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**TOWN OF MCCLELLANVILLE
SOUTH CAROLINA
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR STATE AND LOCAL GOVERNMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**TOWN OF MCCLELLANVILLE
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FOR THE YEAR ENDED JUNE 30, 2020**



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**TOWN OF MCCLELLANVILLE
LIST OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2020**



Rutledge B. Leland, III. Mayor
Robert J. Gannon Council Member
Aaron L. Baldwin Council Member
Chris Bates. Council Member
James E. Scott, IV. Council Member
Michelle McClellan. Town Clerk

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Town Council and Mayor
Town of McClellanville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Town of McClellanville, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of McClellanville, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–13 and 40–42 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, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the Town of McClellanville'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of McClellanville's internal control over financial reporting and compliance.

HYLAND, RUDDY & GARBETT, CPAs, LLC

Mt. Pleasant, SC

December 14, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of the Town of McClellanville's (the "Town") financial performance provides an overall review of the Town's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the transmittal letter, basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets exceeded its liabilities by \$1,495,811 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,409,648.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$865,873 include property and equipment, net of accumulated depreciation.
 - (2) Unrestricted net position of \$516,063 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - (3) Restricted net position of \$113,077 represent the portion available to maintain the Town's continuing obligations for the boat landing and future capital projects.
- The Town's governmental funds reported a total ending fund balance of \$761,692 this year. This compares to the prior year ending balance of \$718,491 showing an increase of \$43,201 during the current year.
- At the end of the current fiscal year, Unassigned Fund Balance for the General Fund was \$761,692, or 227.39%, of total General Fund expenditures including transfers, and 201.41% of total General Fund revenues including transfers.
- Total liabilities of the Town decreased by \$1,690 to \$184,573 during the fiscal year.
- The Town's Property Tax revenue increased by \$1,030 from fiscal year 2020 to fiscal year 2019, which is due to stabilized property assessments and appeals, leading to consistent collections by the county.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of McClellanville's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information

(Continued on Next Page)

that will enhance the reader's understanding of the financial condition of the Town of McClellanville.

Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village's financial status.

The next statements (Exhibits C, D and E) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information** regarding the Town's schedule of fines, assessments and surcharges.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements present the Town's governmental activities, which include all of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and local funds finance most of these activities.

The government-wide financial statements are on Exhibits A and B of the basic financial statements.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. 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 of McClellanville, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of the Town of McClellanville are reported in one kind of fund, the governmental fund.



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Overview of the Financial Statements – (Continued)***Governmental Funds***

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. These statements and schedules demonstrate compliance with the Town's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with their budgets. Pension schedules have been included to provide information regarding the Town's participation in the South Carolina Retirement System. Required supplementary information can be found as listed in the table of contents.

Financial Analysis of the Town as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net position at fiscal year-end is \$1,495,137. This is a \$85,489 increase over last year's net assets of \$1,409,648. The following table provides a summary of the Town's net assets at June 30.

(Continued on Next Page)



Summary of Net Position

	<u>Government Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>% Change</u>
Current and Other Assets	\$ 781,128	\$ 729,341	\$ 51,787	6.63
Capital Assets	874,642	864,035	10,607	1.21
Total Assets	<u>1,655,770</u>	<u>1,593,376</u>	<u>62,394</u>	<u>3.77</u>
Deferred Outflow of Resources	29,605	10,693	18,912	63.88
Long-Term Liabilities	8,769	17,085	(8,316)	(94.83)
Other Liabilities	175,804	165,798	10,006	5.69
Total Liabilities	<u>184,573</u>	<u>182,883</u>	<u>1,690</u>	<u>0.92</u>
Deferred Inflows of Resources	4,991	11,538	(6,547)	(131.18)
Net Position:				
Invested in Capital Assets, Net of Related Debt	865,873	838,177	27,696	3.20
Restricted for boat landing	107,782	88,471	19,311	17.92
Restricted for capital projects	5,295	40,093	(34,798)	(657.19)
Unrestricted	516,861	442,907	73,954	14.31
Total Net Position	<u>\$1,495,811</u>	<u>\$1,409,648</u>	<u>\$ 86,163</u>	<u>5.76</u>

The Town reported positive balances in net position for governmental activities. Net position increased by \$86,163 for governmental activities. The Town’s net position was increased by realizing more revenue than anticipated. The Town’s governmental activities relied on property taxes, local option sales tax, licenses and permits, and franchise fees. Business licenses were affected by the change in the renewal dates that was in effect for the fiscal year. Revenue exceeded budget projections as a result of state funds, license and permits, and franchise fees exceeding their own budget projections. Expenses exceed the budgeted projections, these were due to repairs to the Town Hall building costing more than budgeted. Also, see the discussion of Major Governmental Funds and General Fund Budgetary Highlights.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Town’s changes in net assets for the year ended June 30:

