

TOWN OF JAMES ISLAND
INDEPENDENT AUDITOR'S REPORT
AND
BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

MAYOR

Bill Woolsey

MAYOR PRO TEMPORE

Leonard Blank

TOWN COUNCIL MEMBERS

Garrett Milliken
Darren "Troy" Mullinax
Joshua P. Stokes

TOWN ADMINISTRATOR

Ashley Kellahan

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October 18, 2016

INDEPENDENT AUDITOR'S REPORT

Mr. William Woolsey, Mayor and
Town Council Members
Town of James Island, South Carolina

We have audited the accompanying basic financial statements and the related notes of the Town of James Island, South Carolina, as of June 30, 2016 and for the year then ended, 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund as of June 30, 2015, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has elected to omit management's discussion and analysis. Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of net pension liability and the schedule of contributions – state pension plan 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 historic 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. Our opinion on the basic financial statements is not affected by the missing information.

Wilson & Quirk, LLC

THE TOWN OF JAMES ISLAND,
SOUTH CAROLINA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Exhibit "A"

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 4,198,851
Restricted cash and cash equivalents	3,269,329
Receivables:	
Insurance collection	106,017
Franchise fees	59,837
Local option sales tax	235,586
Alcohol beverage license	1,950
Business license	31,972
State aid to subdivisions	62,150
Miscellaneous	14,441
Prepaid insurance	2,300
<u>Property and Equipment</u> , net of accumulated depreciation	<u>2,058,478</u>
Total assets	<u>10,040,911</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	<u>135,101</u>
<u>LIABILITIES</u>	
Accounts payable	28,927
Accrued payroll and payroll taxes	28,009
Net pension liability	767,533
Long-term liabilities	
Due within one year	201,750
Due in more than one year	<u>2,971,302</u>
Total liabilities	<u>3,997,521</u>
<u>Deferred Inflows of Resources Related to Pensions</u>	<u>1,373</u>
<u>NET POSITION</u>	
Investment in capital assets	2,063,478
Restricted for	
Debt service	266,444
Capital projects	3,002,885
Unrestricted	<u>844,311</u>
Total Net Position	<u>\$ 6,177,118</u>

See notes to financial statements.

THE TOWN OF JAMES ISLAND,
SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit "B"

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Operating Grants and Contri- butions</u>	<u>Charges for Services</u>	<u>Capital Grants and Contri- butions</u>	
Primary Government:					
Government Activities:					
General government	\$ 496,598	\$ 00	\$ 00	\$ 00	\$ (496,598)
Elected official	83,480	00	00	00	(83,480)
Planning	84,309	00	11,956	00	(72,353)
Public works	131,257	00	00	00	(131,257)
Building inspection	53,731	00	11,232	00	(42,499)
Codes & safety	253,729	00	12,420	00	(241,309)
Parks & recreation	60,593	6,254	00	902,630	848,291
Facilities and equipment	264,609	00	00	00	(264,609)
Bond costs	<u>148,198</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>(148,198)</u>
 Total government activity	 <u>\$ 1,576,504</u>	 <u>\$ 6,254</u>	 <u>\$ 35,608</u>	 <u>\$ 902,630</u>	 <u>(632,012)</u>
 General Revenues:					
Local option sales tax – revenue					366,630
Local option sales tax – property tax					930,637
State aid to subdivisions					252,256
Franchise fees					481,665
Brokers and insurance tax					581,211
Business licenses					273,083
Liquor licenses					13,100
Other					<u>6,320</u>
 Total general revenue					 <u>2,904,902</u>
 Changes in net position					 2,272,890
 Net Position – Beginning					 <u>3,904,228</u>
 Net Position – Ending					 <u>\$ 6,177,118</u>

See notes to financial statements.

