

TOWN OF JAMES ISLAND

INDEPENDENT AUDITOR'S REPORT

AND

BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 26, 2018

## **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, 2018, 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, 2018, 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

Accounting principles generally accepted in the United States of America require that 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

*Wilson & Quirk, LLC*

THE TOWN OF JAMES ISLAND,  
SOUTH CAROLINA  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 5,772,730
Restricted cash and cash equivalents	1,392,478
Receivables:	
Insurance collection	123,326
Franchise fees	51,969
Local option sales tax	256,867
Hospitality tax	91,493
Business license	14,372
State aid to subdivisions	65,074
Miscellaneous	22,455
<u>Property and Equipment</u> , net of accumulated depreciation	<u>6,787,566</u>
Total assets	<u>14,578,330</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	<u>478,165</u>
<u>LIABILITIES</u>	
Accounts payable	708,762
Accrued payroll and payroll taxes	98,778
Unearned grant revenue	102,500
Net pension liability	1,318,139
Long-term liabilities	
Due within one year	200,000
Due in more than one year	<u>2,556,271</u>
Total liabilities	<u>4,984,450</u>
<u>Deferred Inflows of Resources</u>	
<u>Related to Pensions</u>	<u>725</u>
<u>NET POSITION</u>	
Investment in capital assets	4,031,295
Restricted for	
Debt service	265,872
Public Works	1,126,606
Unrestricted	<u>4,647,547</u>
Total Net Position	<u>\$ 10,071,320</u>

See notes to financial statements.

THE TOWN OF JAMES ISLAND,  
SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Operating Grants and Contri- butions	Charges for Services	Capital Grants and Contri- butions	
Primary Government:					
Government Activities:					
General government	\$ 554,012	\$ 00	\$ 00	\$ 00	\$ (554,012)
Elected officials	89,820	00	00	00	(89,820)
Planning	123,512	00	10,213	00	(113,299)
Public works	492,660	00	00	00	(492,660)
Building inspection	79,615	00	17,575	00	(62,040)
Codes & safety	267,950	00	3,394	00	(264,556)
Parks & community	220,921	13,470	00	102,500	(104,951)
Facilities & equipment	331,637	00	00	00	(331,637)
Interest expense	69,038	00	00	00	(69,038)
Total government activity	<u>\$2,229,165</u>	<u>\$ 13,470</u>	<u>\$ 31,182</u>	<u>\$102,500</u>	<u>(2,082,013)</u>
General Revenues:					
Local option sales tax - revenue					392,506
Local option sales tax - property tax					1,009,296
State aid to subdivisions					260,295
Franchise fees					396,810
Brokers and insurance tax					730,706
Business licenses					368,030
Stormwater fees					306,390
Hospitality tax					504,256
Interest and other					84,464
Total general revenue					<u>4,052,753</u>
Changes in net position					1,970,740
Net Position - Beginning					<u>8,100,580</u>
Net Position - Ending					<u>\$ 10,071,320</u>

TOWN OF JAMES ISLAND,  
SOUTH CAROLINA  
BALANCE SHEET – GOVERNMENTAL FUND  
AS OF JUNE 30, 2018

<u>ASSETS</u>	General Fund	Project Fund	Debt Service Fund	Storm Water Fund	Hospitality Tax Fund	Total Governmental Funds	
Cash and cash equivalents	\$ 5,772,730	\$ 00	\$ 00	\$ 00	\$ 00	\$ 5,772,730	
Restricted cash and cash equivalents	00	00	265,872	271,649	854,957	1,392,478	
Receivables:							
Insurance collection	123,326	00	00	00	00	123,326	
Franchise fee	51,969	00	00	00	00	51,969	
Local option sales tax	256,867	00	00	00	00	256,867	
Hospitality tax	91,493	00	00	00	00	91,493	
Business license	14,372	00	00	00	00	14,372	
State aid to subdivisions	65,074	00	00	00	00	65,074	
Miscellaneous	22,455	00	00	00	00	22,455	
Total assets	<u>6,398,286</u>	<u>00</u>	<u>265,872</u>	<u>271,649</u>	<u>854,957</u>	<u>7,790,764</u>	
<u>LIABILITIES</u>							
Accounts payable	708,762	00	00	00	00	708,762	
Accrued payroll and payroll taxes	51,719	00	00	00	00	51,719	
Unearned grant revenue	102,500	00	00	00	00	102,500	
Total liabilities	<u>862,981</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>862,981</u>	
<u>FUND BALANCE</u>							
Nonspendable	00	00	00	00	00	00	
Restricted	00	00	265,872	271,649	854,957	1,392,478	
Committed	1,661,676	00	00	00	00	1,661,676	
Unassigned	3,873,629	00	00	00	00	3,873,629	
Total fund balance	<u>5,535,305</u>	<u>00</u>	<u>265,872</u>	<u>271,649</u>	<u>854,957</u>	<u>6,927,783</u>	
Total Liabilities and Fund Balances	<u>\$ 6,398,286</u>	<u>00</u>	<u>\$ 265,872</u>	<u>\$ 271,649</u>	<u>\$ 854,957</u>	<u>\$ 7,790,764</u>	
Total Fund Balance - Governmental Funds						\$ 6,927,783	
Amounts to be 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)							6,787,566
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)							(47,059)
Net pension liability							(840,699)
Bonds payable							<u>(2,756,271)</u>
Net position of Governmental Activities						<u>\$ 10,071,320</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, 2018

