



Financial Statements with Independent Auditor's Report
for the year ended December 31, 2015

TOWN OF CHAPIN
ELECTED OFFICIALS

<u>NAME</u>	<u>YEAR ELECTED</u>	<u>TERM EXPIRATION</u>
MAYOR		
JAMES R. WILSON JR 219 Woodthrush Rd. Chapin, SC. 29036 cell: 331-3731 Phone: 803- 932-7276, fax 345-0427 803-575-8040 E-mail swilson@skipwilsonfinancial.com (mayorskipwilson@chapinsc.com)	2014	12/31/2017
COUNCIL		
Mike Clonts 111 A Glenwood Road Chapin, SC 29036 Phone: 803-932-7604 E-mail councilmanclonts@gmail.com	2016	12/31/2019
ROBERT P. FRICK (Robbie) P. O. Box 11 Chapin, SC. 29036 Phone: 803-345-2156 E-mail laban1@bellsouth.net	2014	12/31/2017
KAY HOLLIS 105 Glenwood Drive Chapin, SC 29036 Phone 803-345-2877 E-mail kayhollis@earthlink.net	2004	12/31/2019
GREGG WHITE 318 Clark Street P.O. Box 713 White Rock SC 29177 Chapin, SC 29036 Phone: 345-8913 E-mail greggwhite@bellsouth.net	2014	12/31/2017

GENERAL INFORMATION:

POPULATION: APPROX 1,516 (2013)

LAND AREA: 1.8 sq. miles

TOWN HALL - 157NW COLUMBIA AVENUE CHAPIN SC 29036 (P.O. Box 183)

HOURS: 9:00- 5:00 M-F

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Government: Mayor/Council form Strong Mayor- four year term.

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BROWN CPA, LLC

Independent Auditor's Report

To the Town of Chapin
Chapin, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Chapin, South Carolina (the "Town") as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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.

We did not audit the amounts reported herein for the Town's proportionate share of South Carolina Retirement System and Police Officers Retirement System, as administered by the South Carolina Public Employee Benefit Authority. Such amounts are reported herein as deferred pension charges, deferred pension credits, and net pension liability and the associated information presented in the footnotes and required supplementary Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions to South Carolina Retirement System. Those amounts were audited by other auditors whose reports thereon dated January 19, 2016 expressed an unqualified opinion. Our opinion, insofar as it relates to those amounts, is based solely on that report.

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.

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

www.browncpallc.com

MEMBER:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SC ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Town of Chapin, as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, and schedule of contributions to the retirement system, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Chapin's basic financial statements. The schedule of Fines and Assessments and schedule of Victim's Assistance Collections and Disbursements are presented for the purpose of additional information and is not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

BROWN CPA, L.L.C.

Irmo, South Carolina
March 29, 2016

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

As management of the Town of Chapin, South Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2015. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activities (c) identify changes in the Town's financial position, (d) identify significant deviations from the approved general fund budget, and highlight significant issues in the individual funds, We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The Town's reporting period is January 1 to December 31
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent calendar year by \$20,516,804 (net position). Of this amount, \$17,058,867 represents the investment in capital assets less depreciation and debt on those assets, and \$2,714,727 is restricted for other purposes. The remaining \$743,210 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizen's and creditors.
- The Town's total net position decreased by \$23,009.
- At the close of the current calendar year, the Town's governmental funds reported an ending fund balance of \$855,969, an increase of \$247,448.
- The Town has \$509,276 in general obligation bonds outstanding at December 31, 2015, a net decrease of \$75,147 from the balance at December 31, 2014. This decrease was due to the scheduled principal payment during 2015.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the Town of Chapin's basic financial statements, which include the following parts: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. This annual report also contains certain required supplementary information and other *supplementary information* to aid in understanding the operations of the Town.

Government-wide Financial Statements

The government-wide statements present a long-term view of the Town's finances *as a whole*, using *accrual-basis accounting*—the same accounting basis that most businesses use.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the Town's overall financial health, other factors need to be considered such as the Town's economy and the condition of its *capital assets* such as its buildings and infrastructure (water and sewer lines).

Statement of activities: This statement presents information showing how the Town's overall net position changed during the year. The Town reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the Town received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the Town to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

For financial reporting purposes the government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the Town's basic services are included here, such as general government, and administration of justice. Taxes (primarily business licenses and real and personal property taxes) and grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Water and Sewer Fund is the only business-type activity of the Town.

Component units: Although component units are legally separate from the Town, the Town's elected officials are financially accountable for them. For the year ended December 31, 2015 the Town did not have any component units.

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant funds—not the Town as a whole. Funds are accounting designations that the Town uses to track specific funding sources and spending for particular purposes. The Town of Chapin, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The Town reports two types of *funds*:

Governmental funds: The Town reports most of its basic services in governmental funds. Governmental funds account for activities that the Town reports as *governmental activities* in its government-wide Statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the Town's near-term funding decisions is available.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds*) or other Town departments and other governments (*internal service funds*). Proprietary funds use the *accrual basis of accounting* like businesses use. The Town reports all of its enterprise funds as *business-type activities* in the government-wide Statements. However, because the internal service fund operations primarily benefit other Town departments or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial Statements.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule of the Town's proportionate share of the net pension liability of the South Carolina Retirement System, and a schedule of contributions to the South Carolina Retirement System.

Supplementary Information

Supplementary information presented but not required by accounting principles generally accepted in the United States of America includes the schedule of fines and assessments and schedule of victim's assistance collections and disbursements. These schedules are presented to provide information requested by the South Carolina State Treasurer's Office.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a public government's financial position. In the case of the Town of Chapin, assets exceeded liabilities by \$20,520,030 in 2015. The following table reflects the condensed governmental-wide statement of net position.

TOWN OF CHAPIN, SOUTH CAROLINA NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ (1,316,110)	\$ (1,573,593)	\$ 5,890,600	\$ 5,812,707	\$ 4,574,490	\$ 4,239,114
Capital Assets	6,021,858	6,205,025	11,546,285	11,596,721	17,568,143	17,801,746
Total Assets	<u>4,705,748</u>	<u>4,631,432</u>	<u>17,436,885</u>	<u>17,409,428</u>	<u>22,142,633</u>	<u>22,040,860</u>
Deferred outflows of resources	<u>378,857</u>	<u>37,854</u>	<u>264,115</u>	<u>9,882</u>	<u>642,972</u>	<u>47,736</u>
Long-term Liabilities Outstanding	1,473,196	1,105,702	600,779	194,167	2,073,975	1,299,869
Other Liabilities	69,503	62,077	123,710	121,229	193,213	183,306
Total Liabilities	<u>1,542,699</u>	<u>1,167,779</u>	<u>724,489</u>	<u>315,396</u>	<u>2,267,188</u>	<u>1,483,175</u>
Deferred inflow of resources	<u>641</u>	<u>52,667</u>	<u>972</u>	<u>12,941</u>	<u>1,613</u>	<u>65,608</u>
Net Position						
Net Investment in Capital Assets	5,512,582	5,620,601	11,546,285	11,596,721	17,058,867	17,217,322
Restricted			2,714,727	2,710,658	2,714,727	2,710,658
Unrestricted	<u>(1,971,317)</u>	<u>(2,171,761)</u>	<u>2,714,527</u>	<u>2,783,594</u>	<u>743,210</u>	<u>611,833</u>
Total Net Position	<u>\$ 3,541,265</u>	<u>\$ 3,448,840</u>	<u>\$ 16,975,539</u>	<u>\$ 17,090,973</u>	<u>\$ 20,516,804</u>	<u>\$ 20,539,813</u>

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position at December 31, 2015 was \$20,516,804, a decrease of \$23,009 or 0.01%, from our last calendar year end or twelve months ago.

