

TOWN OF JAMES ISLAND

SOUTH CAROLINA

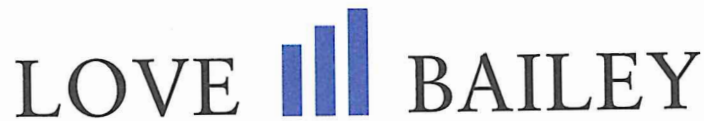
FINANCIAL STATEMENTS

JUNE 30, 2021

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable William Woolsey, Mayor
Members of Town Council
Town of James Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of James Island, South Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of James Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of James Island, South Carolina, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of James Islands' basic financial statements. The budgetary comparison information for hospitality tax fund a are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021 on our consideration of the Town of James Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of James Islands' internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

November 5, 2021

**TOWN OF JAMES ISLAND,
SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,326,366
Receivables, net	680,793
Prepays	5,462
Total current assets	<u>4,012,621</u>
Non-current assets	
Restricted cash and cash equivalents	2,193,297
Capital assets, net of accumulated depreciation	9,750,934
Total non-current assets	<u>11,944,231</u>
Total assets	<u>15,956,852</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	612,717
Total deferred outflows of resources	<u>612,717</u>
LIABILITIES	
Current liabilities	
Accounts payable	209,964
Accrued payroll and taxes	33,952
Total current liabilities	<u>243,916</u>
Long-term liabilities	
Accrued compensated absences	72,943
Net pension liability	1,985,740
Total long-term liabilities	<u>2,058,683</u>
Total liabilities	<u>2,302,599</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension charges	65,924
Total deferred inflows of resources	<u>65,924</u>
NET POSITION	
Invested in capital assets, net of related debt	9,750,934
Restricted for:	
Hospitality fund	1,690,431
Stormwater fund	502,866
Unrestricted	2,256,815
Total net position	<u><u>\$ 14,201,046</u></u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Grants and Contributions		Revenue and
			Operating	Capital	Changes in Net Position
					Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities					
General government	\$ 1,070,346	\$ -	\$ -	\$ 38,077	\$ (1,032,269)
Elected officials	131,715	-	-	-	(131,715)
Planning	173,258	-	8,165	-	(165,093)
Public works	525,015	-	-	-	(525,015)
Building inspection	104,879	-	16,609	-	(88,270)
Codes and Safety	541,599	-	6,257	-	(535,342)
Parks and community	166,682	-	-	-	(166,682)
Facilities and equipment	192,619	-	-	-	(192,619)
JIPSD tax relief	905,000	-	-	-	(905,000)
Total governmental activities	\$ 3,811,113	\$ -	\$ 31,031	\$ 38,077	(3,742,005)