THE TOWN OF JAMES ISLAND,
SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUND
AS OF JUNE 30, 2016

Exhibit "C"

	General Fund	Project Fund	Debt Service Fund	Total Government Fund
ASSETS				
Cash and cash equivalents	\$ 4,198,851	\$ 00	\$ 00	\$ 4,198,851
Restricted cash and cash equivalents	00	3,002,885	266,444	3,269,329
Receivables:				
Insurance collection receivable	106,017	00	00	106,017
Franchise fee receivable	59,837	00	00	59,837
Local option sales tax receivable	235,586	00	00	235,586
Alcohol beverage license receivable	1,950	00	00	1,950
Business license receivable	31,972	00	00	31,972
State aid to subdivisions receivable	62,150	00	00	62,150
Miscellaneous	14,441	00	00	14,441
Due from project fund	200,824	00	00	200,824
Prepaid insurance	<u>2,300</u>	<u>00</u>	<u>00</u>	<u>2,300</u>
Total Assets	<u>\$ 4,913,928</u>	<u>\$ 3,002,885</u>	<u>\$ 266,444</u>	<u>\$ 8,183,257</u>
LIABILITIES				
Accounts payable	\$ 28,927	\$ 00	\$ 00	\$ 28,927
Accrued payroll and payroll taxes	28,009	00	00	28,009
Due to General Fund	<u>00</u>	<u>200,824</u>	<u>00</u>	<u>200,924</u>
Total liabilities	<u>56,936</u>	<u>200,824</u>	<u>00</u>	<u>257,760</u>
FUND BALANCE				
Nonspendable	2,300	00	00	2,300
Restricted	00	2,802,061	266,444	3,068,505
Committed	573,566	00	00	573,566
Unassigned	<u>4,281,126</u>	<u>00</u>	<u>00</u>	<u>4,281,126</u>
Total fund balance	<u>4,856,992</u>	<u>2,802,061</u>	<u>266,444</u>	<u>7,925,497</u>
Total Liabilities and Fund Balances	<u>\$ 4,913,928</u>	<u>\$ 3,002,885</u>	<u>\$ 266,444</u>	<u>\$ 8,183,257</u>
Total Fund Balance – Governmental Funds				\$ 7,925,497
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund (net of accumulated depreciation)				2,058,478
Long-term liabilities are not due and payable in the current period, and therefore, are not recorded in the General Fund				
Compensated absences (vacation time earned)				(21,969)
Net pension liability				(633,805)
Bonds payable				<u>(3,151,083)</u>
Net Position of Governmental Activities				<u>\$ 6,177,118</u>

See notes to financial statements.

THE TOWN OF JAMES ISLAND,
SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit "D"
Page 1

	<u>General Fund</u>	<u>Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Government Fund</u>
<u>Revenues</u>				
Local option sales tax – revenue	\$ 366,630	\$ 00	\$ 00	\$ 366,630
Local option sales tax – property tax	930,637	00	00	930,637
State aid to subdivisions	252,256	00	00	252,256
Permits, planning and other charges	35,608	00	00	35,608
Business license	273,083	00	00	273,083
Liquor license	13,100	00	00	13,100
Franchise fees	481,665	00	00	481,665
Insurance collection program	581,211	00	00	581,211
Other	6,320	00	00	6,320
Donations	6,754	00	00	6,754
Greenbelt grant	<u>902,130</u>	<u>00</u>	<u>00</u>	<u>902,130</u>
Total revenues	<u>3,849,394</u>	<u>00</u>	<u>00</u>	<u>3,849,394</u>
<u>Expenditures</u>				
Current:				
General government	484,204	00	00	484,204
Elected officials	78,944	00	00	78,944
Planning	81,008	00	00	81,008
Public Works	127,612	00	00	127,612
Building inspection	51,592	00	00	51,592
Code & safety	250,742	00	00	250,742
Parks and recreation	60,593	00	00	60,593
Facilities and equipment	230,115	00	00	230,115
Capital outlay	1,451,840	200,824	00	1,652,664
Bond costs	<u>00</u>	<u>148,198</u>	<u>00</u>	<u>148,198</u>
Total expenditures	<u>2,816,650</u>	<u>349,022</u>	<u>00</u>	<u>3,165,672</u>
Excess (deficiency) of revenues over expenditures	<u>1,032,744</u>	<u>(349,022)</u>	<u>00</u>	<u>683,722</u>
<u>Other Financing Sources</u>				
Operating transfers	(266,444)	00	266,444	00
Issuance of lease revenue bonds	<u>00</u>	<u>3,151,083</u>	<u>00</u>	<u>3,151,083</u>
Total other financing sources	<u>(266,444)</u>	<u>2,151,083</u>	<u>266,444</u>	<u>3,151,083</u>
Net change in fund balance	766,300	3,802,061	266,444	3,834,805
Fund Balance – Beginning	<u>4,090,692</u>	<u>00</u>	<u>00</u>	<u>4,090,692</u>
Fund Balance – Ending	<u>\$ 4,856,992</u>	<u>\$ 2,802,061</u>	<u>\$ 266,444</u>	<u>\$ 7,925,497</u>