The largest portion of the Town's net position of \$17,058,867 (83.2%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens of the town and surrounding community, consequently, these assets are not available for future spending. 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 are unlikely to be sold or leased to repay these liabilities.

The restricted portion of the Town's net position of \$2,714,727 (13.2%), represents restricted resources and are not available to fund other commitments. The entire balance is set aside for future expansion of the current waste water facility and other utility capital projects that Town Council approves.

The balance of the unrestricted net position, \$743,210 (3.6%) may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

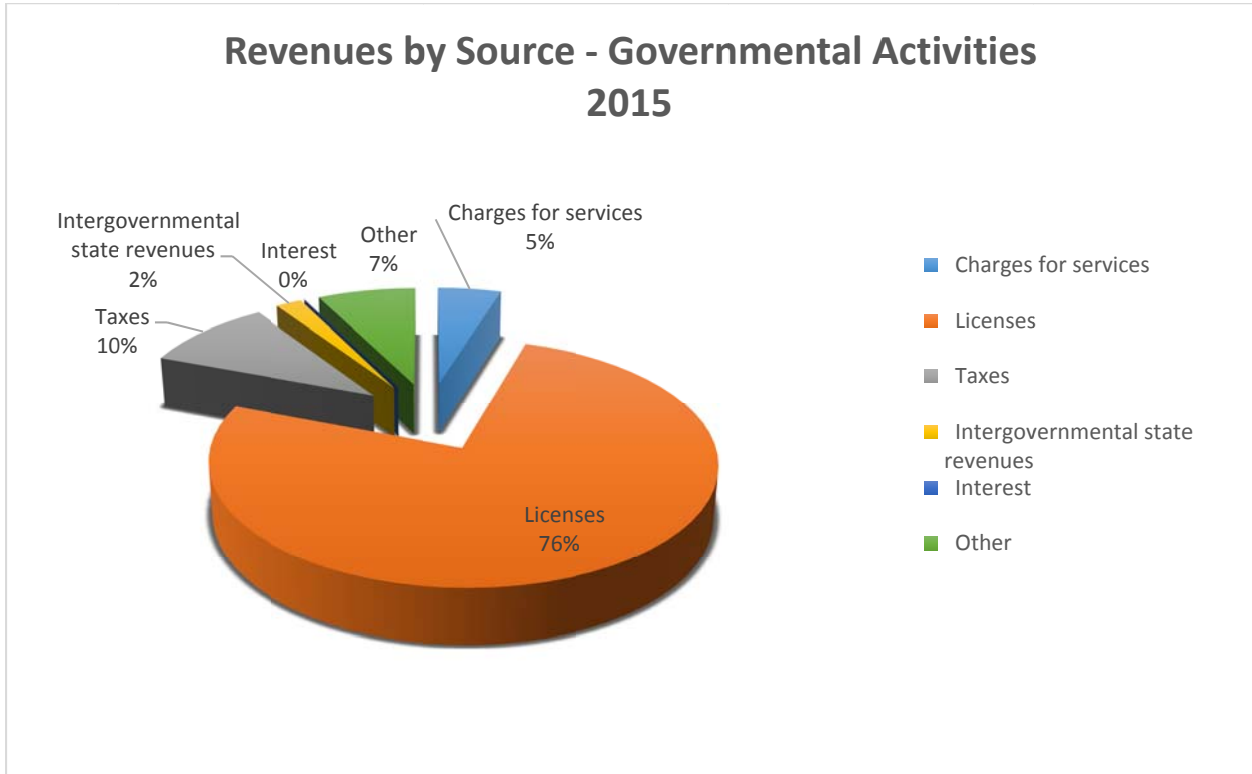
Changes in the Town's net position during the years ended December 31, 2015 and December 31, 2014 are shown below:

TOWN OF CHAPIN, SOUTH CAROLINA CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for services	\$ 70,287	\$ 71,843	\$ 2,525,514	\$ 2,391,936	\$ 2,595,801	\$ 2,463,779
Operating grants and contributions			407,145		407,145	0
General Revenue						
Licenses	1,130,135	1,066,479			1,130,135	1,066,479
Taxes	146,505	147,789			146,505	147,789
Intergovernmental state revenues	28,879	28,786			28,879	28,786
Interest	231	385	4,069		4,300	385
Other	109,580	121,565			109,580	121,565
Total Revenues	<u>1,485,617</u>	<u>1,436,847</u>	<u>2,936,728</u>	<u>2,391,936</u>	<u>4,422,345</u>	<u>3,828,783</u>
Expenses						
General administration	662,340	664,151			662,340	664,151
Mayor and council	40,476	40,416			40,476	40,416
Public safety	545,060	467,343			545,060	467,343
Municipal court	145,316	147,129			145,316	147,129
Water and sewer			3,052,162	5,072,404	3,052,162	5,072,404
	<u>1,393,192</u>	<u>1,319,039</u>	<u>3,052,162</u>	<u>5,072,404</u>	<u>4,445,354</u>	<u>6,391,443</u>
Change in Net Position	92,425	117,808	(115,434)	(2,680,468)	(23,009)	(2,562,660)
Net Position - Beginning	3,448,840	3,467,565	17,090,973	19,928,003	20,539,813	23,395,568
Change in Accounting Principle		(521,163)		(156,562)		(677,725)
Prior Period Adjustment		384,630				384,630
Net Position - Ending	<u>\$ 3,541,265</u>	<u>\$ 3,448,840</u>	<u>\$ 16,975,539</u>	<u>\$ 17,090,973</u>	<u>\$ 20,516,804</u>	<u>\$ 20,539,813</u>

Governmental activities. Governmental activities increased the Town's net position by a net of \$92,425. Key elements of this increase are as follows:

- Revenue from Licenses increased 6.0% mostly as a result of an increase in franchise fees over 2014 and an increase in the license collection programs managed by the Municipal Association of South Carolina.
- Overall expenses increased over 2014 mainly due to retirement costs required to be captured according to the adoption of GASB 68 and higher legal fees for 2015. All other costs have followed budgeted expenditures for 2015.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015