GENERAL REVENUES

Local option sales tax - revenue	485,801
Local option sales tax - property tax	1,194,860
State aid to subdivisions	278,465
Franchise fees	351,774
Brokers and insurance tax	789,119
Business licenses	399,877
Stormwater fees	310,108
Hospitality tax	536,229
Homestead exemption	50,061
Interest and other	404,734
Total general revenues	<u>4,801,028</u>
Change in net position	<u>1,059,023</u>
Net position, beginning of year	<u>13,142,023</u>
Net position, end of year	<u>\$ 14,201,046</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Hospitality Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,326,366	\$ -	\$ -	\$ 3,326,366
Restricted cash and cash equivalents	-	502,866	1,690,431	2,193,297
Receivables	680,793	-	-	680,793
Prepays	5,462	-	-	5,462
Total assets	<u>\$ 4,012,621</u>	<u>\$ 502,866</u>	<u>\$ 1,690,431</u>	<u>\$ 6,205,918</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 209,964	\$ -	\$ -	\$ 209,964
Accrued payroll and payroll taxes	33,952	-	-	33,952
Total liabilities	<u>243,916</u>	<u>-</u>	<u>-</u>	<u>243,916</u>
FUND BALANCES				
Restricted	-	502,866	1,690,431	2,193,297
Unassigned, reported in General fund	<u>3,768,705</u>	<u>-</u>	<u>-</u>	<u>3,768,705</u>
Total fund balances	<u>3,768,705</u>	<u>502,866</u>	<u>1,690,431</u>	<u>5,962,002</u>
Total liabilities and fund balances	<u>\$ 4,012,621</u>	<u>\$ 502,866</u>	<u>\$ 1,690,431</u>	<u>\$ 6,205,918</u>
Total Fund Balance - Governmental Funds				\$ 5,962,002
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)				9,750,934
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)				(72,943)
Net pension liability and related deferrals				<u>(1,438,947)</u>
Net position of Governmental Activities				<u>\$ 14,201,046</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Stormwater Fund	Hospitality Tax Fund	Total Governmental Funds
REVENUE				
Local option sales tax - revenue	\$ 485,801	\$ -	\$ -	\$ 485,801
Local option sales tax - property tax	1,194,860	-	-	1,194,860
State aid to subdivisions	278,465	-	-	278,465
Permits, planning and other charges	31,031	-	-	31,031
Business license	399,877	-	-	399,877
Hospitality tax	-	-	536,229	536,229
Franchise fees	351,774	-	-	351,774
Insurance collection program	789,119	-	-	789,119
Stormwater fees	-	310,108	-	310,108
Donations and grants	38,077	-	-	38,077
Homestead exemption	50,061	-	-	50,061
Interest and other	404,734	-	-	404,734
Total revenues	<u>4,023,799</u>	<u>310,108</u>	<u>536,229</u>	<u>4,870,136</u>
EXPENDITURES				
Current:				
General government	689,956	-	-	689,956
Elected officials	97,093	-	-	97,093
Planning	147,912	-	-	147,912
Public works	363,294	125,192	-	488,486
Building inspection	88,271	-	-	88,271
Code and safety	480,519	-	-	480,519
Parks and community	83,874	-	82,808	166,682
Facilities and equipment	192,619	-	-	192,619
JIPSD tax relief	905,000	-	-	905,000
Capital outlay	1,046,415	-	226,217	1,272,632
Total expenditures	<u>4,094,953</u>	<u>125,192</u>	<u>309,025</u>	<u>4,529,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(71,154)</u>	<u>184,916</u>	<u>227,204</u>	<u>340,966</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>225,393</u>	<u>(225,393)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>225,393</u>	<u>(225,393)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	154,239	(40,477)	227,204	340,966
Fund balances, beginning of year	<u>3,614,466</u>	<u>543,343</u>	<u>1,463,227</u>	<u>5,621,036</u>
Fund balances, end of year	<u>\$ 3,768,705</u>	<u>\$ 502,866</u>	<u>\$ 1,690,431</u>	<u>\$ 5,962,002</u>

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

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
JUNE 30, 2021

Net change in fund balances - Total Governmental Fund		\$	340,966
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	1,272,632		
Depreciation expense	<u>(286,594)</u>		986,038
An item reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund. This activity consists of:			
Pension accrual	(246,777)		
Compensated absences	(21,204)		<u>(267,981)</u>
Total changes in net position		\$	<u><u>1,059,023</u></u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of James Island, South Carolina conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of James Island, South Carolina (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.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Based on this criterion the Town has determined it has no component units and is not a component unit of any other organization. Therefore, the Town reports as a primary entity.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations are eliminated for the statement of activities. Program revenues include, 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Major individual governmental funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and reported in a single column on each of the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

(Continued)

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, franchise fees, fines and forfeitures, garbage collection, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town utilizes the following governmental funds:

General Fund – The general fund is the primary operating fund of the Town. The general fund accounts for all financial resources except those that are required to be reported in another fund.

Stormwater Fund – This fund is a special revenue fund used to account for stormwater fees charged by the Town, collected by the County of Charleston and used for stormwater 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.

Cash and Cash Equivalents and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the United States and its agencies, general obligations of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal depository insurance, certificates of deposit collaterally secured, and repurchase agreements secured by the foregoing obligations.