	General Fund	Project Fund	Debt Service Fund	Storm Water Fund	Hospitality Tax Fund	Total Governmental Funds
<u>Revenues</u>						
Local option sales tax - revenue	\$ 392,506	\$ 00	\$ 00	\$ 00	\$ 00	\$ 392,506
Local option sales tax - property tax	1,009,296	00	00	00	00	1,009,296
State aid to subdivisions	260,295	00	00	00	00	260,295
Permits, planning and other charges	31,182	00	00	00	00	31,182
Business license	368,030	00	00	00	00	368,030
Hospitality tax	00	00	00	00	504,256	504,256
Franchise fees	396,810	00	00	00	00	396,810
Insurance collection program	730,706	00	00	00	00	730,706
Stormwater fees	00	00	00	306,390	00	306,390
Donations and grants	115,970	00	00	00	00	115,970
Interest and other	57,540	17,727	2,351	6,846	00	84,464
	<u>3,362,335</u>	<u>17,727</u>	<u>2,351</u>	<u>313,236</u>	<u>504,256</u>	<u>4,199,905</u>
Total revenues						
<u>Expenditures</u>						
Current:						
General government	514,481	00	00	00	-	514,481
Elected officials	83,061	00	00	00	00	83,061
Planning	111,949	00	00	00	00	111,949
Public Works	296,659	00	00	183,151	00	479,810
Building Inspection	70,944	00	00	0	00	70,944
Code & Safety	242,004	00	00	00	00	242,004
Parks & Community	98,532	00	00	00	122,389	220,921
Facilities & Equipment	244,690	00	00	00	00	244,690
Capital outlay	1,376,218	2,213,125	00	00	14,140	3,603,483
Debt services:						
Principal	00	00	200,000	00	00	200,000
Interest	00	00	66,444	00	00	66,444
	<u>3,038,538</u>	<u>2,213,125</u>	<u>266,444</u>	<u>183,151</u>	<u>136,529</u>	<u>5,837,787</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	323,797	(2,195,398)	(264,093)	130,085	367,727	(1,637,882)
<u>Other Financing Sources</u>						
Operating transfers	(262,845)	00	262,845	00	00	00
Net change in fund balance	60,952	(2,195,398)	(1,248)	130,085	367,727	(1,637,882)
Fund Balance - Beginning	5,474,353	2,195,398	267,120	141,564	487,230	8,565,665
Fund Balance - Ending	<u>\$ 5,535,305</u>	<u>\$ -</u>	<u>\$ 265,872</u>	<u>\$ 271,649</u>	<u>\$ 854,957</u>	<u>\$ 6,927,783</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, 2018

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Net change in fund balances - Total Governmental Fund \$(1,637,882)

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	3,603,483
Depreciation expense	(86,947)

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	(98,661)
Compensated absence	(6,659)

The repayment of bonds payable consumes current financial resources of governmental funds; however, it does not have any effect on net position. Also, governmental funds report the effect of discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of bonds payable and bond discount is as follows:

Principal repayments	200,000
Amortization of issuance discounts	<u>(2,594)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,970,740</u></u>
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THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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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, 2018

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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 five 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, 2018

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Storm Water Fund – This fund is a special revenue fund used to account for storm water fees charged by the Town, collected by the County of Charleston and used for storm water projects within the Town in conjunction with the County.

Hospitality Tax Fund – This fund is a special revenue fund used to account for the 2% sales tax on food and beverage sales within the Town to be used for projects to support hospitality industry.

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, 2018

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D. Assets, Liabilities, Equity, Revenue and Expenses

Cash equivalents – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by 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, 2018, 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

Restricted Assets

Certain cash and cash equivalents are restricted on the basic financial statements as they have been set aside for specific purposes. These assets have been restricted because their use is (a) limited to purchases of certain capital assets, (b) limited for debt service or (c) limited for other specific purposes.

