Opportunistic	8.00%		
Global Tactical Asset Allocation	7.00%	3.56%	0.25%
Other Opportunistic Strategies	1.00%	4.41%	0.04%
Credit	15.00%		
High Yield Bonds/ Bank Loans	4.00%	4.21%	0.17%
Emerging Markets Debt	4.00%	3.44%	0.14%
Private Debt	7.00%	5.79%	0.40%
Rate Sensitive	14.00%		
Core Fixed Income	13.00%	1.60%	0.21%
Cash and Short Duration (Net)	1.00%	0.56%	0.01%
Total Expected Return	100.00%		5.80%
Inflation for Actuarial Purposes			2.25%
			8.05%

The discount rate used to measure the total pension liability ("TPL") was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the 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 TPL.

TOWN OF COTTAGEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Subsequent Events

Subsequent events were evaluated through March 14, 2022, 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*

	2021	2020	2019	2018	2017	2016	2015
South Carolina Retirement System							
Town's proportion of the net pension liability	0.0007%	0.0007%	0.0006%	0.0004%	0.0005%	0.0005%	0.0005%
Town's proportionate share of the net pension liability	\$ 168,063	\$ 168,063	#####	\$ 99,276	#####	#####	#####
Town's covered payroll	\$ 76,528	\$ 60,632	\$ 57,733	\$ 45,136	\$ 51,934	\$ 50,540	\$ 35,981
Town's proportionate share of the net pension liability as a percentage of its covered payroll	219.61%	277.19%	213.83%	219.95%	217.57%	223.57%	280.41%
Plan fiduciary net position as a percentage of the total pension liability	50.71%	50.70%	54.10%	53.34%	56.99%	56.99%	59.92%
South Carolina Police Officers Retirement System							
Town's proportion of the net pension liability	0.0204%	0.0204%	0.0147%	0.0150%	0.0121%	0.0121%	0.0078%
Town's proportionate share of the net pension liability	\$ 676,485	\$ 676,485	#####	#####	#####	#####	#####
Town's covered payroll	\$ 315,073	\$ 229,335	#####	#####	#####	\$ 99,131	\$ 87,196
Town's proportionate share of the net pension liability as a percentage of its covered payroll	214.71%	294.98%	199.67%	197.78%	193.18%	308.40%	194.04%
Plan fiduciary net position as a percentage of the total pension liability	58.79%	58.80%	61.70%	60.94%	64.57%	64.57%	67.55%

* - 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Total Court Fines and Assessments:

Court fines and assessments collected	\$ 396,382
Court fines and assessments remitted to State Treasurer	<u>(206,414)</u>
Total Court fines and assessments retained	<u><u>\$ 189,968</u></u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$ 1,946
Assessments retained	<u>20,204</u>
Total surcharges and assessments retained for victims services	<u><u>\$ 22,150</u></u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$ 91,475
Victim Service Revenue	
Victim service assessments retained by the Town	20,204
Victim service surcharges retained by the Town	1,946
Interest earned	<u>58</u>
Total funds allocated to victim service fund + beginning balance (A)	<u><u>113,683</u></u>
Expenditures for Victim Service Program	
Operating expenditures	<u>\$ 10,000</u>
Total expenditures from victim service fund/program (B)	<u><u>10,000</u></u>
Total victim service funds retained by the Town (A-B)	<u><u>103,683</u></u>
Carryforward funds - end of year	<u><u>\$ 103,683</u></u>

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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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 of Cottageville, South Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 14, 2022.

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.