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Summary of Changes in Net Position

	<u>Government Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>% Change</u>
Revenue:				
Charges for Services	\$ 56,480	\$ 51,925	\$ 4,555	8.06
Operating Grants and Contributions	21,848	13,513	8,335	38.15
State Funds	87,363	88,897	(1,534)	(1.76)
Property Taxes	37,023	35,993	1,030	2.78
Licenses and Permits	140,677	132,193	8,484	6.03
Franchise Taxes (fees)	28,215	30,667	(2,452)	(8.69)
Other	12,048	6,828	5,220	43.33
Total Revenues	<u>383,653</u>	<u>360,016</u>	<u>23,637</u>	<u>6.16</u>
Expenses:				
General Government	190,571	173,762	16,809	8.82
Depreciation	23,791	23,533	258	1.08
Public Safety	2,647	1,934	713	26.94
Public Services	50,791	55,045	(4,254)	(8.38)
Planning and Development	16,233	27,648	(11,415)	(70.32)
Culture and Recreation	12,796	13,912	(1,116)	(8.72)
Interest and Finance Charges	661	1,343	(682)	(103.18)
Total Expenses	<u>297,490</u>	<u>297,177</u>	<u>313</u>	<u>0.11</u>
Change in Position	<u>\$ 86,163</u>	<u>\$ 62,839</u>	<u>\$ 23,324</u>	<u>27.07</u>

Governmental activities had a net increase in net position of approximately \$86,163.

Compared to the prior year, total governmental activities revenue increased by approximately \$23,000 or 6.16%.

- Revenues from grants and contributions increased by approximately \$8,000 over the prior year.

Expenses related to total governmental activities increased by approximately \$300 or 0.11%. Key changes as compared to the prior year were due to an increase in general government, and a decrease in planning and development as a result of the economic impact of COVID-19, and projects being put on hold that had been planned in budgeting.

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Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. There are no reserved fund balances.

The total ending fund balances of governmental funds show an increase of 43,201 over the prior year. This increase is primarily the result of an increase in the collection of state taxes than in prior years, as well as the increase in grant revenue over prior years. Property tax have stabilized and now appear to be rising slightly with the current economy.

The General Fund is the Town's only operating fund and source of day-to-day service delivery. Key factors contributing to this increase include the continued increase in revenue from increased property values. Cost control efforts helped improve gains to levels reflected in the financial statements. See General Fund Budgetary Highlights for more information.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2020 was approximately \$340,000. This was an increase of \$30,000 over the previous year's final budget. This budget was not in balance.

The increase to the General Fund budget reflected an expected increase in grant income, with franchise fees, licenses, fees and permits expecting small increases. Additional increases in the budget are made up of small increases in several line items.

The General Fund budget complied with financial policies approved by the Town Council and maintained core city services.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2020 was \$874,642. The total increase in this net investment was 1.21 % for governmental activities. The increase was due to improvements to the Town Hall building in excess of the depreciation expense.



Capital Assets – (Continued)

	Capital Assets Net of Accumulated Depreciation		Amount Change	% Change
	2020	2019		
Non-Depreciable Assets:				
Land	\$ 391,000	\$ 391,000	\$ -	-
Construction in progress	-	-	-	-
Total	<u>391,000</u>	<u>391,000</u>	<u>-</u>	<u>-</u>
Depreciable Assets:				
Buildings	227,241	239,091	(11,850)	(5.21)
Improvements Other than Buildings	251,821	227,843	23,978	9.52
Furniture, Machinery, and Equipment	<u>4,580</u>	<u>6,101</u>	<u>(1,521)</u>	<u>(33.21)</u>
Total	<u>483,642</u>	<u>473,035</u>	<u>10,607</u>	<u>2.19</u>
Total	<u>\$ 874,642</u>	<u>\$ 864,035</u>	<u>\$ 10,607</u>	<u>1.21</u>

Long-Term Debt

At the end of the fiscal year, the Town had total bonded debt outstanding of \$8,769. All \$8,769 is backed by the full faith, credit and taxing power of the Town (General Obligation Bonds) with debt service fully funded by property taxes. During the fiscal year 2006, the Town issued \$200,000 in General Obligation Bonds under Town council ordinance approval. The bonds are to be paid in bi-annual payments of \$8,989 in February and August to Wachovia Bank.

Economic Environment and Next Year’s Budgets and Rates

The Town of McClellanville, with a population of 499 as of the 2010 census, comprises less than .02% of the State's population and of its labor force. In last year's management discussion, we cited statistics that showed a slight decline in the portion of the Town's labor force employed in the agriculture, forestry, and fishery trades, as well as in the more technical, labor intensive jobs. Census statistics showed an increasing number of Town residents employed in the professional, management, administrative and waste management services, also in education, health, and social services and an increasing number in the arts, entertainment, recreation, accommodation and food service sectors. Census statistics also show that the mean travel time to work for McClellanville residents is 30 minutes, which shows that much of the labor force is commuting to jobs outside of the community.