See notes to financial statements.

THE TOWN OF JAMES ISLAND,
SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit "D"
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Net change in fund balances – total governmental fund \$ 3,834,805

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,652,664
Depreciation expense	(34,494)

An item reported in the Statement of Activities does not require the use of current financial resources and therefore, are not reported as expenditures in the governmental fund. This activity consists of:

Pension accrual	(29,376)
Compensated absence	374

Government funds report the issuance of long-term debt (e.g. bond proceeds and capital lease issuance) as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as liability. Government funds report repayment of debt principal as an expenditure. In contrast the Statement of Activities treats such repayments as a reduction in long term liabilities issuance of bonds payable.

(3,151,083)

Change in Net Position of Governmental Activities \$ 2,272,890

See notes to financial statements.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

General

The Town of James Island (the Town) was created by South Carolina Code Section 5-1-70 and began operations August 2, 2012. Services provided by the Town include zoning, permitting, public works, building inspection, code enforcement, public safety, disaster and emergency preparedness, recreation, and general government. The Town operates under a Council form of government. The Town Council is composed of a mayor and four town council members elected at large.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Accounting Principles Board (APB) and the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The Town is fiscally autonomous in accordance with Statement Number 14 of the Governmental Accounting Standards Board, therefore is a separate governmental entity.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either (1) the Town is able to impose its will on the entity or, (2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a)determine its budget without the Town having the authority to approve or modify that budget; (b)levy taxes or set rates or charges without approval by the Town and (c)issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a)the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to, the entity, or (c)the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Included in the Town's government wide financial statements is the James Island Public Facilities Corporation, incorporated as a non-member public benefit nonprofit corporation on June 16, 2016. The Corporation's governing board consists of the Mayor, Mayor Pro Tem of the Town and the Town Administrator.

The corporation is the issuer of the Lease Revenue Bonds Series 2016 to acquire, construct, furnish and equip a Town Hall and administrative building for offices for certain Town officials and for other functions and to finance the costs of the issuance of the Series 2016 Bonds. The Town contributed \$266,443.76 of its revenues for deposit into the Debt Service Reserve Account established with respect to the Series 2016 Bonds. The Town is also providing for the debt service payments as the Corporation has no assets other than its interest in the Series 2016 Town Hall project.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues, business licenses and fees. The Town does not have any business type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. The Town has three governmental funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental funds.

The Governmental Funds of the financial reporting entity are described below:

General Fund – The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Project Fund – This fund is used to account for the purchase and construction of the Town Hall project and for the payment of the issuance costs of the Series 2016 Bonds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the Series 2016 Bonds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. This fund uses the fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

D. Assets, Liabilities, Equity, Revenue and Expenses

Cash equivalents – For the purpose of the Statement of Net Assets, cash, including time deposits includes all demand and savings accounts of the Town.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon an analysis of and the periodic aging of accounts receivable. Accounts receivable consists primarily of franchise fees, sales and intergovernmental taxes. The allowance for uncollectible accounts was -0- for the year.

Property Tax

The Town levied a property tax during the year ended June 30, 2016, which was netted to zero by the local option sales tax credit.

Government-wide Statements:

In the government-wide financial statements, capital assets are valued at historical cost, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Items greater than \$500, and have a life expectancy of more than one year, are capitalized.

