

**TOWN OF SEABROOK ISLAND,  
SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and Members  
of the Town Council  
Town of Seabrook Island, South Carolina  
Seabrook Island, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component unit of the **Town of Seabrook Island, South Carolina** (the "Town"), as of and for the year ended **December 31, 2019**, and the related notes to the financial statements, which collectively comprise the Town'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 ("GAAP"); 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.

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## ***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 discretely presented component unit of the Town, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – GAAP Basis (page 39), the Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – GAAP Basis (page 40), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System (page 41), and the Schedule of Contributions – South Carolina Retirement System (page 42) 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 (“GASB”) 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’s basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) (on pages 43 and 44) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

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The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) 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 Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 the Town of Seabrook Island, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
July 21, 2020

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

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As management of the Town of Seabrook Island, South Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented in the following pages. The financial statements of the Town's component unit, the Seabrook Island Utility Commission, are issued separately and the reader should consult those financial statements for an understanding of this entity's activities.

### FINANCIAL HIGHLIGHTS

- The Town's net position as of December 31, 2019 increased as a result of this year's operations. The net position of our governmental activities for the year ended December 31, 2019 increased \$453,391, or approximately 7.8%, from December 31, 2018.
- During the year ended December 31, 2019, the Town had expenses that totaled \$1,335,092, and revenues were in excess of these expenses by \$453,391 increasing net position noted above.
- Revenues from the Town's governmental activities increased \$121,508, or approximately 6.8% for the year ended December 31, 2019. Related expenses for this same period increased \$337,380, or approximately 25%. The increase in revenues is attributable to numerous accounts, including business licenses and state taxes. The increase in expenses is mostly related to an increase in general government expenditures.
- The net position at December 31, 2019 totaled \$6,252,816.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. They include a statement of net position and a statement of activities. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reports as net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial position.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. The statement presents all underlying events, which give rise to change, regardless of the timing of related cash flows. Some included items, such as uncollected accounts receivable, due from other governments and accounts payable, will produce changes in cash in future periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Both of the *government-wide financial statements* attempt to distinguish functions of the Town that are principally supported by taxes and inter-governmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the Town include the broad functions of general government including zoning; licenses and permits; judicial; and tourism and recreation. The primary government does not consider itself having any activities that would be considered business-type activities.

The *government-wide financial statements* also include the Seabrook Island Utility Commission as a discretely presented component unit.

The *government-wide financial statements* can be found on pages 10 and 11 of the basic financial statements.

**Fund financial statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Town of Seabrook Island government are considered governmental funds.

**Governmental Funds** – *Governmental funds* essentially account for the same functions as those reported as *governmental activities* under the government-wide statement of net position and statement of activities. However, unlike the government-wide financial statements, governmental funds focus on events that produce *near-term inflows and outflows of spendable resources*, as well as the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements and available resources.

Because the focus of the governmental funds is narrower than that of the government-wide financial statement, it is useful to compare information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town has two governmental funds: general fund and special revenue fund. Each fund is presented in a separate column in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances*.

The basic fund financial statements can be found on pages 12 through 15 of the basic financial statements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, the Town's assets exceeded liabilities by \$6,252,816 at December 31, 2019.

Of this net position amount, \$1,619,989 (26%) reflects the Town's investment in capital assets. The Town is holding \$206,271 (3%) as restricted for court, tourism and related projects. The remaining balance of \$4,426,556 (71%) of unrestricted net position may be used to meet the Town's ongoing and future obligations to citizens.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets:</b>		
Current Assets	\$ 5,225,290	\$ 4,905,339
Capital Assets, Net	1,619,989	1,447,854
<b>Total Assets</b>	<b>\$ 6,845,279</b>	<b>\$ 6,353,193</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Pension Charges	\$ 58,197	\$ 82,542
<b>Total Deferred Outflows of Resources</b>	<b>\$ 58,197</b>	<b>\$ 82,542</b>
<b>Liabilities:</b>		
Current	\$ 83,093	\$ 58,183
Long-Term Obligations	523,942	568,967
<b>Total Liabilities</b>	<b>\$ 607,035</b>	<b>\$ 627,150</b>
<b>Deferred Inflows of Resources:</b>		
Deferred Pension Credits	\$ 43,625	\$ 9,160
<b>Total Deferred Inflows of Resources</b>	<b>\$ 43,625</b>	<b>\$ 9,160</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 1,619,989	\$ 1,447,854
Restricted	206,271	230,452
Unrestricted	4,426,556	4,121,119
<b>Total Net Position</b>	<b>\$ 6,252,816</b>	<b>\$ 5,799,425</b>

The Town's current assets are primarily comprised of cash balances of \$4,942,453 (95%) and operating receivables of \$216,997 (4%).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town has current liabilities for the fiscal year-end in the governmental activities totaling \$83,093. Current liabilities consist of accounts payable and other accrued expenses. The Town has a long-term liability of \$568,967 at December 31, 2019. This liability represents the Town's share of the net pension liability in the South Carolina Retirement Plan. The following is a summary of the change in net position including government type activities.