The 2019/2020 fiscal year saw slight economic improvements for the town’s commercial fishing industry with seafood prices remaining constant and fuel cost slightly decreasing. Aquaculture continues to be a means to produce a more reliable and consistent source of clams and oysters. The local seafood industry continues its efforts to evolve and survive in a changing national and global economy.

Economic Environment and Next Year's Budgets and Rates – (Continued)

The COVID-19 global pandemic has caused a decrease in business in town. All nonessential businesses were required to comply with a statewide shut down for two weeks and restaurants were closed to dine-in customers for several months. The pandemic has also affected the McClellanville Arts Council and The Village Museum as they were closed for a period of time and are both now open at limited capacity.

The fiscal effects of the pandemic on the Town are yet to be determined as the pandemic continues. Fortunately, the Town is in a good financial position and should be able to manage any reduction in revenue without issue for the immediate future.

The Town is nearing the end of the 2006 General Obligation Bond in the amount of \$200,000 for the construction of a community fishing dock. The Town has one more payment due in August of 2020 to pay off the loan. The \$200,000 in bond money was used in conjunction with funds collected from the sale of boat launch permits to make improvements to the boat ramp and parking lot at R.E. Ashley Boat Landing. It has been the case so far that revenue collected from the sale of launch permits each year covers the payments on the bond, making use of tax revenue unnecessary for these payments. Town Council does not expect that tax revenue will be needed in the future for these payments. Those using the facility can now see a tangible benefit that has resulted from the collection of the launch permit fees by the Town. These fees have been designated by Council solely for improvement and maintenance of the boat landing, as well as reimbursing the Town's general fund for costs related to administration of launch permit sales and the launch permit fund.

The Town renewed its contractual agreement with Meducare to provide emergency flight coverage to residents of the town. Residents transported via helicopter from Charleston or Georgetown counties by Meducare or any AirMedCare Network Provider will have no out of pocket expense for the flight. With the nearest hospital over 20 miles away, Council feels that this is a valuable benefit for town residents.

The Town continues to work towards the construction of the bicycle/pedestrian bridge in Elizabeth Dawson Park. A Rural Transportation Enhancement Grant from the SC Department of Transportation is funding the construction of a bicycle/pedestrian boardwalk across the marsh and headwaters of Jeremy Creek, connecting two green spaces recently purchased by the Town with assistance from County Greenbelt Bank Funds. The boardwalk will also provide a safer connection between two existing sidewalk systems. The local Council of Governments has been designated as the Local Public Agency to administer the project. Preliminary work for construction of the boardwalk began in 2014. The project went out for bid and we expect to have a signed contract by the end of the year and work to begin in the spring of 2021.

The Town was awarded four grants this fiscal year. One was awarded by the Department of Parks and Recreation and is an 80/20 grant in the amount of \$6351.00. These funds are being used to make improvements to the grounds at Town Hall including painting the gazebo, power washing the playground and parking barriers, and adding picnic tables and benches to our greenspace. The SC Sea Grant Consortium awarded the town a \$5,000 Coastal Community Initiative Program Grant to further the Town's mission of preserving the traditional working waterfront. The Town also received reimbursement funds from FEMA for Hurricane Dorian debris clean up in the amount of \$3719.50 and reimbursement from the SC Municipal Association for \$1,870.76 for COVID-19 related supplies.

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The Cape Romain Environmental Education Charter School (CREECS) which opened in 2012 continues to grow and offer an educational alternative for residents. The school serves grades K-8. Because CREECS is chartered through the statewide charter school district, any student eligible to attend public school in South Carolina may attend. The school's attendance has steadily increased. The school is an asset to the Town as it continues to attract and retain young families in our area.

In the 2019-2020 Fiscal Year, the Town used capital improvement funds it has retained in its Capital Projects Fund to replace the roof at Town Hall and to do interior work to the ceiling in Council's chambers.

The 2020/2021 Town Budget is \$323,600.00. This represents an increase of \$30,950.00 as compared to the 2019/2020 budget. The boat landing fund increased its budget by \$1,000.00.