Depreciation of all exhaustible capital assets is recorded and allocated in the Statement of Activities (See Note 5), with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is computed over the assets' estimated useful lives using the straight-line method of depreciation. The leasehold improvements are amortized over the remaining term of the lease. The range of estimated useful lives by type of asset is as follows:

Vehicle	5 years
Leasehold improvements	4.2 years
Office Equipment	3 years
Park Improvements	20 years
Infrastructure	20 years
Signs	5 years

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned, but unused, vacation leave. An expense and a liability for vacation pay are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

Equity Classifications

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned.

E. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE TOWN OF JAMES ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

F. Subsequent Events

Management has evaluated subsequent events through October 21, 2016, the date the financial statements were available.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting – Formal budgets are employed as management control devices for the General Fund. Prior to the beginning of the year, the General Fund is approved by the Town Council. This budget constitutes a legal limit on spending and subsequent budget amendments must be approved. In addition, budget transfers between individuals' accounts are limited to \$10,000.

Permitted Deposits and Investments – State statutes permit the Town to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U. S. Treasury and U. S. Agencies, State obligations and certificates of deposit that are collaterally secured by U.S. or state obligations and certificates of deposit that are collaterally secured by U.S. or state obligations.

NOTE 3. DEPOSITS AND INVESTMENTS

The Town's deposits and investments are classified by three categories of risk as either (1) insured or collateralized with securities held by the Town or by its agent in the Town's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent, or (3) uncollateralized. Bank balances are not classified if collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Town's name.

The following reflects the allocation of deposits by risk category as of June 30, 2016:

<u>Type of Deposits</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	<u>\$ 7,491,754</u>	<u>\$7,174,962</u>	<u>\$ 00</u>	<u>\$ 316,792</u>	<u>\$ 7,468,180</u>

THE TOWN OF JAMES ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4. CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2016 was as follows:

Governmental Activities:	<u>Balance</u> <u>8/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/16</u>
Land	\$ 293,800	\$ 1,037,130	\$ 00	\$ 1,330,930
Leasehold Improvements	4,650	00	00	4,650
Equipment	50,145	27,776	00	77,921
Vehicles	23,175	27,117	00	50,292
Park improvements	16,200	00	00	16,200
Infrastructure	68,011	416,408	00	484,419
Town signs	12,135	00	00	12,135
Construction in progress	<u>6,231</u>	<u>144,233</u>	<u>00</u>	<u>150,464</u>
	474,347	1,652,664	00	2,127,011
Less: accumulated depreciation	<u>(34,039)</u>	<u>(34,494)</u>	<u>00</u>	<u>(68,533)</u>
Net Capital Assets – Governmental	<u>\$ 440,308</u>	<u>\$ 1,618,170</u>	<u>\$ 00</u>	<u>\$ 2,058,478</u>

Depreciation expense is \$ 34,494 for the governmental activities and is allocated to facilities and equipment.

NOTE 5 INTERFUND RECEIVABLE AND PAYABLE

The balances of interfund receivables and payables at June 30, 2016 were as follows:

<u>Receiving Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Debt Service	General	\$ 266,444

The above transfer was made June 29, 2016 from the General Fund to fund the amount of the Debt Service Fund as required by the Lease Revenue Bonds, Series 2016.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 LONG-TERM LIABILITIES

Details of the long-term debt as of June 30, 2016 was as follows:

Lease Revenue Bonds – Series 2016

The Lease Revenue Bonds – Series 2016 – issued June 29, 2016 in the amount of \$3,190,000. The interest rate on the bonds ranges from .90% to 2.65%. The bonds are payable in 15 annual installments ranging from \$200,000 to \$245,000 beginning June 1, 2017. The bonds mature on June 1, 2031.