**Governmental activities** – Governmental activities increased the Town's net position by \$453,391 for the year ended December 31, 2019.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 737,615	\$ 775,610
Capital Grants and Contributions	125,000	-
General Revenues:		
Franchise taxes	224,886	231,551
Local option sales tax	280,344	274,919
Accommodations tax	260,261	237,271
Alcohol tax	5,000	3,850
Other state tax	40,154	38,710
Interest	107,761	94,147
Miscellaneous	7,462	10,917
Total Revenues	1,788,483	1,666,975
Expenses:		
General Government	1,072,092	745,902
Tourism, advertising and promotion	253,856	241,974
Municipal court	9,144	9,836
Total Expenses	1,335,092	997,712
Change in Net Position	453,391	669,263
Net Asset - Beginning of Year, as restated	5,799,425	5,130,162
Net Position - End of Year	\$ 6,252,816	\$ 5,799,425

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental Funds** – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2019, the Town's governmental funds reported combined ending fund balances of \$5,142,197, an increase of \$295,041. Of this balance, 96% constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the primary operating fund of the Town. At the end of 2019, the unreserved fund balance of the general fund was \$4,934,667, while the total fund balance was \$4,935,926. As a measure of a general fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 401% of total general fund expenditures, while total fund balance also represents 401% of total general fund expenditures.

The special revenue fund had a total fund balance of \$206,271. Of this amount, all of the fund balance is restricted to be used to promote tourism within the Town, as well as to support municipal court activities and alcohol education. The funds in the special revenue accounts have very specific guidelines as to use under state law.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund reported actual revenues of \$1,548,488, which is over the budgeted amount of \$1,223,775. The general fund reported actual expenditures of \$1,230,442, which is under the budgeted amount of \$1,930,275.

### CAPITAL ASSETS

The Town of Seabrook Island invested in capital assets during the fiscal year in the amount of \$1,619,989. Capital assets activity is summarized below for the year ended December 31, 2019.

	Governmental Activities	
	2019	2018
Infrastructure	\$ 1,156,137	\$ 364,464
Land improvements	728,756	728,756
Equipment and vehicles	250,369	182,543
Construction in progress	-	643,894
Less: Accumulated Depreciation	(515,273)	(471,803)
Total	<u>\$ 1,619,989</u>	<u>\$ 1,447,854</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### ECONOMIC FACTORS AND NEXT YEARS BUDGET

The economy on Seabrook Island continues to remain stable, while forecasts of short-term growth remain conservative. Budgeted revenues showed modest growth in 2019, and revenues are anticipated to grow by approximately \$122,000, or 11%, in the 2020 budget. Town expenditures are expected to increase approximately \$650,000, or 52%, in the 2020 budget. The primary driver of this increase will be anticipated capital expenditures, such as roadway and drainage upgrades and other non-recurring capital improvements.

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## STATEMENT OF NET POSITION DECEMBER 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Seabrook Island Utility Commission
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,769,004	\$ 1,930,266
Cash and cash equivalents, restricted	173,449	732,299
Investments, restricted	-	499,895
Accounts receivable, net of allowances	216,997	293,520
Due from county	1,590	-
Due from state	62,991	-
Prepaid expenses	1,259	20,446
Capital assets:		
Non-depreciable	-	76,258
Depreciable, net of accumulated depreciation	1,619,989	11,616,096
Total assets	6,845,279	15,168,780
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	58,197	-
Total deferred outflows of resources	58,197	-
<b>LIABILITIES</b>		
Accounts payable	73,951	294,008
Accrued expenses	9,142	23,421
Current maturities of long-term debt	-	685,110
Customer deposits	-	104,223
Long-term liabilities:		
Revenue bonds payable	-	2,550,000
State loans	-	1,420,616
Net pension liability - due in more than one year	523,942	-
Total liabilities	607,035	5,077,378
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	43,625	-
Total deferred inflows of resources	43,625	-
<b>NET POSITION</b>		
Net investment in capital assets	1,619,989	6,960,370
Restricted for:		
Accommodations tax - state	140,053	-
Accommodations tax - county	22,321	-
Municipal court	17,867	-
Alcohol tax	26,030	-
Debt service	-	499,895
Capital improvements and operations and maintenance	-	732,299
Unrestricted	4,426,556	1,898,838
Total net position	\$ 6,252,816	\$ 10,091,402