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**TOWN OF MCCLELLANVILLE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

EXHIBIT A

	Primary Government Governmental Activities
Assets	
Cash (Note 2)	\$ 746,847
Delinquent Property Tax Receivable	2,066
Prepaid Assets	2,708
Grant and Other Receivables (Note 3)	29,507
Capital Assets:	
Non-Depreciable	391,000
Depreciable, Net	483,642
Total Assets	<u>1,655,770</u>
Deferred Outflows of Resources	
Deferred Pension Charge	<u>29,605</u>
Liabilities	
Accounts Payable	527
Accrued Payroll Taxes and Compensated Balances	6,601
Net Pension Liabilities	168,676
Long-Term Obligations:	
Due Within One Year	8,769
Due in More Than One Year	-
Total Liabilities	<u>184,573</u>
Deferred Inflows of Resources	
Deferred Pension Credits	<u>4,991</u>
Net Position	
Net investment in capital assets	865,873
Restricted for:	
Boat Landing	107,782
Capital Improvements	5,295
Total Restricted	<u>113,077</u>
Unrestricted	516,861
Total Net Position	<u>\$ 1,495,811</u>

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

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**TOWN OF MCCLELLANVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Total
Primary Government					
General Government	\$ (190,571)	\$ 56,480	\$ 21,848	\$ (112,243)	\$ 112,243
Depreciation	(23,791)	-	-	(23,791)	23,791
Public Safety	(2,647)	-	-	(2,647)	2,647
Public Service	(50,791)	-	-	(50,791)	50,791
Planning and Development	(16,233)	-	-	(16,233)	16,233
Culture and Recreation	(12,796)	-	-	(12,796)	12,796
Interest and Finance Charges	(661)	-	-	(661)	661
Total Expenditures	\$ (297,490)	\$ 56,480	\$ 21,848	(219,162)	219,162
GENERAL REVENUES					
Property Taxes				37,023	37,023
Licenses and Permits				140,677	140,677
State Funds				87,363	87,363
Franchise Fees				28,215	28,215
Other Income				6,441	6,441
Interest Income				5,606	5,606
Total General Revenues				305,325	305,325
Change in Net Position				86,163	86,163
Net Position, Beginning of Year - As Previously Reported				1,409,648	1,409,648
Net Position, End of Year				\$ 1,495,811	\$ 1,495,811

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

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**TOWN OF MCCLELLANVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	<u>Total Governmental Funds</u> <u>General Fund</u>
ASSETS	
Cash	\$ 746,847
Delinquent Property Tax Receivable	2,066
Prepaid Assets	2,708
Other Receivables	<u>29,507</u>
Total Assets	<u><u>\$ 781,128</u></u>
LIABILITIES AND FUND BALANCES	
Accounts Payable	\$ 527
Accrued Payroll Taxes and Retirement Payable	3,025
Bond Payable - Current Year	<u>8,769</u>
Total Liabilities	<u>12,321</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>7,115</u>
Total Deferred Inflows of Resources	<u>7,115</u>
FUND BALANCES	
Nonspendable	-
Restricted	
Boat Landing	107,782
Capital Projects	5,295
Committed	-
Assigned	-
Unassigned	<u>648,615</u>
Total Fund Balances	<u>761,692</u>
Total Liabilities and Fund Balances	<u><u>\$ 781,128</u></u>

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

TOWN OF MCCLELLANVILLE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

Total Fund Balance -- Total Governmental Funds	\$ 761,692
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Property taxes that will be collected in the future but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	7,115
Capital assets of \$1,353,869, net of accumulated depreciation of (\$479,227), are not financial resources and, therefore, are not reported in the funds. See Note 4 for additional detail.	874,642
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.	(144,062)
Compensated balances are not financial resources and, therefore, are not reported in the funds. See Note 5 for additional detail.	(3,576)
General Obligation Bond not due and payable in the current period and accordingly are not reported in the funds. See Note 5.	<u>-</u>
Net Position of Governmental Activities	<u><u>\$ 1,495,811</u></u>

TOWN OF MCCLELLANVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Total Governmental Funds</u> <u>General Fund</u>
REVENUES	
Property Taxes	\$ 31,549
State Funds	87,363
Business and Building Licenses and Permits	140,677
Boat Landing Fees and Permits	56,480
Franchise Fees	28,215
Interest	5,606
Other Income	<u>28,289</u>
Total Revenues	<u>378,179</u>
EXPENDITURES	
Current	
General Government	200,363
Public Safety	2,647
Public Service	50,791
Planning and Development	16,233
Culture and Recreation	12,796
Capital Outlay	34,399
Debt Service:	
Principal	17,088
Interest	<u>661</u>
Total Expenditures	<u>334,978</u>
OTHER FINANCING SOURCES (USES)	
Debt Issue	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
NET CHANGE IN FUND BALANCE	43,201
BEGINNING FUND BALANCE	<u>718,491</u>
ENDING FUND BALANCE	<u><u>\$ 761,692</u></u>

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

TOWN OF MCCLELLANVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Total Governmental Funds	\$ 43,201
Amounts reported for governmental activities in the Statement of Activities are different because:	
Property taxes that will be collected in the future but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	5,474
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 outlays of \$34,399 exceeds depreciation expense of \$23,791 in the current period.	10,608
Net change of compensated balances are not financial resources and, therefore, are not reported in the funds. See Note 5 for additional detail.	819
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources in the State pension plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	8,973
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>17,088</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 86,163</u></u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On August 3, 1926, the Town of McClellanville, South Carolina incorporated by an act of legislature of the State of South Carolina.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity – Basis of Presentation**Reporting Entity**