Business-type activities. Business-type activities decreased the Town's net position by \$115,434. The water and sewer activities account for the entire decrease. Key elements of this increase are as follows:

- Charges for services are up due to an increase of water and sewer billings as well as new sewer tap fees. Water and sewer billings increased 2.7% due to an increase in the customer base and sewer tap fees saw a 42.9% increase over the prior year due to new construction.
- Overall expenses are down \$2,020,242 mainly due to a one time change in depreciation estimate recorded in 2014 and the hiring of internal utility personnel to replace the 3rd party management of the Town's sewer system.
- During 2014 the water and sewer department did a one-time change to the depreciation estimate for its water and sewer lines. The depreciable life estimate was changed from a 40 year life to a 30 year life which is a more accurate estimate of the useful life of these assets. This resulted in increased depreciation expense of \$181,000 and \$2,618,000 for the years ended December 31, 2015 and 2014 respectively. This accounted for the majority of the loss of Net Position for 2015 and 2014.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Chapin's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

At the end of the current calendar year, the Town's governmental funds reported an ending fund balance of \$855,969, an increase of \$247,448. This increase in the General Fund is a result of favorable revenue variances while keeping the overall expenditures below budget.

General Fund Budgetary Highlights

For the calendar year 2015, Town Council adopted a balanced budget for the General Fund. The Town Council has the authority to amend the budget as required. There were no budget amendments in any fund for 2015. License revenue for the general fund exceeded budget by \$172,735 this is due to a conservative budget amount for license revenue. Intergovernmental state revenue was \$107,121 less than budget because the Town did not receive a \$100,000 grant from the State of South Carolina.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets as of December 31, 2015 amounts to \$17,568,143 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure.

TOWN OF CHAPIN, SOUTH CAROLINA CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 891,689	\$ 891,689	\$ 573,825	\$ 573,825	\$ 1,465,514	\$ 1,465,514
Construction in progress			62,151	300,987	62,151	300,987
Building and improvements	4,067,752	4,196,328			4,067,752	4,196,328
Machinery and equipment	41,998	46,508	163,297	46,886	205,295	93,394
Vehicles	53,960	55,714	123,804	12,813	177,764	68,527
Depreciable land improvements	966,459	1,014,786	10,623,208	10,662,210	11,589,667	11,676,996
Total	<u>\$ 6,021,858</u>	<u>\$ 6,205,025</u>	<u>\$ 11,546,285</u>	<u>\$ 11,596,721</u>	<u>\$ 17,568,143</u>	<u>\$ 17,801,746</u>

Major capital asset events during the current year include the following:

- The General Fund replaced a patrol car that was involved in an accident. The new vehicle cost was \$27,500.
- Phase 1 of the South Chapin Gravity Sewer was completed for \$292,579.
- Contributed assets for Palmetto Shores Phase 1 in the amount of \$407,145 were placed in service in September 2015.
- The Utilities department added six (6) new vehicles for the personnel hired in 2015 to replace the 3rd party personnel previously maintaining the Towns water and sewer system. The new vehicles cost a total of \$138,280.
- Machinery and equipment consisting of an excavator, hydraulic sewer cleaner and a portable diesel pump at a cost of \$130,047 were placed in service during 2015 for the Utilities department.

Long-term Obligations. At the end of 2015, the Town had total-long term obligations outstanding of \$2,073,975 which includes \$35,801 of compensated absences and \$1,488,407 in net pension liabilities due to the adoption of GASB 68. The Town's long-term debt decreased by \$75,148 which was due to the principal payments on the general obligation bonds.

State statutes limit the amount of general obligation debt a government entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the Town is \$878,270 of which \$509,276 is outstanding.

TOWN OF CHAPIN, SOUTH CAROLINA
Management's Discussion and Analysis
Year ended December 31, 2015

TOWN OF CHAPIN, SOUTH CAROLINA OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 509,276	\$ 584,424	\$ -	\$ -	\$ 509,276	\$ 584,424

Economic Factors and Next Year's Budget

- For the calendar year 2016, the Town Council has approved an annual budget in the amount of \$1,579,850 for the General Fund, an increase of \$209,350 (15.3%) over the prior year. The majority of the increase is due to increased license fees based on prior year's actual collections and a decrease in grant income from 2014.
- The Town's millage rate of 11.505 remained the same as prior year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Chapin's for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administrative Support, Town of Chapin, 157 NW Columbia Avenue, Chapin, South Carolina, 29036.

Town of Chapin
Statement of Net Position
December 31, 2015

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and equivalents	\$ 724,692	\$ 647,013	\$ 1,371,705
Cash and equivalents, restricted			
Escrow funds	-	40,491	40,491
Council restricted	-	2,714,727	2,714,727
Statutory restriction	63,996	-	63,996
Accounts receivable, net	132,251	218,750	351,001
Prepaid expenses	23,570	-	23,570
Total current assets	<u>944,509</u>	<u>3,620,981</u>	<u>4,565,490</u>
Noncurrent assets:			
Bond issuance costs, net of amortization	9,000	-	9,000
Capital assets, net of accumulated depreciation	6,021,858	11,546,285	17,568,143
Due (to) from other funds	(2,269,619)	2,269,619	-
Total noncurrent assets	<u>3,761,239</u>	<u>13,815,904</u>	<u>17,577,143</u>
Total Assets	<u>4,705,748</u>	<u>17,436,885</u>	<u>22,142,633</u>
Deferred Outflows of Resources			
Deferred Pension Charges	<u>378,857</u>	<u>264,115</u>	<u>642,972</u>
Liabilities			
Current liabilities:			
Accounts payable	35,364	106,523	141,887
Accrued wages and related expenditures	34,139	17,187	51,326
	<u>69,503</u>	<u>123,710</u>	<u>193,213</u>
Noncurrent liabilities:			
Amounts due within one year:			
Accrued compensated absences and related benefits	19,037	16,764	35,801
General obligation bonds	77,769	-	77,769
Amounts due beyond one year:			
General obligation bonds	431,507	-	431,507
Customer deposits	-	40,491	40,491
Net Pension Liability	944,883	543,524	1,488,407
Total Noncurrent Liabilities	<u>1,473,196</u>	<u>600,779</u>	<u>2,073,975</u>
Total liabilities	<u>1,542,699</u>	<u>724,489</u>	<u>2,267,188</u>
Deferred Inflows of Resources			
Deferred Pension Credits	<u>641</u>	<u>972</u>	<u>1,613</u>
Net Position			
Invested in capital assets, net of related debt	5,512,582	11,546,285	17,058,867
Restricted by council	-	2,714,727	2,714,727
Unrestricted	(1,971,317)	2,714,527	743,210
Total net position	<u>\$ 3,541,265</u>	<u>\$ 16,975,539</u>	<u>\$ 20,516,804</u>