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

**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary	Component
					<u>Governmental Activities</u>	<u>Unit Seabrook Island Utility Commission</u>
<b>Governmental Activities</b>						
General government	\$ 1,072,092	\$ 728,543	\$ -	\$ 125,000	\$ (218,549)	\$ -
Tourism, advertising and promotion	253,856	-	-	-	(253,856)	-
Municipal court	9,144	9,072	-	-	(72)	-
Total governmental activities	\$ 1,335,092	\$ 737,615	\$ -	\$ 125,000	(472,477)	-
<b>Component Unit</b>						
Seabrook Island Utility Commission	\$ 3,583,786	\$ 3,670,679	\$ -	\$ -	-	86,893
Total component unit	\$ 3,583,786	\$ 3,670,679	\$ -	\$ -	-	86,893
General revenues:						
Franchise taxes					224,886	-
Local option sales tax					280,344	-
Accommodations tax - state					211,761	-
Accommodations tax - county					48,500	-
Alcohol tax					5,000	-
Other state tax					40,154	-
Interest					107,761	63,938
Miscellaneous					7,462	-
Total general revenues					925,868	63,938
Change in net position					453,391	150,831
Net position, beginning of year, as restated					5,799,425	9,940,571
Net position, end of year					\$ 6,252,816	\$ 10,091,402

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

**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,769,004	\$ -	\$ 4,769,004
Cash and cash equivalents, restricted	-	173,449	173,449
Due from State	31,759	31,232	62,991
Due from County	-	1,590	1,590
Accounts receivable	216,997	-	216,997
Prepaid expenditures	1,259	-	1,259
Total assets	<u>\$ 5,019,019</u>	<u>\$ 206,271</u>	<u>\$ 5,225,290</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 73,951	\$ -	\$ 73,951
Accrued liabilities	9,142	-	9,142
Total liabilities	<u>83,093</u>	<u>-</u>	<u>83,093</u>
<b>FUND BALANCES</b>			
Nonspendable	1,259	-	1,259
Restricted for:			
Accommodations tax, State	-	140,053	140,053
Accommodations tax, County	-	22,321	22,321
Municipal court	-	17,867	17,867
Alcohol tax	-	26,030	26,030
Unassigned	4,934,667	-	4,934,667
Total fund balances	<u>4,935,926</u>	<u>206,271</u>	<u>5,142,197</u>
Total liabilities and fund balances	<u>\$ 5,019,019</u>	<u>\$ 206,271</u>	<u>\$ 5,225,290</u>

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

**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

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

Fund balances, end of year	\$ 5,142,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,619,989
The Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	<u>(509,370)</u>
Net position of governmental activities	<u><u>\$ 6,252,816</u></u>

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



**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Franchise fees	\$ 224,886	\$ -	\$ 224,886
Local option sales tax	280,344	-	280,344
Accommodations tax - State	34,338	177,423	211,761
Accommodations tax - County	-	48,500	48,500
Alcohol tax	-	5,000	5,000
Other state tax	40,154	-	40,154
Business licenses	676,333	-	676,333
Permits	52,210	-	52,210
Court fines, assessments and surcharges	-	9,072	9,072
Grants	125,000	-	125,000
Interest	107,761	-	107,761
Other revenue	7,462	-	7,462
Total revenues	<u>1,548,488</u>	<u>239,995</u>	<u>1,788,483</u>
<b>Expenditures</b>			
Current:			
General government	1,005,921	-	1,005,921
Municipal court	-	9,144	9,144
Tourism, advertising and promotion	-	253,856	253,856
Capital outlay	224,521	-	224,521
Total expenditures	<u>1,230,442</u>	<u>263,000</u>	<u>1,493,442</u>
Net change in fund balance	<u>318,046</u>	<u>(23,005)</u>	<u>295,041</u>
<b>Fund balances, beginning of year</b>	<u>4,617,880</u>	<u>229,276</u>	<u>4,847,156</u>
<b>Fund balances, end of year</b>	<u>\$ 4,935,926</u>	<u>\$ 206,271</u>	<u>\$ 5,142,197</u>

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

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

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

Net change in fund balances - total governmental funds \$ 295,041

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded capital depreciation in the current period.

Total capital outlay	\$ 230,605	
Total depreciation expense	<u>(50,077)</u>	
		180,528

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (8,393)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension liability	\$ <u>(13,785)</u>	<u>(13,785)</u>
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Change in net position of governmental activities. \$ 453,391

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

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Seabrook Island, South Carolina (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

#### A. Reporting Entity

The Town operates under a charter originally granted by the State of South Carolina on May 19, 1987. The Town is governed by an elected mayor and four-member council. All legislative and administrative powers of the municipality and the determination of all matters of policy are vested in the Town Council. Each member of Council, including the Mayor, has one vote.