This report includes all of the funds of the Town of McClellanville. The reporting entity for the town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**Government-Wide and Fund Financial Statements***Governmental-wide Financial Statements*

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-(Continued)

financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension funds recognize employer and participant contributions in the period in which contributions are due and the Town has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See Note 6.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-(Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. See Note 3 for related information.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. See Note 2 for information describing restricted assets.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and enterprise fund categories. A fund is considered major if it is the primary operating fund of the town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the town believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The town reports the following major governmental funds:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures, boat landing, and the capital improvement costs are paid from the General Fund.

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Assets, Liabilities, Deferred Outflows/Inflows, and Equity

Cash

The Town of McClellanville maintains its cash deposits in local banks. The deposits on hand at each financial institution are insured by the FDIC. See Note 2 for more details.

Receivables

Receivables include revenue accrual in accordance with the generally accepted governmental accounting principals. Revenues are recognized when they become measurable and available. Available, as defined, means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

Prepaid Items

Prepaid items are the recording of payments made to vendors for services that will benefit periods beyond June 30, 2020. The only item of this nature was prepaid insurance.

Capital Assets, Depreciation, and Amortization

The capitalization of general fixed assets does not occur in the funds used to acquire or construct them. Instead, expenditures of capital acquisition and construction occur in governmental funds, and reporting of the related assets is in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 - 50
Improvements, Other Than Building	7 - 50
Furniture, Machinery, and Equipment	5 – 25

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Assets, Liabilities, Deferred Outflows/Inflows, and Equity – (Continued)

Compensated Absences

The Town of McClellanville allows employees with permanent positions to accrue vacation and sick leave. The Town has adopted the provisions of GASB Statement No.16, *Accounting for Compensated Absences*. GASB No. 16 requires governmental funds to accrue a liability for the current portion of future vacation, sick, and other leave benefits that are reasonably estimated and have vested to employees. The Town accrues a liability for compensated absences, which met the following criteria:

1. The Town's obligation relating to the employees' rights to receive compensation for future absences is attributable to the employees' services already rendered.
2. The obligation relates to rights that have vested or accumulated.
3. Payment of compensation is probable.
4. The estimated amount is reasonable.

Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of separation or retirement. Sick leave can only be used while employed with the Town and will not be paid out at termination or retirement. The Town of McClellanville has recorded accumulated vacation and sick leave in the governmental fund.

Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4 “*Elements of Financial Statements*,” deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Three items relating to the Town’s Retirement Plan qualify for reporting in this category and are combined in the Statements of Net Position under the heading “Deferred Pension Charge”. The first item, experience losses, results from periodic studies by the actuary of the Retirement Plan, 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. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. Additionally, any contributions made by the Town to the

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Assets, Liabilities, Deferred Outflows/Inflows, and Equity – (Continued)

Deferred Outflows/Inflows of Resources – (Continued)

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 Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the Town's Retirement Plan qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Deferred Pension Credits". The first item, experience gains, results from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. Both of these items are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members.

Fund Balance

In accordance with GAAP, the City classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council assigns fund balance by an approved motion before the report issuance date for fund balance to qualify in this category.

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Assets, Liabilities, Deferred Outflows/Inflows, and Equity – (Continued)

Fund Balance-(Continued)

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

The Town has designated funds to maintain the boat landing and to cover future capital improvements to the Town Hall building, which are reported as restricted in the net position.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 6 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Assets, Liabilities, Deferred Outflows/Inflows, and Equity – (Continued)

Pensions–(Continued)

of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the Town during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

D. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

E. Recent Accounting Pronouncement

In May 2020, the GASB issued GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of Statement 95 was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement extended the effective date of various GASB statements by one year. Additionally, Statement 95 extended Statement 87, Leases by 18 months (effective for fiscal years beginning after June 15, 2021).

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

F. Subsequent Events

Subsequent events are events or transactions that occur after the Statement of Net Position date but before the financial statements are available to be issued. The Town recognized in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Net Position, including estimates inherent in the process of preparing the financial statements. The Town’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Net Position but arose after the Statement of Net Position and before the financial statements were available to be issued.

Management has evaluated subsequent events through the date the financial statements were available to be issued, and concluded there were no subsequent events to disclose.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 and are anticipated to continue for the foreseeable future. The City expects the ramifications of COVID-19 to have an impact on its results. The extent of the impact of COVID-19 on the Town’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions, all of which are highly uncertain and cannot be predicted.

D. Stewardship, Compliance, and Accountability

Budget Policy and Practice

Before June 30, the Town Administrator submits a proposed budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The passage of an ordinance legally enacts the budget after conducting a public hearing at Town Hall. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The Town's budget is consistent with the basis of accounting used for each fund.