Receivables and Payables

All receivables are shown at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Such allowances are estimated based upon such factors as length of delinquency, historical analysis, and available means for collection enforcement.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables outstanding at year end are eliminated upon consolidation of governmental activities in the government-wide statement of net assets.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The Town has a prepaid balance in the amount of \$5,462 at June 30, 2021 related to workers compensation insurance paid in advance.

Restricted assets

Certain assets of the Town are classified as restricted on the balance sheet when specific limitations are placed upon their use. Restricted assets of the Town include cash and certificates of deposit set aside as required by state statute for providing services to improvements related to tourism and hospitality, and special projects.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings & Improvements	10 – 40
Land Improvements	10 – 40
Equipment & Furnishings	5 – 10
Vehicles	5

Depreciation for capital assets that can be specifically identified with a function is included in the direct expenses for that function. Depreciation for capital assets that serve essentially all functions is included in the statement of activities as a separate line item “depreciation - unallocated.”

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In the case of the initial capitalization of general infrastructure assets, the Town elected not to implement the retroactive reporting provisions of GASB Statement No. 34. However, as the Town acquires or constructs additional infrastructure assets each period, they are capitalized and reported at historical cost.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town.

All vacation pay and salary related expenses are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet the criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the government has a legal claim to the resources, or the revenue has been earned, the liability is removed and revenue is recognized.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (except expenses) until then. The Town currently has one type of deferred outflow of resources: deferred pension charges. It is reported in the Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension charges are either (1) recognized in the subsequent period as a reduction in the net pension liability (including pension contributions made after the measurement date) or (2) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP. In addition to liabilities, the Statement of Net Position (government-wide) and the Balance Sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town currently has two types of inflows of deferred resources: (1) unavailable revenue-property taxes only in the government funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenue) in the periods the amounts become available, and (2) the Town also reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement Systems and South Carolina Police Officers Retirement System. These deferred pension credits are amortized in a systemic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Balance

Restricted – This classification includes 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.

Unassigned – This classification represents the residual balance with the General Fund, which has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The Town uses restricted amounts first when both restricted and unrestricted fund balances are available.

The Town's total restricted fund balance consisted of the following:

	Restricted Fund Balance
Hospitality Tax Fund	\$ 1,690,431
Stormwater Fund	502,866
	<u>\$ 2,193,297</u>

Property Taxes

The Town assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real and personal property of every description owned and used in the Town, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as part of the budget adoption process.

Property taxes are assessed and collected under a joint billing and collection agreement with Horry County. Property taxes are levied each October on the assessed value listed as of the prior January 1 for all real and business personal property located within the Town. The tax levy is considered due upon receipt by the taxpayer; however, the actual due date is January 15th. Automobile property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tag expires. Property taxes are recognized under the standards established by GASB Statement No. 33 for Imposed Nonexchange Revenues.

Nonexchange Transactions

The standards established by GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", provide accounting and reporting for the following four categories of nonexchange transactions: 1) Derived tax revenues, 2) Imposed nonexchange revenues, 3) Government-mandated nonexchange transactions, and 4) Voluntary nonexchange transactions. Nonexchange transactions involve financial or capital resources in which the government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.

(Continued)

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets from Derived Tax Revenues are recognized when the underlying exchange has occurred and resources are available to the government.

Assets from Imposed Nonexchange Revenues are recognized when an enforceable legal claim has arisen or when resources are received, whichever occurs first. Revenues are recognized when resources are required to be used or the first period that use is permitted. Resources must also be available to the government.

Assets, liabilities, revenues, and expenditures from Government-Mandated and Voluntary Nonexchange Transactions are generally recognized when all eligibility requirements have been met. Resources received before the eligibility requirements are fulfilled are reported as deferred revenues. Eligibility requirements can include one or more of the following:

- 1) The recipient has the characteristics specified by the provider.
- 2) Time requirements specified by the provider have been met.
- 3) The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
- 4) The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues, expenditures/expenses, and other sources and uses recognized during the reporting period. Actual results could differ from those amounts.