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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Governmental 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 Balances – Governmental Funds:

As of June 30, 2018, fund balances are classified as follows:

*Non-spendable* – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of the Town. The Town Council is the highest level of decision-making authority for the Town of James Island. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

*Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Town Council is the only party that has the right to make assignments of fund balance through the budget process and agenda items for the Town at this time.

*Unassigned* – All other spendable amounts.

THE TOWN OF JAMES ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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E. Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

F. 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.

G. Subsequent Events

Management has evaluated subsequent events through November 7, 2018, 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, 2018:

<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>\$7,255,338</u>	<u>\$7,165,208</u>	<u>\$00</u>	<u>\$00</u>	<u>\$7,165,208</u>

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4. CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2018, was as follows:

Governmental Activities:	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Land	\$1,648,722	\$ 00	\$ 00	\$1,648,722
Leasehold Improvements	4,650	00	00	4,650
Equipment	81,186	00	00	81,186
Vehicles	50,292	21,492	00	71,784
Park improvements	446,281	28,730	00	475,011
Infrastructure	660,158	587,879	00	1,248,037
Town signs	23,361	00	00	23,361
Construction in progress	478,151	3,550,233	(584,851)	3,443,533
	3,392,801	4,188,334	(584,851)	6,996,284
Less: accumulated depreciation	(121,771)	(86,947)	00	(208,718)
Net Capital Assets - Governmental	<u>\$3,271,030</u>	<u>\$4,101,387</u>	<u>(584,851)</u>	<u>\$6,787,566</u>

Depreciation expense is \$86,947 for the governmental activities and is allocated to facilities and equipment.

NOTE 5. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS

The balances of interfund receivables, payables, and transfers at June 30, 2018, were as follows:

<u>Receiving Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Debt Service	General	\$262,845

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

NOTE 6. 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.

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7. LONG-TERM LIABILITIES

Details of the long-term debt as of June 30, 2018, 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.

Balance payable at June 30, 2018	\$ 2,790,000
Bond discount	<u>(33,729)</u>
Current value at June 30, 2018	<u><u>\$ 2,756,271</u></u>

The following is a summary of the Town's long-term obligations for the year ended June 30, 2018:

	<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	\$2,953,677	\$ 2,594	\$ (200,000)	\$2,756,271	\$200,000
Compensated absences	<u>40,400</u>	<u>13,818</u>	<u>00</u>	<u>54,218</u>	<u>00</u>
Total	<u><u>\$2,994,077</u></u>	<u><u>\$ 16,412</u></u>	<u><u>\$ (200,000)</u></u>	<u><u>\$2,810,489</u></u>	<u><u>\$200,000</u></u>

Amortization of bond discount was \$2,594 for the year ended June 30, 2018.

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>
2019	200,000	64,344	264,344
2020	200,000	61,944	261,944
2021	200,000	59,144	259,144
2022	200,000	56,044	256,044
2023	200,000	52,044	252,044
2024-2028	1,075,000	179,813	1,254,813
2029-2031	<u>715,000</u>	<u>37,931</u>	<u>752,931</u>
Total	<u><u>\$2,790,000</u></u>	<u><u>\$ 511,264</u></u>	<u><u>\$3,301,264</u></u>



THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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NOTE 8. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

*Plan Description*

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 (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 through the Retirement Benefits link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the SC Public Employee Benefit Authority (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 through the Retirement Benefits link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

*Plan Membership*

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.

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 services 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.

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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*Benefits*

Benefit terms are prescribed in Title 9 of South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms 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 the benefit terms 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 who 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 receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

*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 the 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 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 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.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and the PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2011. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates are as follows:

	Employee		Employer	
	2018	2017	2018	2017
<b>SCRS</b>				
Employee Class Two	9.00%	8.66%	13.41%	11.41%
Employee Class Three	9.00%	8.66%	13.41%	11.41%
Incidental Death Benefit	0.00%	0.00%	0.15%	0.15%
<b>PORS</b>				
Employee Class Two	9.75%	9.24%	15.84%	13.84%
Employee Class Three	9.75%	9.24%	15.84%	13.84%

THE TOWN OF JAMES ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2017, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.30%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.90%

At June 30, 2018, the Town reported a liability of \$1,307,699 and \$10,438 for its proportionate share of the net pension liability for the SCRS and PORS plans, respectively. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability were 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, 2017, the Town's SCRS proportion was .005809% and its PORS proportion was .00038%

For the year ended June 30, 2018, the Town recognized pension expense of \$236,864 and \$3,139 for the SCRS and PORS, respectively. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