Basis of Budgeting

Each fund’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers and debt service. Budget revisions at this level are subject to final review by the Town Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

D. Stewardship, Compliance, and Accountability-(Continued)

Basis of Budgeting-(Continued)

The budgets for the operating fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected, and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases.

NOTE 2. CASH

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town of McClellanville’s deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town’s policy requires deposits to be secured by collateral valued in excess of the FDIC insured limits. The carrying amount of the Town's deposits with financial institutions is \$746,847 at June 30, 2020. Custodial credit risk for deposits is in compliance with the Town’s policy.

The Town of McClellanville’s credit risk is the deposits in excess of FDIC insured amounts plus the collateralized securities held. At June 30, 2020, the Town had \$-0- exposed to custodial credit risk. Deposits of the Town’s reporting entity are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Based on the above classifying criteria, the Town's deposits (restrictions are by Town Ordinance for the boat landing) at June 30, 2020, are as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
Unrestricted	\$ 639,490	\$ 634,589
Restricted	<u>113,258</u>	<u>112,258</u>
Total Deposits	<u>\$ 752,748</u>	<u>\$ 746,847</u>

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3. RECEIVABLES AND UNAVAILABLE/UNEARNED REVENUE

Property Taxes and Other Receivables

The Town's 2019 property taxes were levied on September 30, 2019 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$8,000,000 for tax year 2019. Property taxes were considered late on January 15, 2020. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

- January 18 through February 1 - 3% penalty for tax due
- February 2 through March 16 - 10% penalty for tax due
- March 17 - Lien Date - 15% penalty for tax due plus \$15 for a delinquent execution charge
- Unpaid Taxes After One Year - Property is sold by the County Tax Collector at the annual tax sale held the first Monday in November each year.

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The Town's total tax rate for the 2019 property tax year was 10.2 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

Amounts received by Charleston County, but not yet remitted to the Town at year end, are included as Taxes Receivable on the governmental fund balance sheet and on the government-wide Statement of Net Position.

Local option sales taxes, collected by the State of South Carolina, but not yet remitted to the Town at year end, are included as due from other governments on the governmental fund balance sheet and on the government-wide Statement of Net Position.

The Town's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2020:

Description	
Property Taxes	\$ 6,724
Allowance for Uncollectible	(4,658)
Local Option Sales Tax	12,051
Accommodations Tax	1,416
State Aid to Subdivions	2,957
Municipal Association of SC	12,241
Other	842
Net Receivables	\$ 31,573

TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3. RECEIVABLES AND UNAVAILABLE/UNEARNED REVENUE-(Continued)**Unavailable/Unearned Revenue**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue).

At June 30, 2020, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 7,115	\$ -	\$ 7,115
Total Unavailable/Unearned Revenue		<u>\$ 7,115</u>	<u>\$ -</u>	<u>\$ 7,115</u>

NOTE 4. FIXED ASSETS

A summary of changes in the general fixed assets is as follows:

	2019	Additions	Deletions	2020
Capital Assets, Non-Depreciable:				
Land	\$ 391,000	-	-	\$ 391,000
Construction in progress	-	-	-	-
Total Capital Assets, Non-Depreciable	<u>391,000</u>	<u>-</u>	<u>-</u>	<u>391,000</u>
Capital Assets, Depreciable:				
Building and improvements	836,306	34,399	-	870,705
Machinery and Equipment	92,164	-	-	92,164
Total Capital Assets, Depreciable	<u>928,470</u>	<u>34,399</u>	<u>-</u>	<u>962,869</u>
Less Accumulated Depreciation	<u>(455,435)</u>	<u>-</u>	<u>(23,791)</u>	<u>(479,226)</u>
Total Capital Assets, Depreciable, Net	<u>473,035</u>	<u>-</u>	<u>(23,791)</u>	<u>483,643</u>
Capital Assets, net	<u>\$ 864,035</u>	<u>34,399</u>	<u>(23,791)</u>	<u>\$ 874,643</u>

TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5. LONG-TERM DEBT

The Town generally issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the Town. Revenue Bonds are obligations of the Town that are secured by revenue from a specific source. Lease Purchase obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds or lease purchase obligations nor the interest thereon.

The following is a summary of changes in the long-term debt of the Town for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 2,758	\$ 3,132	\$ (2,314)	\$ 3,576	\$ -
General Obligation Bonds	<u>25,858</u>	<u>-0-</u>	<u>(17,089)</u>	<u>8,769</u>	<u>8,769</u>
Total	<u>\$ 28,616</u>	<u>\$ 3,132</u>	<u>\$ (19,403)</u>	<u>\$ 12,345</u>	<u>\$ 8,769</u>

Long-Term Debt Requirements to Maturity

The annual long-term debt requirements to maturity for bonded debt as of June 30 are as follows:

	<u>Primary Government Governmental Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
June 30, 2021	\$ 8,769	\$ 220
2022	-	-
2023	-	-
2024	-	-
2025	-	-
Thereafter	<u>-</u>	<u>-</u>
Totals	<u>\$ 8,769</u>	<u>\$ 220</u>

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6. PENSION AND RETIREMENT PLAN

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

Plan Description

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

Plan Membership

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

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

Plan Benefits

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

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)

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

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

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS.