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, none of the Town's bank balances of \$5,070,797 were exposed to custodial credit risk because they were insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2021 for individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Insurance collection	\$ 223,324
Franchise fees	46,559
Local option sales tax	163,887
Hospitality tax	69,949
Business licenses	16,071
State aid to subdivisions	73,544
Other	87,459
Net receivables	<u>\$ 680,793</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Non-depreciable assets:					
Land	\$ 1,782,722	\$ 420,752	\$ -	\$ -	\$ 2,203,474
Construction in Progress	1,303,826	624,898	-	(1,155,349)	773,375
Total non-depreciable assets	<u>3,086,548</u>	<u>1,045,647</u>	<u>-</u>	<u>(1,155,349)</u>	<u>2,976,849</u>
Depreciable:					
Buildings and Improvements	3,481,205	-	-	-	3,481,205
Equipment	75,414	102,819	-	-	178,233
Vehicles	71,784	59,949	-	-	131,733
Park improvements	501,903	36,103	-	(26,893)	511,113
Infrastructure	2,133,943	28,110	-	1,182,242	3,344,295
Town signs	25,487	-	-	-	25,487
Total depreciable capital assets	<u>6,289,736</u>	<u>226,981</u>	<u>-</u>	<u>1,155,349</u>	<u>7,672,066</u>
Less accumulated depreciation:	611,387	286,594	-	-	897,981
Total depreciable capital assets, net	5,678,349	(59,613)	-	1,155,349	6,774,085
Total capital assets, net	<u>\$ 8,764,897</u>	<u>\$ 986,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,750,934</u>

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Compensated absences	\$ 51,739	\$ 35,109	\$ 13,905	\$ 72,943
Net pension liability	1,709,439	276,301	-	1,985,740
Total	<u>\$ 1,761,178</u>	<u>\$ 311,410</u>	<u>\$ 13,905</u>	<u>\$ 2,058,683</u>

At June 30, 2021, \$0 of the compensated absences balance is expected to be due within one year.

NOTE 6 – PENSION PLANS

State Retirement Plan

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

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

Plan Membership

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

SCRS - 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; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the 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 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. (Continued) 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 years earned service requirement, respectively. An incidental health benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

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.

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS.

The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. 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 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. 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 85 percent, then effective on the following July 1, 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 85 percent.

As noted above, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS Rates			PORS Rates		
	2019	2020	2021	2019	2020	2021
Employer Rate:						
Retirement	14.41%	15.41%	15.41%	16.84%	17.84%	17.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
Total Employer Rate:	14.56%	15.56%	15.56%	17.24%	18.24%	18.24%
Employee Rate:	9.00%	9.00%	9.00%	9.75%	9.75%	9.75%

The required contributions and percentages of amounts contributed by the Town to the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2021	\$ 100,316	100%	\$ 44,534	100%
2020	95,572	100%	48,108	100%
2019	86,416	100%	32,657	100%

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2021	\$ 644,703	\$ 244,155	\$ 888,858
2020	614,212	263,750	877,962
2019	593,517	189,429	782,946

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%
PORS	8,046,386,629	4,73,714,642	3,316,211,987	58.8%

At June 30, 2021, the Town reported liabilities of \$1,406,749 and \$578,991 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of July 1, 2020, and the total pension liabilities used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2020 that was projected forward to the measurement date.