<b><u>SCRS</u></b>	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,830	\$ 725
Assumption changes	76,552	
Net difference between projected and actual earnings on Pension plan investments	36,505	-
Changes in proportional share and differences between employer contributions and proportional share of total plan employer contributions	259,518	-
Town contributions subsequent to the measurement date	<u>71,452</u>	<u>-</u>
Total	<u>\$449,857</u>	<u>\$ 725</u>
	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>PORS</u></b>		
Differences between expected and actual experience	\$ 93	\$ -
Assumption changes	991	-
Net difference between projected and actual earnings on Pension plan investments	372	-
Changes in proportional share and differences between employer contributions and proportional share of total plan employer contributions	6,573	-
Town contributions subsequent to the measurement date	<u>20,279</u>	<u>-</u>
Total	<u>\$ 28,308</u>	<u>\$ -</u>

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

The \$71,452 and \$20,279 reported as deferred outflows of resources related to pensions resulting from the Town's contributions to the SCRS and PORS plans respectively subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	SCRS	PORS	Total
2018	\$ 140,077	\$ 2,277	\$ 142,354
2019	141,462.00	2,444.00	143,906.00
2020	101,707.00	2,256.00	103,963.00
2021	(5,566.00)	1,052.00	(4,514.00)
	<u>\$ 377,680</u>	<u>\$ 8,029</u>	<u>\$ 385,709</u>

*Actuarial assumptions*

Actuarial valuations of the ongoing plan 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 regarding the net pension liability 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. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward of total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return*	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)*	3.5% to 9.5% (varies by service)*
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
*includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC) was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

*Net Pension Liability*

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45%</b>		
Global Public Equity	31%	6.72%	2.08%
Private Equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
<b>Real Assets</b>	<b>8%</b>		
Real Estate (Private)	5%	4.32%	0.22%
Real Estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
<b>Opportunistic</b>	<b>17%</b>		
GTAA/Risk Parity	10%	4.16%	0.42%
Hedge Funds (non-PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18%</b>		
Mixed Credit	6%	3.92%	0.24%
Emerging Markets Debt	5%	5.01%	0.25%
Private Debt	7%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12%</b>		
Core Fixed Income	10%	1.60%	0.16%
Cash and Short Duration (Net)	2%	0.92%	0.02%
<b>Total Expected Real Return</b>	<b>100%</b>		5.31%
<b>Inflation for Actuarial Purposes</b>			2.25%
<b>Total Expected Nominal Return</b>			<b>7.56%</b>

THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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*Discount Rate*

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

*Sensitivity Analysis*

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
SCRS	\$ 29,014,370,642	\$ 22,511,608,226	\$ 18,565,959,440
PORS	3,698,928,254	2,739,560,823	1,983,879,869

*Additional Financial and Actuarial Information*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

The Town owed a balance of \$12,770 at the end of the year for the second quarter of 2018.

**NOTE 9. 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.



THE TOWN OF JAMES ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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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.

**NOTE 10. OPERATING LEASES**

The Town leased office space under a lease through August 31, 2018 until the Town moved into its new town hall building. Base rent for the period ending June 30, 2018, was \$6,519 per month plus pro-rata common area expenses. The Town also signed a 10 year lease in August 2017 for two parking lots on Folly Road.

Total rental expenditures for the year ended June 30, 2018, for operating leases were \$109,008.

Total remaining minimum rental commitments including estimated pro-rata common area expenses at June 30, 2017:

Year Ended June 30:

2019	\$ 40,250
2020	27,000
2021	28,200
2022	29,400
2023	30,600
Thereafter	<u>140,400</u>
	<u>\$ 295,850</u>

**NOTE 11. STORM WATER FUND**

The Town did not adopt a formal budget for the Storm Water Fund and therefore, a budgetary comparison schedule is not presented.