An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period and this increase is not limited to one-half of one percent per year.

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

**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)

	SCRS Rates		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer Rate			
Retirement	13.41%	14.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	N/A	N/A	N/A
 Total	 <u>13.56%</u>	 <u>14.56%</u>	 <u>15.56%</u>
 Employee Rate	 <u>9.00%</u>	 <u>9.00%</u>	 <u>9.00%</u>

Net Pension Liability

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2018. The net pension liability of the System was therefore determined based on the July 1, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2019, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the System’s consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. For the year ended June 30, 2019, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net position	Employer’s Net Pension Liability(Asset)	Plan Fiduciary Net Position as A Percentage of The Total Pension
SCRS	\$50,073,060,256	\$27,238,916,138	\$22,834,144,118	54.4%

At June 30, 2020, the Town reported liabilities of approximately \$168,676 for its proportionate share of the NPLs for the SCRS Plan. The NPLs were measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the NPLs were determined based on the most recent actuarial valuation report as of July 1, 2017 that was projected forward to the measurement date. The City’s proportion of the NPLs were based on a projection of the City’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2019, the City’s SCRS proportion was 0.000739 percent, which increased slightly from the prior year.

TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)

For the year ended June 30, 2020, the City recognized pension expense of approximately \$19,000 for the SCRS. Components of collective pension expense for the year ended June 30, 2020 are presented below:

	SCRS
Service cost (annual cost of current service)	\$ 7,150
Interest on the total pension liability	25,582
Changes in plan benefits	-
Plan administrative costs	115
Plan member contributions	(6,505)
Expected return on plan assets	(13,966)
Recognition of current year amortization - Difference between expected and actual experience & assumption changes	2,840
Recognition of current year amortization - Difference between projected and actual investment earnings	4,026
Other	9
Total	\$ 19,251

At June 30, 2020, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 116	\$ 1,212
Assumption changes	3,399	-
Net difference Between Projected and Actual Earnings On Pension Plan Investments	1,493	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	10,510	3,779
Town's Contributions Subsequent to the Measurement Date	14,087	-
Total SCRS	\$ 29,605	\$ 4,991

Approximately \$14,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the NPL in the year ended June 30, 2021.

TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized as an increase or (decrease) in pension expense as follows:

Year Ended June 30,	SCRS
2020	\$ 12,734
2021	(2,156)
2022	(1,247)
2023	1,196
Total	\$ 10,527

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of July 1, 2018.

Actuarial cost method	Entry age normal
Investment rate of return	7.25%
Projected salary increase	3.0% to 12.5% (varies by service)*
Benefit adjustments	Lesser of 1.00% or \$500 annually
*Includes inflation at 2.25%	

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2020.

Former Job Classes	Males	Females
Educators	2016 PRSC Males multip. by 92%	2016 PRSC Males multip. by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multip by 100%	2016 PRSC Males multip by 111%
Public Safety and Firefighters	2016 PRSC Males multip by 125%	2016 PRSC Males multip by 111%

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**TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)

Actuarial Assumptions and Methods-(Continued)

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market assumptions. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long- term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51%		
Global Public Equity	35%	7.29%	2.55%
Private Equity	9%	7.67%	0.69%
Equity Options Strategies	7%	5.23%	0.37%
Real Assets	12%		
Real Estate (Private)	8%	5.59%	0.45%
Real Estate (REITs)	1%	8.16%	0.08%
Infrastructure (Private)	2%	5.03%	0.10%
Infrastructure (Public)	1%	6.12%	0.06%
Opportunistic	8%		
GTAA/Risk Parity	7%	3.09%	0.22%
Other Opportunistic Strategies	1%	3.82%	0.04%
Diversified Credit	15%		
High Yield Bonds/Bank Loans	4%	3.14%	0.13%
Emerging Markets Debt	4%	3.31%	0.13%
Private Debt	7%	5.49%	0.38%
Conservative Fixed Income	14%		
Core Fixed Income	13%	1.62%	0.21%
Cash and Short Duration (Net)	1%	0.31%	0.00%
Total Expected Real Return	100%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

NOTE 6. PENSION AND RETIREMENT PLAN – (CONTINUED)*Actuarial Assumptions and Methods-(Continued)**Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. 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, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine that total pension liability.

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate.