#### B. Component Unit

In conformity with GAAP, the financial statements of Seabrook Island Utility Commission (the "Commission" or the "Component Unit") have been included in the financial reporting entity as a discretely presented component unit. The Town considers the Commission to be a component unit because the Commission's revenue bonds are issued in the name of the Town of Seabrook Island, South Carolina, creating financial accountability. The Commission is reported in a separate column to emphasize that it is legally separate from the Primary Government. The Component Unit and the Primary Government collectively are referred to as the Town of Seabrook Island, South Carolina (collectively the "Town").

Seabrook Island Utility Commission – In November 1995, the permanent members of the governing board of the Utility Commission were officially elected by town vote to replace the temporary Commission members who were appointed by town council earlier that year. The terms of the members are to extend for two to six years varying by member. The Commission began operating the water and sewer system for the primary government on April 30, 1996. The Commission changed its name from the Seabrook Island Water and Sewer Commission to the Seabrook Island Utility Commission in March 2000 by passage of a town ordinance. Separate audited financial statements are prepared for the Commission and are available at the Seabrook Island Town Hall.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) 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 Town has no business-type activities.

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. 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

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. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes grants and donations. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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. All revenues (including franchise fees, intergovernmental revenues, licenses, etc.) 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 all revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of grant related revenues. Grant related revenues are considered to be available if they are collected within one year 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 payments are due and payable, if applicable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column, if applicable.

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used as an aid to management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds are used by the Town:

**General Fund** – The General Fund is the general operating fund of the Primary Government. It is used to account for all financial resources except those required to be accounted for in another fund.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

**Special Revenue Fund** – The Special Revenue Fund is used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. The fund includes state accommodations tax restricted for promotion and tourism of the Primary Government, county accommodations tax and state alcohol tax restricted for support of tourism and tourist services or capital projects, and municipal court fines, assessments and surcharges restricted for victims' advocate services and other court expenditures. The unrestricted portion of accommodations tax received from the state is included in the General Fund.

#### D. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool ("SCLGIP") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the SCLGIP are reported as investments.

The Town's restricted accounts are established to account for assets restricted for specific purposes, typically by outside parties or legal agreement. The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### E. Investments

State of South Carolina statutes authorize the entity to invest in the following:

1. Obligations of the United States of America and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan associations deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. No load open and closed-end portfolios of certain investment companies with issues of the United States of America government;
5. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third-party as escrow agent or custodian, or a market value not less than the amount of the certificate of deposit so secured, including interest.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Restricted Assets

Certain assets are classified as restricted assets on the statement of position because their use is limited by debt agreements or earmarked for specific purposes. The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### G. Receivables and Payables

Due from other governments consists of local option sales tax, and other taxes. All trade receivables are shown net of an allowance for uncollectibles (if any).

#### H. Prepaid Items

Prepaid balances are for payments made by the Town in the current year to obtain services in the subsequent fiscal year. The Town uses the consumption method to account for these items. The portion of fund balance shown as non-spendable for prepaid items has been recognized to signify that a portion of fund balances is not available for other subsequent expenditures.

#### I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental-wide financial statements. Capital assets, other than infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of governmental-type activities is not capitalized.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	25 – 40 years
Land improvements	15 – 40 years
Buildings	15 – 40 years
Waterworks and Sewer System	5 – 40 years
Office furniture and fixtures	5 – 10 years

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund balance is reported in the governmental funds financial statements and generally represents the difference between current assets and current liabilities. Fund balance classifications represent a hierarchy based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Non-spendable** – Fund balances are classified as non-spendable when amounts cannot be spent because they are either: i) in non-spendable form, or ii) they are legally or contractually required to be maintained intact. The Town includes items that are not expected to be converted to cash such as inventories and prepaid amounts.
- **Restricted** – Fund balances are reported as restricted when their use is restricted for specific purposes including: i) constraints on funds externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or ii) constraints imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Fund balances are reported as committed if their use is for a specific purpose as approved by formal action of the Council (majority vote). Amounts committed cannot be used for any other purpose unless the Council removes or changes the specific use by approving such action through resolution at a Council meeting. Budget resolutions are considered a plan for specific use.
- **Assigned** – Fund balances are reported as assigned when constrained by the Town’s intent to use the funds for specific purposes that are neither restricted nor committed. Assigned fund balance includes: i) all remaining amounts (except negative balances) reported in governmental funds, other than the General Fund, that are not classified as non-spendable, restricted or committed, ii) amounts in the General Fund intended for a specific use identified by either the Mayor or Treasurer, and iii) amounts appropriated to eliminate a projected budget deficit in the subsequent year.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above four criterion for classification. The Town reports positive unassigned fund balance in only the General Fund. Negative unassigned fund balances may be reported in all governmental funds.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Fund Equity (Continued)

For purposes of fund balance disbursement, unless otherwise approved by the Council, the Town will expend restricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Next, the Town will expend committed fund balance when an expenditure is paid for which unrestricted fund balance is available. The Town would next disburse fund balance assigned for purposes of the fund before disbursing other assigned fund balance amounts. In the General Fund, the Town would disburse unassigned fund balance prior to disbursing fund balance assigned for financial policy reserve levels or amounts assigned to eliminate subsequent year's budget deficit.