See accompanying notes to the financial statements

Town of Chapin
Statement of Activities
for the year ended
December 31, 2015

Function / Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government:					
Governmental activities:					
General administration	\$ 662,340	\$ -	\$ -	\$ (662,340)	\$ -
Council and mayor	40,476	-	-	(40,476)	-
Public safety - police	545,060	70,287	-	(474,773)	-
Municipal court	145,316	-	-	(145,316)	-
	1,393,192	70,287	-	(1,322,905)	-
Business-type activities:					
Water and Sewer	3,052,162	2,525,514	407,145	-	(119,503)
Total Primary Government	\$ 4,445,354	\$ 2,595,801	\$ 407,145	(1,322,905)	(119,503)
General revenues (expenses):					
				1,130,135	-
				146,505	-
				28,879	-
				231	4,069
				109,580	-
				1,415,330	4,069
			Change in net position	92,425	(115,434)
Net Position, beginning of year				3,448,840	17,090,973
Net Position, end of year				\$ 3,541,265	\$ 16,975,539

The accompanying notes are an integral part of these financial statements

Town of Chapin
Balance Sheet Governmental Fund
December 31, 2015

	<u>Total Governmental</u>
	<i>General</i>
	<i>Fund</i>
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 788,688
Receivables	132,251
Prepaid expenses	23,570
Total assets	\$ 944,509
 Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 35,364
Accrued wages and related expenditures	34,139
Compensated absences	19,037
Total liabilities	88,540
 Fund balance	 855,969
Total fund balances	855,969
 Total liabilities and fund balance	 \$ 944,509

The accompanying notes are an integral part of these financial statements.

Town of Chapin
 Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities
 December 31, 2015

Total fund balance governmental fund	\$	855,969
Amounts reported for governmental activities in the statement of net position are different because:		
Assets are capitalized and amortized or depreciated in the statement of net position and charged go expenditures in the governmental fund:		
Bond issuance costs, net of amortization		9,000
Capital assest net of accumulated depreciation		6,021,858
Deferred outflow of resources are not recognized in the governmetal fund:		
Deferred pension charges		378,857
Some liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:		
General obligation bond		(509,276)
Net pension liability		(944,883)
Due to enterprise fund		(2,269,619)
Deferred inflow of resources are not recognized in the governmetal fund:		
Deferred pension credits		(641)
Net position of governmental activities	\$	3,541,265

The accompanying notes are an integral part of these financial statements.

Town of Chapin
Statement of Revenues, Expenditures and Changes
In Fund Balance - Governmental Fund for the year ended
December 31, 2015

Revenues:

Licenses	\$	1,130,135
Taxes		146,505
Fines		70,287
Intergovernmental state revenues		28,879
Interest		231
Other		109,580
Total revenues		1,485,617

Expenditures:

General administration		477,279
Mayor and Council		40,476
Public safety		
Police department wages and benefits		372,341
Police department operating expenses		79,713
Municipal court		145,316
Capital outlay		27,500
Debt service:		
Principal		75,148
Interest		20,396
Total expenditures		1,238,169

Net change in fund balance		247,448
Fund balance, beginning as previously reported		(1,661,098)
Reclassification of interfund balance to noncurrent		2,269,619
Fund balance, ending	\$	855,969

The accompanying notes are an integral part of these financial statements.

Town of Chapin
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Governmental Fund Balance to the Statement of Activities for the year ended
 December 31, 2015

Reconciliation to the Statement of Activities:

Net change in fund balance governmental fund \$ 247,448

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

Costs of capital asset acquisitions are reported as expenditures in the governmental fund and are reported as capital asset additions in the statement of net position 27,500

Loss on disposal of capital assets are reported as an expense in the statement of activities and no expense is recorded in the governmental fund (7,555)

Noncash change in pension obligation (45,504)

Depreciation of capital assets is reported as an expense in the statement of activities (203,112)

Amortization of bond issuance costs is reported as an expense in the statement of activities (1,500)

Repayments of long-term debt are reported as expenditures in the governmental funds and are reported as a reduction of liabilities in the statement of net position 75,148

Net change in net position governmental activities \$ 92,425

The accompanying notes are an integral part of these financial statements.

Town of Chapin
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund
for the year ended
December 31, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)
Revenues:			
Licenses	\$ 957,400	\$ 1,130,135	\$ 172,735
Taxes	175,000	146,505	(28,495)
Fines	74,000	70,287	(3,713)
Intergovernmental state revenues	136,000	28,879	(107,121)
Interest	100	231	131
Other	28,000	109,580	81,580
Total Revenues	1,370,500	1,485,617	115,117
 Expenditures:			
General administration	436,999	477,279	(40,280)
Mayor and Council	57,170	40,476	16,694
Public safety			
Police department wage and benefit	369,419	372,341	(2,922)
Police department operating expenses	113,550	79,713	33,837
Fire department	1,000	-	1,000
Municipal court	156,492	145,316	11,176
Public works	38,000	-	38,000
Capital outlay	102,326	27,500	74,826
Debt service:			-
Principal	75,148	75,148	-
Interest	20,396	20,396	-
Total Expenditures	1,370,500	1,238,169	132,331
	\$ -	\$ 247,448	\$ 247,448

The accompanying notes are an integral part of these financial statements.

TOWN OF CHAPIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2015

Business-type Activities - Enterprise Funds - Water and Sewer

Assets

Current assets:

Cash and equivalents	\$	647,013
Accounts receivable, net		218,750
Due from other funds		2,269,619
Cash and equivalents, restricted		
Escrow funds		40,491
Council restricted		2,714,727
Total current assets		5,890,600

Noncurrent assets:

Capital assets, net		11,546,285
Total noncurrent assets		11,546,285

Total assets		17,436,885
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Deferred outflows of resources

Deferred pension charges		264,115
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Liabilities

Current liabilities:

Accounts payable		106,524
Accrued payroll and related liabilities		17,186
Accrued absences		16,764
Payable from restricted assets:		
Customer deposits		40,491
Total current liabilities		180,965

Noncurrent liabilities:

Net pension liability		543,524
Total noncurrent liabilities		543,524

Total liabilities		724,489
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Deferred inflows of resources

Deferred pension charges		972
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Net Position

Invested in capital assets		11,546,285
Restricted - council restricted		2,714,727
Unrestricted		2,714,527
Total net position	\$	16,975,539

The accompanying notes are an integral part of these financial statements.

Town of Chapin
Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Fund for the year ended
December 31, 2015
Business-type Activities - Enterprise Funds - Water and Sewer

Operating revenue:	
Charges for services	\$ 2,525,514
Total operating revenue	2,525,514
Operating and maintenance expenses:	
Salaries	446,549
Benefits	242,074
Contractual services	153,887
Materials and supplies	816,340
Utilities	159,285
Repairs and maintenance	462,793
Other expenses	5,135
Depreciation	766,099
Total operating expenses	3,052,162
Operating income (loss)	(526,648)
Nonoperating revenue (expenses)	
Interest income	4,069
Total nonoperating revenue	4,069
Income (expense) before other financing sources	(522,579)
Other financing sources	
Capital grants and gifts	407,145
Change in net position	(115,434)
Net position, beginning of year	17,090,973
Net position, end of year	\$ 16,975,539

The accompanying notes are an integral part of these financial statements.