The following is a summary of the Town’s long-term obligations for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Lease Revenue Bonds					
Series 2016	\$ 00	\$ 3,190,000	\$ 00	\$ 3,190,000	\$ 200,000
Compensated absences	<u>22,343</u>	<u>12,833</u>	<u>13,207</u>	<u>21,969</u>	<u>1,750</u>
Total	<u>\$ 22,343</u>	<u>\$ 3,202,833</u>	<u>\$ 13,207</u>	<u>\$ 3,211,969</u>	<u>\$ 201,750</u>

Presented below is a summary of the debt service requirements to maturity by year of the Town:

<u>Year Ending June 30</u>	<u>Lease Revenue Bonds Series 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,000	\$ 62,936	\$ 262,936
2018	200,000	66,444	266,444
2019	200,000	64,344	264,344
2020	200,000	61,944	261,944
2021	200,000	59,144	259,144
2022-2026	1,030,000	232,776	1,262,776
2027-2031	<u>1,160,000</u>	<u>93,056</u>	<u>1,253,056</u>
Total	<u>\$ 3,190,000</u>	<u>\$ 640,644</u>	<u>\$ 3,830,644</u>

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Plan Description – The Town contributes to the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). The South Carolina State Legislature established the SCRS on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS is issued and publicly available on the web at www.retirement.sc.gov or by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

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.

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. Group life insurance is paid with a lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service and a lump sum payment to the retiree's beneficiary of up to \$6,000 based on years of service retirement.

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS 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 the employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plan, the board shall increase the contribution rates in equal percentage

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

amounts 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. Required employee and employer contributions for Class Two and Class Three members are 8.16 and 10.91 percent of earnable compensation, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2016, the Town reported a liability of \$ 767,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2015, the Town’s proportion was .004047%.

For the year ended June 30, 2016, the Town recognized pension expense of \$ 76,924. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,636	\$ 1,373
Net difference between projected and actual earnings on Pension plan investments	5,138	00
Changes in proportional share and differences between Employer contributions and proportional share of Total plan employer contributions	68,779	00
District contributions subsequent to the measurement date	<u>47,548</u>	<u>00</u>
Total	<u>\$ 135,101</u>	<u>\$ 1,373</u>

The \$47,548 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ 25,024
2018	20,340
2019	15,792

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.5 percent
Investment rate of return	7.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 experience study was performed on date through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

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 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 judgement. For actuarial purposes, the long-term expected rate of return is calculated by weighing 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 on the following page:

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate Of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5%		
Cash	2%	1.90%	0.04%
Short Duration	3%	2.00	0.06
Domestic Fixed Income	13%		
Core Fixed Income	7%	2.70	0.19
Mixed credit	6%	3.80	0.23
Global Fixed Income	9%		
Global Fixed Income	3%	2.80	0.08
Emerging Markets Debt	6%	5.10	0.31
Global Public Equity	31%	7.10	2.20
Global Tactical Asset Allocation	10%	4.90	0.49
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.30	0.34
Private Debt	7%	9.90	0.69
Private Equity	9%	9.90	0.89
Real Estate (Broad Market)	5%	6.00	0.30
Commodities	<u>3%</u>	5.90	<u>0.18</u>
Total Expected Real Return	<u>100%</u>		6.00%
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.75%</u>

Discount rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the contributions from participating employers in SCRS and PORS will be made based on 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 net pension liability to changes in the discount rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of The net pension liability	\$ 968,854	\$ 767,533	\$ 599,818

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report.

The Town owed a balance of \$6,180 to SCRS at the end of the year for the second quarter of 2016.

NOTE 8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The Town insures the risk of job-related injury or illness to its employees through South Carolina Counties Worker’s Compensation Trust, a public entity risk pool operating for the benefit of local governments. The Town pays an annual premium to the Worker’s Compensation Trust for its insurance coverage.

For all of the above risk management programs, the Town has not significantly reduced insurance coverage or settled claims in excess of insurance coverage for the past year. For each of the insurance programs and public entity risk pools, in which they participate, the Town has effectively transferred all risk with no liability for unfunded claims.

THE TOWN OF JAMES ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. OPERATING LEASE

The Town leases office space under a lease through August 31, 2018. Base rent for the period ending June 30, 2016 was \$5,914 per month plus pro-rata common area expenses. Rent increases 5 percent per annum on the anniversary date of September 1.

Total rental expenditures for the year ended June 30, 2016 for operating leases were \$ 77,680.