Equity is classified as net position and displayed in three components in the government-wide financial statements.

**Net investment in capital assets** 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.

**Restricted net position** consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### K. Use of Estimates

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has five items that qualify for reporting in this category. These five items relate to the Town's pension plan and are reported in the government-wide Statements of Net Position: 1) experience losses result from periodic studies by the Town's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members; 2) changes in actuarial assumptions adjust the net pension liabilities and are amortized into pension expense over the expected remaining service lives of plan members; 3) the differences between projected investment return on pension investments and actual return on those investments are deferred and amortized against pension expense over a five-year period; 4) the changes in the Town's proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred outflows; and 5) any contributions made by the Town to the pension plan before year-end but subsequent to the measurement date of the Town's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. These items relate to the Town's pension plan and are reported in the government-wide Statements of Net Position: 1) certain experience gains are deferred and amortized against expense over a five-year period, resulting in recognition as deferred inflows of resources; and 2) the changes in the Town's proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions (discussed in the previous paragraph) are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred inflows.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Data

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them.
2. Prior to January 1, the Town Council shall legally enact the budget through passage of an ordinance.
3. The Mayor is responsible for the administration of the budget. Any budgeted operating expense for which insufficient funds remain shall be approved by Town Council. The budget may be modified during the year only by a majority vote of Town Council. The budget was not amended during 2018, but the Town Council did vote to approve expenses in excess of the original budget.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. The budget for the General and Special Revenue Funds is adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America.
6. Capital expenditures are included as part of the formal budget, and voted on by the Town Council.

#### Excess of Expenditures Over Appropriations

For the year ended September 30, 2019, the following departments of the special revenue fund had excess of actual expenditures over appropriations. The over-expenditures were funded by excess of actual revenues over appropriations.

	<u>Excess</u>
Municipal court	\$ 644
Tourism, advertising and promotion	12,856

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town follows the South Carolina Code of Laws Section 6-5-15 as its policy for custodial credit risk which states that to the extent that these deposits exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation, the bank or savings and loan association at the time of deposit must: 1) furnish an indemnity bond in a responsible surety company authorized to do business in this State; or 2) pledge as collateral: a) obligations of the United States; b) obligations fully guaranteed both as to principal and interest by the United States; c) general obligations of this State or any political subdivision of this State; or d) obligations of the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation; or provide an irrevocable letter of credit issued by the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit otherwise meets the criteria established and prescribed by the local entity. As of December 31, 2019, none of the Town's bank balances were subject to custodial credit risk.

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon: a) quoted market prices for identical or similar investments, or b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, South Carolina 29211-1960.

**Interest Rate Risk:** The Town's investment policy limits the weighted average maturity of investments to less than five years.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments policy states that an independent third-party with whom the bank has a current custodial agreement will always hold collateral and that a clearly marked evidence of ownership must be supplied to the Town and retained.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy for credit risk states that the risk shall be mitigated by investing in safe institutions, but does not have strict guidelines regarding credit ratings. The Town follows the investment policy statutes of the State of South Carolina related to credit risk for investments.

**Concentration of Credit Risk for Investments:** The Town's investment policy states that no more than 50% of the Town's investment portfolio will be invested in a single security type. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Deposits and investments are reconciled between the financial statements and note disclosure as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 4,769,004
Cash and cash equivalents, restricted	173,449
Total cash and investments	<u>\$ 4,942,453</u>
Cash and investments deposited with financial institutions	\$ 289,172
South Carolina Local Government Investment Pool	4,653,081
	<u>\$ 4,942,253</u>

**Fair Value:** The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

#### Fair Value: (Continued)

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**Restricted Cash:** In accordance with South Carolina legislative policy, any accommodations tax revenue received each fiscal year ending June 30 exceeding \$25,000 is subject to a special allocation. Five percent of the balance of this excess is allocated to the General Fund of the Primary Government. Thirty percent of the balance must be allocated to a special revenue fund and used for advertising and promotion of tourism to develop and increase tourist attendance through publicity. The remaining 65% plus earned interest must be allocated to a special revenue fund and used for tourism-related expenditures. Restricted cash also consists of accommodations tax revenue received from Charleston County, alcohol tax revenue received from the State, and municipal court revenues. As of December 31, 2019, the total restricted cash was \$173,449.