Town of Chapin
Statement of Cash Flows
Proprietary Fund for the year ended
December 31, 2015

Cash flows provided by operating activities:	
Cash receipts from customers	\$ 2,520,379
Cash payments for employee wages and benefits for services provided	(543,164)
Payments to suppliers	(1,669,173)
Net cash provided by operating activities	<u>308,042</u>
 Cash flows from capital and related financing activities:	
Purchase of capital assets	(308,518)
Net cash used by capital and related financing activities	<u>(308,518)</u>
 Cash flows from noncapital financing activities:	
Interest received	4,069
Increase (decrease) in refundable deposits	5,134
Net cash provided by noncapital financing activities	<u>9,203</u>
Net change in cash	8,727
Cash and cash equivalents - beginning of year	<u>3,393,504</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,402,231</u></u>
 Classified as:	
Cash and equivalents	\$ 647,013
Cash and equivalents, restricted	
Escrow funds	40,491
Council restricted	2,714,727
	<u><u>\$ 3,402,231</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (526,648)
Depreciation	766,099
Noncash change in pension obligation	123,819
Net changes in assets and liabilities:	
Accounts receivable	(5,135)
Prepaid expenses	3,245
Due to (from) general fund	(67,276)
Accounts payable	(7,703)
Accrued payroll and related liabilities	10,183
Accrued absences	11,458
	<u><u>\$ 308,042</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

The Town of Chapin, South Carolina (the “Town”) was founded by Martin Chapin in 1889 and originally incorporated in 1950 under the laws of the State of South Carolina. The Town adopted the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. The Town operates under the Mayor Council form of government with the Mayor and four council members comprising the governing body. As authorized by its Code of Ordinances, the Town provides public safety (police), municipal court, public works (streets), health and sanitation, licensing and regulation and general administrative services to its constituents.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Changes in Net Assets, which are the government-wide statements, report information on all of the nonfiduciary activities of the Town. Most of the interfund activity has been removed from these statements. The Town’s governmental activities, which are supported primarily by business licenses, taxes and intergovernmental revenues, are reported separately from its business-type activities, which rely on charges for services for support.

The Statement of Activities demonstrates the degree to which the direct expenses of specific functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not properly included among program revenues, including all taxes, are reported as general revenues,

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The Town currently has no fiduciary funds. Major individual governmental funds are included as separate columns in the fund financial statements. The proprietary funds distinguish operating revenues and expenses from nonoperating items. The operating items generally result

from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting the operating criteria are reported as nonoperating items.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recognized when a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due.

In the governmental funds statements, property taxes, investment earnings and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenue for the current fiscal period if received within 60 days of year-end. With the exception of sales tax distributions, revenues collected beyond 60 days after year end are not susceptible to accrual because generally they are either not available or not measurable until received in cash.

The Town reports the following major funds:

General Fund – The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are business licenses, property taxes, franchise fees, and to a lesser extent State grants. The primary expenditures of the Town are for public safety and general governmental services.

Enterprise Fund – This fund is used to account for activities for which a fee is charged to external users for goods or services. The Town's water and sewer activities are reported in an Enterprise Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

All funds of the Town are accounted for during the year on the modified accrual basis of accounting. The governmental funds are also reported using the modified accrual basis of accounting. The proprietary funds are reported using the full accrual basis of accounting.

The Town recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, property taxes and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the Town funds certain programs by specific grants, resources and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply grant resources to such programs and then general revenues.

Budgetary Data Control

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at the fiscal year end unless carried forward which must be approved by Town ordinance. Project length financial plans are adopted for all capital project funds whenever such projects are in force.

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State Law. For purposes of the statement of cash flows, the Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Town is authorized by ordinance to invest in obligations of the United States and its agencies and commercial paper.

The unexpended bond proceeds of the Town's general obligation bond is classified as restricted assets within the governmental funds because their use is completely restricted to the purpose for which the bonds were originally issued.

Receivables and Payables

Outstanding balances between funds are reported as "due from (to) other funds." In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible amounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The Town defines capital assets as assets with an individual cost of more than \$5,000, and an estimated useful life of more than two

years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Town capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$50,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Governmental Activities</u>	
Depreciable Land Improvements	10 – 30 years
Buildings and Improvements	10 – 50 years
Machinery and Equipment	7 – 15 years
Vehicles	5 years
<u>Business-type Activities</u>	
Depreciable Land Improvements	30 years
Machinery and Equipment	5 – 15 years
Vehicles	5 years

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net position and as a component of salary and benefit expenses in the statement of revenue, expense, and changes in net position.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as another financing source. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and any related premiums are reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as a reduction of proceeds.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate

financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Town of Chapin currently has one type of deferred outflows of resources. Chapin reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

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. Chapin currently has one type of deferred inflows of resources. Town of Chapin reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Net Position

The Town's net position is classified as follows:

Invested in capital assets, net of related debt: This amount represents the Town's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been included but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position – expendable: Restricted expendable net position includes resources in which the Town is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or to be used towards permitted daily operations and or future capital asset acquisition.

Restricted net position – nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position: Unrestricted net position represent resources that do not meet the definition of "Restricted" or "invested in capital assets, net of related debt". The Town's policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

Deposits

The Town's policies regarding the risk of financial instruments are included in Note 1. The Town is exposed to certain custodial credit risks from the use of local financial institutions for its depository accounts. At December 31, 2015 a total of \$4,190,719 was on deposit with local institutions in the name of the Town and were fully insured or collateralized by securities or an irrevocable line of credit pledged in the Town's name. The Town did not recognize any losses due to default by counterparties relating to depository relationships.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the investor will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. All of the investment pool assets are uninsured and unregistered, held by the counter party's trust department or agent in the investor's name.

Credit Risk

Credit risk is managed through the diversification of securities and types of securities within the investment pools. Credit ratings are not available for investments in debt securities.

Interest Rate Risk

Interest rate risk is managed through the diversification of securities and types of securities within the investment pools.

Liquidity Risk

Liquidity risk is managed through the diversification of types of securities, issuers, and issues within the investment pools.