The Town's proportions of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local employers, actuarially determined. At June 30, 2021, the Town's proportionate shares of the SCRS and PORS plans were 0.005506% and 0.017460%.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

For the year ended June 30, 2021, the Town recognized pension expense for the SCRS and PORS plans of \$157,401 and \$83,402, respectively. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 17,955	\$ -
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	103,478	5,320
Net difference between projected and actual earnings on pension plan investments	60,879	58,055
Town's contributions subsequent to the measurement date	100,316	-
Total SCRS	<u>\$ 282,628</u>	<u>\$ 63,375</u>
PORS		
Differences between expected and actual experience	\$ 19,371	\$ 2,549
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	59,288	-
Net difference between projected and actual earnings on pension plan investments	206,896	-
Town's contributions subsequent to the measurement date	44,534	-
Total PORS	<u>\$ 330,089</u>	<u>\$ 2,549</u>

The \$100,316 and \$44,534 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as pension expense as follows

Year Ended June 30,	SCRS	PORS	Total
2021	\$ 10,962	\$ 122,902	\$ 133,864
2022	51,187	87,313	138,500
2023	30,383	52,512	82,895
2024	26,405	20,279	46,684
	<u>\$ 118,937</u>	<u>\$ 283,006</u>	<u>\$ 401,943</u>

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the 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 for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, 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, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
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)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. 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.

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

Former Job Class	Males	Females
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%

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return 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 2020 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 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Total Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (private)	2.0%	4.88%	0.10%
Infrastructure (public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset	7.0%	3.56%	0.25%
Other	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds	4.0%	4.21%	0.17%
Emerging Marketing Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (net)	1.0%	0.56%	0.01%
Total Expected Real Return	100%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – PENSION PLANS, Continued

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.

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability of the SCRS	\$ 1,743,493	\$ 1,406,749	\$ 1,125,564
Town's proportionate share of the net pension liability of the PORS	\$ 766,487	\$ 578,991	\$ 428,444

Plans' Fiduciary Net Position

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 7 – RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against casualty risks, 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 in South Carolina. The Town pays annual premiums to the State Insurance Reserve Fund for its general insurance. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The Town acquires insurance for job related injury and illness (workers' compensation). Workers' Compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience. Health insurance and general blanket and fidelity bond insurance were also maintained.

During June 30, 2021, the Town did not experience any uninsured claims. There is no liability or expenditure reordered for other actual claims and management does not believe any provision for unasserted claims is necessary.

There were no significant reductions in coverage from the previous year and no settlements have exceeded insurance coverage for the past three years ended June 30, 2021, 2020, and 2019.

NOTE 8 – CONTINGENCIES

In the opinion of Town management, after consultation with legal counsel, there are no material claims or lawsuits against the Town that are not covered by insurance or whose settlement would materially affect the Town's financial position. The Town also participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to year-end, the Town received \$1,854,631 in funding from the American Rescue Plan for COVID-19 relief.

The Town has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through the date on the auditor's report the date the financial statements were available to be issued.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUE				
Local option sales tax - revenue	\$ 385,050	\$ 385,050	\$ 485,801	\$ 100,751
Local option sales tax - property tax	953,640	953,640	1,194,860	241,220
State aid to subdivisions	273,228	273,228	278,465	5,237
Permits, planning and other charges	22,000	22,000	31,031	9,031
Business license	312,000	312,000	399,877	87,877
Homestead exemption	48,000	48,000	50,061	2,061
Franchise fees	315,000	315,000	351,774	36,774
Insurance collection program	720,000	720,000	789,119	69,119
Stormwater fees		-	-	-
Donations and grants	-	-	38,077	38,077
Interest and other	66,050	66,050	404,734	338,684
Total revenues	3,094,968	3,094,968	4,023,799	928,831
EXPENDITURES				
Current:				
General government	1,100,312	1,100,312	689,956	410,356
Elected officials	102,060	102,060	97,093	4,967
Planning	16,300	16,300	147,912	(131,612)
Public works	318,395	318,395	363,294	(44,899)
Building inspection	4,880	4,880	88,271	(83,391)
Code and safety	371,000	371,000	480,519	(109,519)
Parks and community	125,005	125,005	83,874	41,131
Facilities and equipment	213,120	213,120	192,619	20,501
JIPSD tax relief	914,000	914,000	905,000	9,000
Capital outlay	863,196	863,196	1,046,415	(183,219)
Total expenditures	4,028,268	4,028,268	4,094,953	(66,685)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(933,300)	(933,300)	(71,154)	862,146
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	933,300	933,300	225,393	707,907
Total other financing sources (uses)	933,300	933,300	225,393	707,907
Net changes in fund balances	-	-	154,239	1,570,053
Fund balances, beginning of year, as restated	3,614,466	3,614,466	3,614,466	-
Fund balances, end of year	\$ 3,614,466	\$ 3,614,466	\$ 3,768,705	\$ 1,570,053

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
POLICE OFFICERS RETIREMENT SYSTEM**

Only six years of information is presented as only six years of data were available.