### NOTE 4. ACCOUNTS RECEIVABLE

Receivables as of December 31, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
Receivables:			
Due from State	\$ 31,759	\$ 31,232	\$ 62,991
Due from County	-	1,590	1,590
Accounts receivable	216,997	-	216,997
Net total receivables	\$ 248,756	\$ 32,822	\$ 281,578

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 643,894	\$ 147,779	\$ -	\$ (791,673)	\$ -
Total	<u>643,894</u>	<u>147,779</u>	<u>-</u>	<u>(791,673)</u>	<u>-</u>
Capital assets, being depreciated:					
Infrastructure	364,464	-	-	791,673	1,156,137
Land improvements	728,756	-	-	-	728,756
Equipment and vehicles	182,543	82,826	(15,000)	-	250,369
Total	<u>1,275,763</u>	<u>82,826</u>	<u>(15,000)</u>	<u>791,673</u>	<u>2,135,262</u>
Less accumulated depreciation	<u>(471,803)</u>	<u>(50,077)</u>	<u>6,607</u>	<u>-</u>	<u>(515,273)</u>
Total capital assets, being depreciated, net	<u>803,960</u>	<u>32,749</u>	<u>(8,393)</u>	<u>791,673</u>	<u>1,619,989</u>
Governmental activities capital assets, net	<u>\$ 1,447,854</u>	<u>\$ 180,528</u>	<u>\$ (8,393)</u>	<u>\$ -</u>	<u>\$ 1,619,989</u>

Depreciation expense was charged to general government.

### NOTE 6. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. To insure against these 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 incurred no significant uninsured claims during the year ended December 31, 2019. There was no liability or expense recorded for other actual claims, and management does not believe any provision for unasserted claims is necessary. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. CONTINGENT LIABILITIES

**Litigation** – From time to time, the Town is involved in various claims and lawsuits, both for and against the Town, arising in the normal course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Town.

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS

#### *Overview*

The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets.

The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the systems and additions to/deductions from the systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the systems’ Pension Trust Funds. The CAFR is 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, South Carolina 29223. 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 CAFR of the state.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### *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.

#### *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 described below.

**South Carolina Retirement System** – 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.

#### *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/current annual salary. A brief summary of the benefit terms for each system is presented below.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### *Benefits (Continued)*

**South Carolina Retirement System (Continued)** – 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 1% or \$500 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.

#### *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 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 employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. 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 is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### *Contributions (Continued)*

**South Carolina Retirement System (Continued)** – Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85%. 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%, 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 85%. 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%, 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 85%. For the year ended December 31, 2019, the Town contributed \$37,030 to the SCRS plan.

Required employee contribution rates for the fiscal year ended December 31, 2019, are as follows:

#### **South Carolina Retirement System**

- 9.00% of earnable compensation from January 1st through June 30th
- 9.00% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the fiscal year ended December 31, 2019, are as follows:

#### **South Carolina Retirement System**

- 14.41% of earnable compensation from January 1st through June 30th
- 15.41% of earnable compensation from July 1st through December 31st
- Employer incidental death benefit: 0.15% of earnable compensation

#### *Net Pension Liability*

The June 30, 2019 (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2018, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2019, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)**

*Net Pension Liability (Continued)*

**South Carolina Retirement System (Continued)** – The net pension liability 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. As of December 31, 2019 (measurement date of June 30, 2019), the net pension liability amount for the Town’s proportionate share of the collective net pension liability associated with the SCRS plan is as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Pension</u>	<u>Town's Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$1,149,177	\$ 625,235	\$ 523,942	54.4%	0.002295%

*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 during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2018, valuations for SCRS.

	<u>SCRS</u>
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Includes inflation at	2.75%
Benefit adjustments	Lesser of 1% or \$500

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

*Actuarial Assumptions and Methods (Continued)*

**South Carolina Retirement System (Continued)** – The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumption, 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.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Males multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Males multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market assumptions. The actuarial 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 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of the return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2.25% inflation component.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

*Actuarial Assumptions and Methods (Continued)*  
**South Carolina Retirement System (Continued)**

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
	<u>100%</u>		
		Total expected real return	5.41%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.66%</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### *Discount Rate*

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

The following table presents the sensitivity of the net pension liability to changes in the discount rate:

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's portion - SCRS	\$ 660,185	\$ 523,942	\$ 410,425

#### *Pension Expense*

For the year ended December 31, 2019, the Town recognized its proportionate share of collective pension expense of \$244,720 for the SCRS plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the SCRS pension plan from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 360	\$ 3,764
Changes of assumptions	10,558	-
Net difference between projected and actual earnings on pension plan investments	4,638	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	23,512	39,861
Employer contributions subsequent to the measurement date	19,129	-
Total	\$ 58,197	\$ 43,625

Town contributions subsequent to the measurement date of \$19,129 for the SCRS plan are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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 ending December 31,	SCRS
2020	\$ 11,813
2021	(6,157)
2022	(11,656)
2023	1,443

*Pension Plan 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 required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, South Carolina 29211-1960.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Town derives more than half of its revenue from business licenses, franchise fees, and permit fees. Much of this revenue is dependent on the level of business activity in the Town.