Town of Chapin
Notes to Financial Statements
December 31, 2015

The following schedule reconciles cash and investments as reported in the Statement of Net Position to the footnote disclosures provided for deposits and investments:

Statement of net position	<u>December 31,</u> <u>2015</u>
Cash and cash equivalents	\$ 1,371,705
Cash, restricted escrow funds	40,491
Cash, restricted council	2,714,727
Cash, statutory restriction	63,996
Total reporting entity	<u>\$ 4,190,919</u>
 Note disclosure	
Cash on hand	\$ 200
Deposits with banks	4,190,719
Total reporting entity	<u>\$ 4,190,919</u>

Note 3 – Accounts Receivables

	Governmental Activities	Business Type Activities	Total December 31, 2015
Property taxes	\$ 100,935	\$ —	\$ 100,935
Service customers	—	228,750	228,750
Other	31,316	—	31,316
	<u>132,251</u>	<u>228,750</u>	<u>361,001</u>
Less, allowance for uncollectible	(—)	(10,000)	(10,000)
Net accounts receivable	<u>\$ 132,251</u>	<u>\$ 218,750</u>	<u>\$ 351,001</u>

Property Taxes

Real and all personal property taxes, other than automobile property taxes, attach as an enforceable lien on January 1st of each year. Real property taxes are levied in September of each year and are payable before January 15th of the subsequent year. Automobile property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tax expires. These taxes are assessed and collected by Lexington County, South Carolina under a joint billing and collection agreement. Other personal property taxes are levied in September of each year and are payable by January 15th of the subsequent year.

In the General Fund financial statements, property taxes are recorded as revenue in the period they are levied and become due and available within the current period or expected to be collected soon enough thereafter, within 60 days of each year, to be used to pay liabilities of the current period.

Town of Chapin
Notes to Financial Statements
December 31, 2015

Note 4 – Bond Issuance Costs

During 2011 the Town issued a bond to fund construction of a Town Hall. The Town incurred costs of \$15,000 related to the bond issuance; those costs are being amortized over a 10 year period.

Amortization expense for the year ended December 31, 2015 was allocated as follows:

Administration	\$ 750
Police	750
	<u>\$ 1,500</u>

Note 5 – Capital Assets

Governmental Activities	Balance, 31-Dec-14	Increases	Decreases	Balance 31-Dec-15
Capital assets not being depreciated				
Land and improvements	\$ 891,689	\$ -	\$ -	\$ 891,689
Total capital assets not being depreciated	<u>891,689</u>	<u>-</u>	<u>-</u>	<u>891,689</u>
Other capital assets:				
Building and improvements	4,472,546	-	-	4,472,546
Machinery and equipment	50,844	-	-	50,844
Vehicles	177,355	27,500	(23,857)	180,998
Depreciable land improvements	1,330,788	-	-	1,330,788
Total other capital assets	<u>6,031,533</u>	<u>27,500</u>	<u>(23,857)</u>	<u>6,035,176</u>
Less, accumulated depreciation for:				
Building and improvements	(276,218)	(128,576)	-	(404,794)
Machinery and equipment	(4,336)	(4,510)	-	(8,846)
Vehicles	(121,641)	(21,700)	16,303	(127,038)
Depreciable land improvements	(316,002)	(48,327)	-	(364,329)
Total accumulated depreciation	<u>(718,197)</u>	<u>(203,113)</u>	<u>16,303</u>	<u>(905,007)</u>
Other capital assets, net	<u>5,313,336</u>	<u>(175,613)</u>	<u>(7,554)</u>	<u>5,130,169</u>
Capital assets, net	<u>\$ 6,205,025</u>	<u>\$ (175,613)</u>	<u>\$ (7,554)</u>	<u>\$ 6,021,858</u>

For governmental activities depreciation expense for the year ended December 31, 2015 was allocated as follows:

Administration	\$ 181,413
Police	21,700
	<u>\$ 203,113</u>

Town of Chapin
Notes to Financial Statements
December 31, 2015

Business-type Activities	Balance, 31-Dec-14	Increases	Decreases	Balance 31-Dec-15
Capital assets not being depreciated				
Land and improvements	\$ 573,825	\$ -	\$ -	\$ 573,825
Construction in process	300,987	53,743	(292,579)	62,151
Total capital assets not being depreciated	<u>874,812</u>	<u>53,743</u>	<u>(292,579)</u>	<u>635,976</u>
Other capital assets:				
Machinery, equipment and other	63,371	130,047	-	193,418
Vehicles	32,732	138,280	-	171,012
Depreciable land improvements	21,667,533	699,724	(14,100)	22,353,157
Total other capital assets	<u>21,763,636</u>	<u>968,051</u>	<u>(14,100)</u>	<u>22,717,587</u>
Less, accumulated depreciation for:				
Machinery, equipment and other	(16,485)	(13,636)	-	(30,121)
Vehicles	(19,919)	(27,289)	-	(47,208)
Depreciable land improvements	<u>(11,005,323)</u>	<u>(725,174)</u>	<u>548</u>	<u>(11,729,949)</u>
Total accumulated depreciation	<u>(11,041,727)</u>	<u>(766,099)</u>	<u>548</u>	<u>(11,807,278)</u>
Other capital assets, net	<u>10,721,909</u>	<u>201,952</u>	<u>(13,552)</u>	<u>10,910,309</u>
Capital assets, net	<u>\$ 11,596,721</u>	<u>\$ 255,695</u>	<u>\$ (306,131)</u>	<u>\$ 11,546,285</u>

At December 31, 2015 the Town was in the process of constructing a new sewer treatment facility. Anticipated total construction costs for the new sewer plant are expected to be \$12 million. The Town anticipates paying for this new sewer plant by using cash reserves, an increase in the rates charged to customers, and obtaining a loan to finance the construction.

Additionally, the Town anticipates installing approximately three miles of a new sewer line to the treatment plant during the year ended December 31, 2017 it is anticipated that the total cost of this new sewer line will be approximately \$900,000.

Note 6 – Leasing Obligations

Future minimum payment obligations under operating leases are as follows:

2016	\$ 5,779
2017	5,779
2018	3,853
2019	-
2020	-
	<u>\$ 15,411</u>

Note 7 – Pension Plan and Other Employee Benefits

The majority of 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

Benefits Authority (PEBA). Generally, all full-time or part-time equivalent 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. The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits, to eligible employees and retired members.

The Retirement 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. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

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 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 service retirement annuity 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).

Disability annuity benefits are available 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 can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2012, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

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 January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member’s participation may not continue after this date.