Total remaining minimum rental commitments including estimated pro-rata common area expenses at June 30, 2016:

<u>Year Ended</u>	
June 30, 2017	\$ 81,564
June 30, 2018	85,642
June 30, 2019	<u>14,987</u>
 Total	 <u>\$ 182,193</u>

NOTE 10. POST EMPLOYEE BENEFITS OTHER THAN PENSIONS

In June 2004, the Government Accounting Standards Board issued GASB statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions. This statement establishes standards for the measurement, recognition and display of other post-employment benefit expenses, related liabilities and notes. The Town does not provide post employment benefits as defined by GASB No. 45.

NOTE 11. CONTINGENCY

There is a lawsuit pending seeking a declaratory judgment against the Town for a recovery of local option sales tax monies at an estimated potential loss of \$2,290,506 plus fees and interest. The Town is in litigation with the Plaintiffs, and as of the date the financial statements were available to be issued, have successfully rebuked Plaintiff's attempt to seize town monies and have moved to dismiss the claim in its entirety, which is pending. The Town expects to prevail.

THE TOWN OF JAMES ISLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive (Negative)
REVENUES:				
Lost – revenue	\$ 327,080	\$ 327,080	\$ 366,630	\$ 39,550
Lost – property tax	841,060	841,060	930,637	89,577
State aid to subdivisions	256,060	256,060	252,256	(3,804)
Franchise fee	447,500	447,500	481,665	34,165
Brokers and insurance tax	375,000	375,000	581,211	206,211
Business licenses	190,000	190,000	273,083	83,083
Permits, planning and other charges	20,000	20,000	35,608	15,608
Greenbelt grant	00	00	902,130	902,130
Miscellaneous	3,200	10,432	13,074	2,642
Liquor licenses	16,500	16,500	13,100	(3,400)
Total revenues	<u>2,476,400</u>	<u>2,483,632</u>	<u>3,849,394</u>	<u>1,365,762</u>
EXPENDITURES:				
General government	453,980	454,480	484,204	(29,724)
Elected officials	74,410	74,410	78,944	(4,534)
Planning	93,705	93,705	81,008	12,697
Public works	189,932	189,932	127,612	62,320
Building inspection	58,785	58,785	51,592	7,193
Code & safety	258,965	258,965	250,742	8,223
Parks & recreation	83,500	83,200	60,593	22,607
Facilities & equipment	243,050	240,850	230,115	10,735
Capital outlay	662,120	844,320	1,451,840	(607,520)
Total expenditures	<u>2,118,447</u>	<u>2,298,647</u>	<u>2,816,650</u>	<u>(518,003)</u>
Excess (Deficiency) of revenues Over expenditures	357,953	184,985	1,032,744	847,759
Other financing sources (uses): Transfers out	<u>(200,000)</u>	<u>(466,444)</u>	<u>(266,444)</u>	<u>200,000</u>
Revenues Over (Under) Expenditures and Other Uses	<u>\$ 157,953</u>	<u>\$ (281,459)</u>	766,300	<u>\$ 1,047,759</u>
Fund Balance, July 1, 2015			<u>4,090,692</u>	
Fund Balance, June 30, 2016			<u>\$ 4,856,992</u>	

See notes to financial statements.

TOWN OF JAMES ISLAND
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

	Fiscal Year Ended June 30,	
	<u>2015</u>	<u>2016</u>
Proportion of the Net Pension Liability	0.003549%	.004047%
Proportionate Share of Net Pension Liability	\$ 611,020	\$ 767,533
Covered Employee Payroll	\$ 379,443	\$ 435,818
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	161.03%	176.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.0%	59.9%

TOWN OF JAMES ISLAND
 SCHEDULE OF CONTRIBUTIONS – STATE PENSION PLAN
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

	Fiscal Year Ended June 30,	
	<u>2015</u>	<u>2016</u>
Contractually Required Contributions	\$ 40,790	\$ 47,548
Contributions in Relation to the Contractually Required Contributions	<u>40,790</u>	<u>47,548</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 379,443	\$ 435,818
Contributions as a Percentage of Covered Employee Payroll	10.750%	10,920%