SCRS	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.005506%	0.005621%	0.005093%	0.005809%	0.004501%	0.004047%
Town's proportionate share of the net pension liability	\$ 1,406,749	\$ 1,283,409	\$ 1,141,265	\$ 1,307,699	\$ 961,408	\$ 767,533
Town's covered-employee payroll	\$ 644,703	\$ 614,212	\$ 593,517	\$ 526,930	\$ 587,873	\$ 435,818
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.83%	47.86%	52.01%	40.29%	163.54%	176.11%
Plan fiduciary net position as a percentage of the total pension liability	50.7%	54.4%	54.1%	53.3%	52.9%	59.9%

Only four years of information is presented as only four years of data were available.

PORS	2021	2020	2019	2018
Town's proportion of the net pension liability	0.017460%	0.013060%	0.009022%	0.000380%
Town's proportionate share of the net pension liability	\$ 578,991	\$ 374,291	\$ 255,629	\$ 10,438
Town's covered-employee payroll	\$ 244,155	\$ 263,750	\$ 189,429	\$ 128,025
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	42.17%	70.47%	74.10%	1226.53%
Plan fiduciary net position as a percentage of the total pension liability	58.8%	62.7%	61.7%	60.9%

Notes to schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
POLICE OFFICERS RETIREMENT SYSTEM**

Only six years of information is presented as only six years of data were available.

SCRS	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 100,316	\$ 95,572	\$ 86,416	\$ 71,452	\$ 67,076	\$ 47,458
Contributions in relation to the contractually required contribution	(100,316)	(95,572)	(86,416)	(71,452)	(67,076)	(47,458)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 644,703	\$ 614,212	\$ 593,517	\$ 526,930	\$ 587,873	\$ 435,818
Contributions as a percentage of covered-employee payroll	15.56%	15.56%	14.56%	13.56%	11.41%	10.89%

Only four years of information is presented as only four years of data were available.

PORS	2021	2020	2019	2018
Contractually required contribution	\$ 44,534	\$ 48,108	\$ 32,657	\$ 20,279
Contributions in relation to the contractually required contribution	(44,534)	(48,108)	(32,657)	(20,279)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 244,155	\$ 263,750	\$ 189,428	\$ 128,025
Contributions as a percentage of covered-employee payroll	18.24%	18.24%	17.24%	15.84%

TOWN OF JAMES ISLAND, SOUTH CAROLINA
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		
REVENUE				
Hospitality tax	\$ 375,000	\$ 375,000	\$ 536,229	\$ 161,229
Total revenues	375,000	375,000	536,229	161,229
EXPENDITURES				
Current:				
Parks and community	157,545	157,545	82,808	74,737
Capital outlay	548,065	548,065	226,217	321,848
Total expenditures	705,610	705,610	309,025	396,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(330,610)	(330,610)	227,204	(235,356)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	330,610	330,610	-	330,610
Total other financing sources (uses)	330,610	330,610	-	330,610
Net changes in fund balances	-	-	227,204	95,254
Fund balances, beginning of year, as restated	1,463,227	1,463,227	1,463,227	-
Fund balances, end of year	<u>\$ 1,463,227</u>	<u>\$ 1,463,227</u>	<u>\$ 1,690,431</u>	<u>\$ 95,254</u>



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable William Woolsey, Mayor
Members of Town Council
Town of James Island, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the Town of James Island, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of James Islands' basic financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of James Islands' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of James Islands' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of James Islands' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates

Laurens, South Carolina

November 5, 2021