Effective July 1, 2014, employees participating in the SCRS were required to contribute 8.16% of all earnable compensation. The employer contribution rate for SCRS was 10.91% retirement contribution and 0.15% for the incidental death benefit program. The Town’s actual retirement and incidental death program contributions to the SCRS for the years ended December 31, 2015 and 2014 and 2013, respectively were:

Fiscal Year Ended	Retirement System		Incidental Death	
	Employer Contribution Rate Effective	Employer Actual Contribution	Employer Contribution Rate Effective	Employer Actual Contribution
	July 1st		July 1st	
2015	10.910%	\$ 62,613	0.15%	\$ 867
2014	10.750%	\$ 26,458	0.15%	\$ 325
2013	10.450%	\$ 22,676	0.15%	\$ 306

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 Chapin
Notes to Financial Statements
December 31, 2015

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, 2015, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 13.74%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.34%, 0.20% for the incidental death program, and 0.20% for the accidental death program. The Town’s actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended December 31, 2015 and 2014 and 2013, respectively were:

Fiscal Year Ended	Retirement System		Incidental Death and Accidental Death	
	Employer Contribution Rate Effective	Employer Actual Contribution	Employer Contribution Rate Effective	Employer Actual Contributions
	July 1st		July 1st	
2015	13.340%	\$ 35,386	0.15%	\$ 1,612
2014	13.010%	\$ 33,403	0.15%	\$ 1,575
2013	12.440%	\$ 30,668	0.15%	\$ 1,511

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At December 31, 2015 the Town’s governmental activities reported \$358,664 and \$586,219 for its proportionate share of the net pension liabilities of SCRS and PORS, the Business-Type Activities reported \$543,524 for its proportionate share of the net pension liabilities of SCRS. The net pension liability defined of the SCRS and the PORS defined benefit pension plans were determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The Town’s portion of the net

Town of Chapin
Notes to Financial Statements
December 31, 2015

pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. The change proportion between years was:

	SCRS	PORS
June 30, 2015	0.004757%	0.02690%
June 30, 2014	0.001987%	0.01660%

At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	SCRS	PORS
Differences Between Expected and Actual Experience	\$ 16,029	\$ 11,619
Assumption Changes	—	—
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,038	6,415
Change in Allocated Proportion	382,638	169,881
Contributions after the Measurement Date	33,662	16,690
Total	<u>\$ 438,367</u>	<u>\$ 204,605</u>
Deferred Inflows of Resources	SCRS	PORS
Differences Between Expected and Actual Experience	\$ 1,613	\$ —
Assumption Changes	—	—
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	—
Change in Allocated Proportion	—	—
Total	<u>\$ 1,613</u>	<u>\$ —</u>

The contributions subsequent to the measurement date to the SCRS, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last

Town of Chapin
Notes to Financial Statements
December 31, 2015

experience study was performed on data through June 30, 2010, and the next experience study, performed on data thru June 30, 2015, is currently underway.

The following table provides a summary of the actuarial assumptions used in the July 1, 2014 valuations.

	SCRS	PORS
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	3.5% to 12.5%	4.0% to 10.0%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as consensus economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the pension systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset

Town of Chapin
Notes to Financial Statements
December 31, 2015

allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Discount Rate

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

The following table presents the sensitivity of the Town's proportionate share of the net pension liability of the Plan as of June 30, 2015 to changes in the discount rate, calculated using the

discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.50 percent) or 1% point higher (8.50 percent) than the current rate:

Plan	1% Decrease	Current	1% Increase
	(6.50%)	Discount Rate (7.50%)	(8.50%)
SCRS	\$ 1,137,401	\$ 902,188	\$ 705,049
PORS	798,567	586,219	396,391
Total	<u>\$ 1,935,968</u>	<u>\$ 1,488,407</u>	<u>\$ 1,101,440</u>

Plan Fiduciary Net Position

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

Note 8 – Contingencies and Project Commitments

As further discussed in footnote 5, the Town is in the process of evaluating the operational usage and capacity limits of the wastewater disposal system. It is anticipated that in the near term it will be necessary to expand the system to satisfy increased usage. Such expansion is likely to have a significant impact on the financial position of the Business Type Activities of the Town.

In the normal course of operations, the Town participates in various federal or state grant / loan programs from year to year. The grant / loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Note 9 – Risk Management

The Town is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The Town purchases the following insurance from the State of South Carolina. The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker’s compensation benefits for job—related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Town of Chapin
Notes to Financial Statements
December 31, 2015

Employees elect health insurance coverage through either a health maintenance organization or through the State’s self-insured plan.

The Town and other entities pay premiums to the State’s Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercrafts
- Torts
- Natural disasters

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF’s rates are determined actuarially.

The Town obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

Note 10 – Long Term Liabilities

Long-term liability activity for the years ended is as follows:

	<u>December</u> <u>31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2015</u>	<u>Due within</u> <u>1 year</u>
Accrued compensated absences and related benefits	<u>\$ 20,234</u>	<u>\$ 27,987</u>	<u>\$ 12,420</u>	<u>\$ 35,801</u>	<u>\$ 35,801</u>
Bonds Payable	<u>\$ 584,424</u>	<u>\$ —</u>	<u>\$ 75,148</u>	<u>\$ 509,276</u>	<u>\$ 77,769</u>

The bonds are being repaid over a 10 year period with interest on the bonds is at 3.490%. The Town may repay the bonds early without penalty. The Town is considering refinancing the debt in an effort to obtain a lower rate of interest.

Debt service requirements for the Town’s general obligation bond used to construct the Town Hall are as follows.

Year Ending June 30,	Governmental Activities General Obligation Bonds	
	Principal	Interest
2016	\$ 77,769	\$ 20,397
2017	80,484	15,060
2018	83,293	12,251
2019	86,200	9,344
2020	89,208	6,336
2021-2025	92,322	194,310
	<u>\$ 509,276</u>	<u>\$ 257,698</u>

Note 10 – Concentration of Revenue

For the Governmental Activities of the Town approximately 20% of general revenue is received from one taxpayer for a business license.

Note 11 – Pending and Threatened Litigation

The Town is from time to time involved in various litigation matters as either plaintiff or defendant. After considering known and potential litigation outstanding management does not expect to have a material adverse effect on the Town’s future financial position, or results of operations.

Note 12: Risk Management

The Town is exposed to various risks of loss and maintains commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Town pays insurance premiums to commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

In management’s opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

Note 13 – Inter Fund Balance

The Governmental Activities of the Town has an overall deficit net position as a result of cash transfers from the enterprise fund to pay for construction costs related to building the Town Hall during 2013. Management and Town Council are evaluating various options to restore it to a positive balance. The Town has traditionally experienced operating cash receipts in excess of

disbursements, and anticipates reducing expenses to restore the deficit net position to a positive balance.

Note 14 – Subsequent Events Review

Management has reviewed the activity of the Town subsequent to year-end through March 29, 2016, the date the statements were available to be issued, for items of significance that would be required by professional standards to be disclosed in these statements. Except as follows, no items of significance were noted.

The Town is considering refinancing the general obligation bond in an attempt to lower the interest rate. If successfully refinanced it is expected that approximately \$13,000 will be saved in interest expense over the remaining payment period.

