Note 7 - Capital Assets

Primary government capital asset activity for the year ended June 30, 2015 is as follows:

Governmental Activities:	Balance 06/30/14	Additions	Retirements	Balance 06/30/15
Capital assets, not being depreciated:				
Land	$ 36,000	$ -	$ -	$ 36,000
Construction in progress	-	221,360	-	221,360
Total capital assets, not being depreciated	36,000	221,360	-	257,360
Capital assets, being depreciated:				
Buildings	2,212,548	-	-	2,212,548
Improvements other than buildings	1,590,933	16,300	-	1,607,233
Infrastructure	224,094	-	-	224,094
Machinery and equipment	3,402,873	119,885	-	3,522,758
Total capital assets, being depreciated	7,430,448	136,185	-	7,566,633
Less accumulated depreciation for:				
Buildings	1,116,909	48,699	-	1,165,608
Improvements other than buildings	270,831	51,535	-	322,366
Infrastructure	29,666	7,470	-	37,136
Machinery and equipment	2,732,136	162,493	-	2,894,629
Total accumulated depreciation	4,149,542	270,197	-	4,419,739
Total capital assets, being depreciated, net	3,280,906	(134,012)	-	3,146,894
Governmental activities capital assets, net	$ 3,316,906	$ 87,348	$ -	$ 3,404,254

Depreciation expense was charged as direct expenses to programs of the City government as follows:

Governmental Activities:	
General government	$ 103,822
Public safety	82,734
Public works	48,916
Culture and recreation	34,725
	$ 270,197

Note 8 - Long-Term Debt

Long-term liability activity for the year was comprised of obligations for a bond, lease financing and accrued compensated absences.

Activity for the fiscal year is as follows:

	Balance 06/30/14	Increase	Decrease	Balance 06/30/15
General obligation bond, Series 2009. Due in annual payments of $47,592, principal & interest (3.34%), due April 2019.	$ 216,048	$ -	$ 40,382	$ 175,666
Lease purchase. Due in quarterly payments of $6,060, principal and interest (3.56%), due August 2015.	29,062	-	23,501	5,561
Lease purchase. Due in quarterly payments of $7,662, principal and interest (1.32%), due August 2015.	37,951	-	30,296	7,655
Lease purchase. Due in annual payments of $38,502, principal and interest (1.64%), due September 2018.	104,660	59,844	-	164,504
Total general long-term debt	$ 387,721	$ 59,844	$ 94,179	$ 353,386

The long-term debt is reflected in the Statement of Net Assets based on the maturity of the debt as follow:

Year ended	Principal	Interest	Total
2016	$ 91,451	$ 5,939	$ 97,390
2017	79,793	6,301	86,094
2018	81,835	4,259	86,094
2019	100,307	2,159	102,466
2020	-	1,538	1,538
	$ 353,386	$ 20,196	$ 373,582

	Balance 06/30/14	Increase	Decrease	Balance 06/30/15
Accrued compensated absences	$ 103,701	$ -	$ 13,450	$ 90,251
Total general long-term debt	$ 103,701	$ -	$ 13,450	$ 90,251

Accrued compensated absences are reflected in the Statement of Net Assets based on the maturity of the debt as follow:

	Accrued Compensated Absences	Total
Due within one year	$ 5,145	$ 5,145
Due after one year	85,106	85,106
	$ 90,251	$ 90,251

There was interest expense of $8,300 for the year related to long-term debt.

Note 9 - Employee Pension Plans

The Government Accounting Standards Board (GASB) issued Statement No. 68 entitled Accounting and Financial Reporting for Pension Plans in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System are prescribed in paragraph 48 through 82 of GASB 68. The following information is provided in order to meet the current disclosure requirements

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustees and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also review certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting the review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and require supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link of PEBA's website at www.peba.sc.gov, or copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state

Plan Description – The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivision.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership – membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system in presented below.

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP – as an alternative to membership is SCRS, newly hired state, public school, and higher education employed and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investments providers. PEBA assumes no liability of State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purpose. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.57 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

Benefits – Benefits terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit term without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit term for each system is presented below.

SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS – A Class Two member what has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipts of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions – Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase or more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rate last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rate in equal percentage amount for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

The following table presents the required contributions (including group life insurance) to the SCRS and PORS by the City for the years ended June 30, 2015, 2014 and 2013:

Year Ending June 30,		Covered Salaries	Employee Contribution	Employer Contribution	Total Contributions
2015	Regular	$ 885,590	$ 70,847	$ 95,201	$ 166,048
	Police	1,750,294	218,047	227,713	445,760
2014	Regular	892,215	66,916	94,575	161,491
	Police	1,768,626	138,660	227,092	365,752
2013	Regular	838,418	62,655	94,876	157,531
	Police	1,741,916	117,969	207,288	325,257

SCRS and ORP - Employer contribution rates were 10.75%, 10.45% and 10.6% for the years ended June 30, 2015, 2014 and 2013, respectively. Employee contribution rates were 8.00%, 7.50% and 7.00% for the years ended June 30, 2015, 2014 and 2013, respectively.

PORS – Employer contribution rates were 13.01%, 12.84% and 11.9% for the years ended June 30, 2015, 2014 and 2013, respectively. Employee contribution rates were 8.41%, 7.84% and 7.00% for the years ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of $4,507,202 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportion was 0.009828% for SCRS and 0.147050% for PORS.

For the year ended June 30, 2015, the City recognized pension expense of $363,107. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 468,386
Liability experience	123,070	-
Contributions subsequent to the measurement date	331,789	-
	$ 454,859	$ 468,386

The $331,789 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,		SCRS		PORS
2016	$	(20,833)	$	(61,951)
2017		(20,833)		(61,951)
2018		(20,833)		(61,951)
2019		(32,208)		(64,756)
Total	$	(94,707)	$	(250,609)

Actuarial Assumptions and Methods -- Actuarial valuations involve estimates of the reported amount and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study preformed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for SCRS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increase	Levels off at 3.5%	Levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lessor of 1% or $500	Lessor of 1% or $500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The assumption includes base rates which are automatically adjusted for future improvement in mortality using RP-2000 Mortality Table (White Collar Adjustment of Educators), Projected at Scale AA for Year 2000.

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 third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return of each major asset class and were developed in coordination with the investment consultant for 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 Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected rates of investment return, along with the expected inflation rate, form the basis for the target asset 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 is the following table. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

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