THE TOWN OF JAMES ISLAND  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lost - revenue	370,000	370,000	392,506	22,506
Lost - property tax	973,000	973,000	1,009,296	36,296
State aid to subdivisions	252,256	252,256	260,295	8,039
Franchise fee	440,000	440,000	396,810	(43,190)
Brokers and insurance tax	580,000	580,000	730,706	150,706
Business licenses	281,200	281,200	368,030	86,830
Permits, planning and other charge	85,850	85,850	31,182	(54,668)
Miscellaneous	1,000	1,000	173,510	172,510
<b>Total revenues</b>	<b><u>2,983,306</u></b>	<b><u>2,983,306</u></b>	<b><u>3,362,335</u></b>	<b><u>379,029</u></b>
<b>EXPENDITURES:</b>				
General government	564,512	623,181	514,481	108,700
Elected officials	90,100	90,100	83,061	7,039
Planning	93,591	93,591	111,949	(18,358)
Public works	366,103	366,103	296,659	69,444
Building Inspection	80,788	80,788	70,944	9,844
Code & Safety	281,956	305,486	242,004	63,482
Parks, Recreation & Community	66,500	112,620	98,532	14,088
Facilities & Equipment	45,706	327,896	244,690	83,206
Capital outlay	1,022,530	1,022,530	1,376,218	(353,688)
<b>Total expenditures</b>	<b><u>2,611,786</u></b>	<b><u>3,022,295</u></b>	<b><u>3,038,538</u></b>	<b><u>(16,243)</u></b>
Excess (Deficiency) of revenues over expenditures	371,520	(38,989)	323,797	362,786
Other financing sources (uses):				
Transfers out	-	-	(262,845)	(262,845)
<b>Revenues Over (Under) Expenditures and Other Uses</b>	<b>371,520</b>	<b>(38,989)</b>	<b>60,952</b>	<b>99,941</b>
Fund Balance, July 1, 2017	<u>5,474,353</u>	<u>5,474,353</u>	<u>5,474,353</u>	<u>-</u>
Fund Balance, June 30, 2018	<u><u>\$5,845,873</u></u>	<u><u>\$5,435,364</u></u>	<u><u>\$5,535,305</u></u>	<u><u>\$ 99,941</u></u>

TOWN OF JAMES ISLAND  
 BUDGETARY COMPARISON SCHEDULE  
 HOSPITALITY TAX FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Hospitality tax	<u>448,000</u>	<u>448,000</u>	<u>504,256</u>	<u>56,256</u>
Total revenues	<u>448,000</u>	<u>448,000</u>	<u>504,256</u>	<u>56,256</u>
EXPENDITURE				
Projects	<u>448,000</u>	<u>448,000</u>	<u>136,529</u>	<u>311,471</u>
Total expenditures	<u>448,000</u>	<u>448,000</u>	<u>136,529</u>	<u>311,471</u>
Excess (Deficiency) of revenues over expenditures	-	-	367,727	367,727
Other financing sources (uses): and Other Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures and Other Uses	-	-	367,727	367,727
Fund Balance, July 1, 2017	<u>487,230</u>	<u>487,230</u>	<u>487,230</u>	<u>-</u>
Fund Balance June 30, 2018	<u><u>\$487,230</u></u>	<u><u>\$487,230</u></u>	<u><u>\$854,957</u></u>	<u><u>\$ 367,727</u></u>

TOWN OF JAMES ISLAND  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
REQUIRED SUPPLEMENTAL INFORMATION (SCRS)  
FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of net pension liability	0.005809%	0.004501%	0.004047%
Proportionate share of net pension liability	\$ 1,307,699	\$961,408	\$767,533
Covered employee payroll	\$ 526,930	\$587,873	\$435,818
Proportionate share of the net pension liability as a percentage of its covered employee payroll	40.29%	163.54%	176.11%
Plan fiduciary net position as a percentage of the total pension liability	53.3%	52.9%	59.9%

TOWN OF JAMES ISLAND  
SCHEDULE OF CONTRIBUTIONS – STATE PENSION PLAN  
REQUIRED SUPPLEMENTAL INFORMATION (SCRS)  
FOR THE YEAR ENDED JUNE 30, 2018

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	2018	2017	2016
Contractually required contributions	\$ 71,452	\$ 67,076	\$ 47,458
Contributions in relation to the contractually required	(71,452)	(67,076)	(47,458)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 526,930	\$ 587,873	\$ 453,818
Contributions as a percentage of covered employee payroll	13.56%	11.41%	10.46%

TOWN OF JAMES ISLAND  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
REQUIRED SUPPLEMENTAL INFORMATION (PORS)  
FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>
Proportion of net pension liability	0.000380%
Proportionate share of net pension liability	\$ 10,438
Covered employee payroll	\$ 128,025
Proportionate share of the net pension liability as a percentage of its covered employee payroll	1226.53%
Plan fiduciary net position as a percentage of the total pension liability	60.9%

TOWN OF JAMES ISLAND  
SCHEDULE OF CONTRIBUTIONS – STATE PENSION PLAN  
REQUIRED SUPPLEMENTAL INFORMATION (SCRS)  
FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>
Contractually required contributions	\$ 20,279
Contributions in relation to the contractually required	<u>(20,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	<u>\$ 128,025</u>
Contributions as a percentage of covered employee payroll	15.84%