### NOTE 10. PRIOR PERIOD ADJUSTMENT

The Town has determined that a restatement to beginning net position of its governmental activities is required to reflect corrections of errors in the December 31, 2018, financial report. These restatements are as follows:

	<u>Governmental Activities</u>
Net Position, December 31, 2018, as previously reported	\$ 5,726,043
Adjustment to record pension deferred outflows	82,542
Adjustment to record pension deferred inflows	<u>(9,160)</u>
 Net Position, December 31, 2018, as restated	 <u>\$ 5,799,425</u>

**Adjustment to record deferred pension amounts.** The Town determined that they had not recorded deferred pension amounts in prior years in accordance with governmental auditing standards. As it relates to governmental activities, adjustments were required to record deferred pension outflows and inflows of resources in the amounts of \$82,542 and \$9,160, respectively. The effects of recording these deferred amounts resulted in an increase in net position in the amount of \$73,382.

### NOTE 11. SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through July 21, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact certain Town revenues in 2020. Other financial impact could occur though such potential impact is unknown at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF SEABROOK ISLAND, SOUTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Franchise fees	\$ 212,000	\$ 212,000	\$ 224,886	\$ 12,886
Local option sales tax	240,000	240,000	280,344	40,344
Accommodations tax - state	31,500	31,500	34,338	2,838
Other state tax	38,700	38,700	40,154	1,454
Business licenses	605,200	605,200	676,333	71,133
Permits	40,150	40,150	52,210	12,060
Grants	-	-	125,000	125,000
Interest	49,025	49,025	107,761	58,736
Other revenue	7,200	7,200	7,462	262
Total revenues	<u>1,223,775</u>	<u>1,223,775</u>	<u>1,548,488</u>	<u>324,713</u>
<b>Expenditures</b>				
Current:				
General government	1,119,275	1,119,275	1,005,921	113,354
Capital outlay	811,000	811,000	224,521	586,479
Total expenditures	<u>1,930,275</u>	<u>1,930,275</u>	<u>1,230,442</u>	<u>699,833</u>
Net change in fund balance	<u>(706,500)</u>	<u>(706,500)</u>	<u>318,046</u>	<u>1,024,546</u>
<b>Fund balances, beginning of year</b>	<u>4,617,880</u>	<u>4,617,880</u>	<u>4,617,880</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 3,911,380</u></u>	<u><u>\$ 3,911,380</u></u>	<u><u>\$ 4,935,926</u></u>	<u><u>\$ 1,024,546</u></u>

**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Accommodations tax - state	\$ 123,500	\$ 123,500	\$ 177,423	\$ 53,923
Accommodations tax - county	45,000	45,000	48,500	3,500
Alcohol tax	3,500	3,500	5,000	1,500
Court fines, assessments and surcharges	5,000	5,000	9,072	4,072
Total revenues	<u>177,000</u>	<u>177,000</u>	<u>239,995</u>	<u>62,995</u>
<b>Expenditures</b>				
Current:				
Municipal court	8,500	8,500	9,144	(644)
Tourism, advertising and promotion	241,000	241,000	253,856	(12,856)
Total expenditures	<u>249,500</u>	<u>249,500</u>	<u>263,000</u>	<u>(13,500)</u>
Net change in fund balance	<u>(72,500)</u>	<u>(72,500)</u>	<u>(23,005)</u>	<u>49,495</u>
<b>Fund balances, beginning of year</b>	<u>229,276</u>	<u>229,276</u>	<u>229,276</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 156,776</u>	<u>\$ 156,776</u>	<u>\$ 206,271</u>	<u>\$ 49,495</u>

# TOWN OF SEABROOK, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED DECEMBER 31, 2019

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### South Carolina Retirement System

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Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered payroll	Town's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.002295%	\$ 523,942	\$ 242,299	216.2%	54.4%
2018	0.002539%	568,967	263,138	216.2%	54.1%
2017	0.002314%	520,919	133,509	390.2%	53.3%
2016	0.002319%	495,335	224,580	220.6%	52.9%
2015	0.002410%	457,068	226,013	202.2%	57.0%
2014	0.002509%	450,025	232,421	193.6%	56.2%

The above schedule will present 10 years of information once it is accumulated.