Town of Chapin
 Required Supplementary Information
 Schedule of Town of Chapin's Proportionate Share of the
 South Carolina Retirement System Net Pension Liability
 for the year ended
 December 31, 2015

	<u>2015</u>
South Carolina Retirement System	
Town of Chapin's Proportion of the Net Pension Liability	0.001987%
Town of Chapin's Proportionate Share of the Net Pension Liability	\$ 902,188
Town of Chapin's Covered-Employee Payroll	\$ 577,855
Town of Chapin's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	156.127%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.0%
Police Officer Retirement System	
Town of Chapin's Proportion of the Net Pension Liability	<u>0.016600%</u>
Town of Chapin's Proportionate Share of the Net Pension Liability	\$ 586,219
Town of Chapin's Covered-Employee Payroll	\$ 268,814
Town of Chapin's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	218.076%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.6%

Notes to Schedule:

The amount presented for each fiscal year were determined as of June 30th of the preceeding year

See Independent Auditor's Report

Town of Chapin
 Required Supplementary Information
 Schedule of Contributions to South Carolina Retirement System
 Last 10 Fiscal Years
 for the year ended
 December 31, 2015

	2015	2014	2013	2012	2011	2010
South Carolina Retirement System						
Contractually Required Contribution	\$ 62,613	\$ 26,458	\$ 22,676	\$ 20,251	\$ 18,530	\$ 16,391
Contribution in Relation to the Contractually Required Contribution	62,613	26,458	22,676	20,251	18,530	16,391
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	577,855	249,898	216,997	204,115	198,980	177,396
Contribution as a Percentage of Covered-Employee Payroll	10.840%	10.590%	10.450%	9.920%	9.310%	9.240%
Required Contribution Rate at Year-End	10.910%	10.750%	10.450%	10.450%	9.385%	9.240%
Police Officer Retirement System						
Contractually Required Contribution	\$ 35,386	\$ 33,403	\$ 30,668	\$ 25,417	\$ 20,522	\$ 23,784
Contribution in Relation to the Contractually Required Contribution	35,386	33,403	30,668	25,417	20,522	23,784
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	268,814	262,441	251,847	218,125	183,145	218,314
Contribution as a Percentage of Covered-Employee Payroll	13.160%	12.730%	12.180%	11.650%	11.210%	10.890%
Required Contribution Rate at Year-End	13.340%	13.010%	12.440%	11.900%	11.363%	11.130%

The information for fiscal years 2009 through 2006 is not available.

See Independent Auditor's Report

Town of Chapin
Supplementary Schedule of Fines and Assessments
for the year ended
December 31, 2015

Collections: \$ 75,729

Disbursements:	State Treasurer	42,784
	Audit Fee	1,000
	Surcharges and Victims Assistance	3,866
	Revenue Town	26,254
	Disbursed by Court Clerk	2,669
		<u>\$ 76,573</u>

See Independent Accountant's Report

Town of Chapin
 Supplementary Schedule of Victim's Assistance
 Collections and Disbursements for the year ended
 December 31, 2015

Balance per bank account	December 31, 2014	\$ 60,116
Collections:	Fines and assessments	3,787
	Interest	93
		3,880
Disbursements:	Victim's assistance	-
Balance per bank account	December 31, 2015	\$ 63,996

See Independent Accountant's Report

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*

Town of Chapin
Chapin, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental and business type activities of the Town of Chapin (the "Town"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 29, 2016.

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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies. See findings 2015-01 and 2015-02.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Chapin's Response to Findings

Town of Chapin's response to the findings identified in our audit is described in the accompanying Attachment A. Town of Chapin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN CPA, L.L.C.

Irmo, South Carolina

March 29, 2016

Schedule of Findings 2015

2015-01 Incompatible Functions

This is a Significant Deficiency

Condition – The financial transactions of the general fund and proprietary fund of the Town are primarily recorded by two individuals, one accountant for the general fund and one accountant for the proprietary fund. These individuals are responsible for numerous incompatible functions such as opening the mail, making bank deposits, posting journal entries to the financial records, check writing, and bank account reconciliation, among other things.

Criteria – Segregation of duties results in improved internal control.

Effect – The Town has an internal control structure which could result in financial irregularities due to the Town being a small municipality with limited staffing.

Questioned Costs – None

Recommendation – The Town should consider improving the segregation of duties of Town personnel to reduce or eliminate incompatible functions. The Town should consider the incremental costs of additional oversight and segregation of duties to the perceived benefits received. Specifically, we recommend a) that someone that does not have access to the financial records, such as a member of the police force, make the daily bank deposits, b) all mail should be picked up by an employee who has no responsibilities related to the handling or recording of deposits, accounts receivable records, or revenues, and c) bank statements should be delivered to a post office box with access limited to an employee or council member outside of the financial reporting process.

Managements Response – See management’s response attached.

2015-2 Update of Employee Policy Manual

This is a Significant Deficiency

Condition – During the planning for the audit for the year ended December 31, 2015 it was noted that:

The Employee Policy Manual has not been updated since 1998. The Town of Chapin has consulted with an employment lawyer and per town management, that lawyer has recommended that the Town of Chapin make significant revisions to the employee manual to bring it into compliance with current regulatory requirements and employment law best practices.

Criteria – Various regulatory requirements and employment best practices.

Town of Chapin

Schedule of Findings 2015

Effect – By not updating the Employee Policy Manual the Town exposes itself to potential employee misconduct that could otherwise be expressly prohibited by policy.

Questioned Costs – None

Recommendation – We recommend that The Town of Chapin revise the Employee Policy Manual to better align with current labor law and employer policy best practices.

Status of Prior Year Findings:

Finding	Status
2014-1 Financial Reporting – Financial Statement Level – (initially reported January 24, 2014)	Corrective Action Taken
2014-2 Maintaining Supporting Documentation / Improve Upon the Record Retention Policy – (initially reported January 24, 2014): <ol style="list-style-type: none"> 1) Maintaining Supporting Documentation 2) General Fund of the Town has several bank accounts and monthly statements are not consistently maintained and or filed in a fashion allowing for easy retrieval; further the accounts are not timely reconciled. 3) The Town has what appears to be a significant quantity of dated material that is likely of no further use to the Town. 	Corrective Action Taken
2014-3 Timely Perform Financial Statement Audit During the audit for the year ended December 31, 2012, 2013 and 2014 we noted that the audit was not timely performed due in part to turnover in key management positions.	Corrective Action Taken
2014-4 Incompatible Functions– (initially reported January 24, 2014)	See current year comment #2015-01
2014-5 Update of Employee Policy Manual – (initially reported December 15, 2014)	See current year comment #2015-02
2014-6 Obtain Authorization for Acquisition of Goods and Services in Excess of Threshold	Corrective Action Taken

Attachment A



157 NW Columbia Avenue • P.O. Box 183 • Chapin, SC 29036

March 29, 2016

Brown CPA, LLC
PO Box 3288
Irmo, SC 29063

RE: Management response to the 2015 Schedule of Findings

Dear Matt Brown;

We are in receipt of the 2015 audit report for the Town of Chapin. After reviewing the Schedule of Findings reported in the audit, it is our opinion that the continued efforts of town personnel in 2016 will correct some of the findings reported.

The financial activities of the Town are processed by a small accounting department resulting in limited segregation of duties and thus internal control conflicts. We recognize this structural deficiency and will continue to try and identify opportunities to strengthen the internal control structure giving consideration to any additional costs associated with improving the internal controls verses the perceived benefits.

Sincerely,

Mayor Skip Wilson