**TOWN OF SEABROOK, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

South Carolina Retirement System						
Fiscal Year Ended December 31,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll	
2019	\$ 37,030	\$ 37,030	\$ -	\$ 245,880	15.06%	
2018	31,273	31,273	-	238,718	13.10%	
2017	30,902	30,902	-	262,259	11.78%	
2016	26,020	26,020	-	230,058	11.31%	
2015	24,063	24,063	-	219,153	10.98%	
2014	25,007	25,007	-	232,622	10.75%	

The above schedule will present 10 years of information once it is accumulated.

The assumptions used the preparation of the above schedules are as follows:

System	SCRS
Calculation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year Smoothed
Amortization method	Level % of pay
Amortization period	30 years maximum, closed period
Investment return	7.25%
Inflation	2.75%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

FOR THE STATE TREASURER'S OFFICE:

<b>COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT</b>	<b><u>General Sessions</u></b>	<b><u>Magistrate Court</u></b>	<b><u>Municipal Court</u></b>	<b><u>Total</u></b>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	N/A	N/A	\$ 9,072	\$ 9,072
Court fines and assessments remitted to State Treasurer	N/A	N/A	3,433	3,433
<b>Total Court Fines and Assessments retained</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 5,639</b>	<b>\$ 5,639</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	N/A	N/A	\$ 800	\$ 800
Assessments retained	N/A	N/A	447	447
<b>Total Surcharges and Assessments retained for victim services</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 1,247</b>	<b>\$ 1,247</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<b>VICTIM SERVICE FUNDS COLLECTED</b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>\$ 4,150</b>	<b>N/A</b>	<b>\$ 4,150</b>
<b><u>Victim Service Revenue:</u></b>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	447	N/A	447
Victim Service Surcharges Retained by City/County Treasurer	800	N/A	800
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 5,397</b>	<b>N/A</b>	<b>\$ 5,397</b>



**TOWN OF SEABROOK ISLAND, SOUTH CAROLINA**

**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b><u>Expenditures for Victim Service Program:</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Salaries and Benefits	\$ -	N/A	\$ -
Operating Expenditures	1,247	N/A	1,247
<b>Victim Service Contract(s):</b>			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter	-	N/A	-
(2) Rape Crisis Center	-	N/A	-
(3) Other local direct crime victims service agency	-	N/A	-
Transferred to General Fund	-	N/A	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>1,247</b>	<b>N/A</b>	<b>1,247</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	4,150	N/A	4,150
<b>Less: Prior Year Fund Deficit Repayment</b>	<b>-</b>	<b>N/A</b>	<b>-</b>
<b>Carryforward Funds – End of Year</b>	<b>\$ 4,150</b>	<b>N/A</b>	<b>4,150</b>

## **COMPLIANCE SECTION**



**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**

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**Honorable Mayor and Members  
of the Town Council  
Town of Seabrook Island, South Carolina  
Seabrook 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 the governmental activities, each major fund, and the discretely presented component unit of the Town of Seabrook Island, South Carolina (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 21, 2020.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's 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*.

### **Town of Seabrook Island, South Carolina's Response to Finding**

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

### **Purpose of this Report**

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



Savannah, Georgia  
July 21, 2020

# TOWN OF SEABROOK, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified?  Yes  No

Significant deficiencies identified not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

There was not an audit of major federal award programs as of December 31, 2019, due to the total amount expended being less than \$750,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2019-001. Correction of Errors

**Criteria:** Governmental Accounting Standards Board ("GASB") requires the reporting of deferred amounts related to pensions. Specifically, GASB Statement No. 68 states that deferred outflows of resources and deferred inflows of resources be measured and recognized for defined benefit pension plans.

**Condition:** As of December 31, 2018, deferred inflows and outflows were not recorded in the government-wide financial statements. These amounts are considered material to the financial statements as a whole.

**Context:** See above condition.

**Effect:** A prior period adjustment was required to record deferred pension outflows and inflows of resources in the amounts of \$82,542 and \$9,160, respectively. The effects of recording these deferred amounts resulted in an increase in net position in the amount of \$73,382.

# TOWN OF SEABROOK, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2019-001. Correction of Errors (Continued)**

**Cause:** The Town did record the net pension liability related to the pension plan, but did not consider recording the deferred pension amounts.

**Recommendation:** We recommend the Town implement procedures to assure that all applicable auditing standards are applied.

**Views of Responsible Officials and Planned Corrective Action:** The Town will ensure that all applicable accounting standards are applied in future periods.

### SECTION III SCHEDULE OF PRIOR YEAR FINDINGS

None reported