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability of the SCRS	\$ 212,583	\$ 168,676	\$ 132,159

Plans’ Fiduciary Net Position

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

Payable to Plans

The Town reported payables of approximately \$2,226 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 for the SCRS. These amounts are included in Other Accrued Liabilities on the financial statements and were paid in July 2020.

TOWN OF MCCLELLANVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS

Upon retirement from the Town, employees who meet certain eligibility requirements have the option to retain health insurance through the Health Plan paying the applicable retiree rate. The Health Plan and the Town’s Personnel Manual establish the requirements for post-employment healthcare benefits. Presently there are no retired participants who opted to retain health insurance through the Health Plan. For the fiscal year ended June 30, 2020, there were no material liabilities or expenditures to be required with GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

NOTE 8. HEALTH INSURANCE

The Town offers a health insurance program for its employees through the SC State Health Plan (Health Plan). All employees have opted out of the health insurance for the fiscal year ended June 30, 2020.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2020.

NOTE 10. PRIOR PERIOD ADJUSTMENT

During the preparation of the June 30, 2020 financial statements and reconciling the Net Position, an error in the allocation of Net Position for June 30, 2019 was discovered. Capital assets for the community dock, net of depreciation, had been included in the Invested in Capital Assets net position as well as within the Restricted for Boat Landing net position. The result is that the Restricted for Boat Landing Net Position was overstated by \$186,757, and the Unrestricted Net Position was understated by \$186,757. Net Position has been adjusted to reflect the adjusted balance as per June 30, 2019.

Net Position	Previously Reported June 30, 2019	Prior Period Adjustment	Net Position at June 30, 2019
Net investment in capital assets	\$ 838,177	\$ -	\$ 838,177
Restricted for:			
Boat Landing	275,228	(186,757)	88,471
Capital Improvements	40,093	-	40,093
Unrestricted	256,150	186,757	442,907
Total Net Position	<u>\$1,409,648</u>	<u>-</u>	<u>\$1,409,648</u>

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REQUIRED SUPPLEMENTAL INFORMATION

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**TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Property Taxes	\$ 37,400	\$ 31,549	\$ (5,851)
State Funds	75,150	87,363	12,213
Business and Building Licenses and Permits	106,500	140,677	34,177
Boat Landing Fees and Permits	48,000	56,480	8,480
Franchise Fees	31,000	28,215	(2,785)
Grant Income	10,000	21,848	11,848
Interest Income	60	5,606	5,546
Other Income	3,550	6,441	2,891
	<hr/>	<hr/>	<hr/>
Total Revenue	311,660	378,179	66,519
EXPENDITURES			
Current			
General Government			
Advertising	1,500	1,148	(352)
Copier Expenditures	400	141	(259)
Donations	3,000	835	(2,165)
Election Expense	2,000	1,303	(697)
Equipment Maintenance	-	6,949	6,949
Equipment Lease Payments	6,000	4,101	(1,899)
Grant Expense	10,000	21,818	11,818
Insurance	22,500	22,077	(423)
Membership, Dues and Books	3,600	3,553	(47)
Miscellaneous	4,999	628	(4,371)
Office Expenditures	5,000	5,363	363
Operating Supplies	250	197	(53)
Wages	97,200	91,277	(5,923)
Payroll Taxes and Retirement	7,000	20,797	13,797
Postage and Delivery	2,500	2,048	(452)
Printing and Reproduction	1,400	678	(722)
Professional Fees	14,000	12,887	(1,113)
Travel and Training	2,000	645	(1,355)
Sales Tax	100	-	(100)
Building Repairs and Maintenance	7,250	3,918	(3,332)
	<hr/>	<hr/>	<hr/>
Total General Government	190,699	200,363	9,664

TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety			
Law Enforcement Expenditures	1,500	1,458	(42)
Municipal Court Expenditures	1,500	1,189	(311)
Total Public Safety	<u>3,000</u>	<u>2,647</u>	<u>(353)</u>
Public Service			
Contract Labor	27,000	24,697	(2,303)
Public Works	10,500	10,765	265
Street Lights	14,000	11,493	(2,507)
User Fees	350	347	(3)
Tree Committee Expense	1,500	3,489	1,989
Total Public Service	<u>53,350</u>	<u>50,791</u>	<u>(2,559)</u>
Planning and Development			
Building Department	-	-	-
Professional Fees	30,000	16,233	(13,767)
Total Planning and Development	<u>30,000</u>	<u>16,233</u>	<u>(13,767)</u>
Culture and Recreation			
Parks and Recreation	1,500	2,476	976
Town Office Expenditures	-	1,058	1,058
Town Office Utilities	15,000	9,262	(5,738)
Total Culture and Recreation	<u>16,500</u>	<u>12,796</u>	<u>(3,704)</u>

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**TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital Outlays			
Building Improvements	<u>21,445</u>	<u>34,399</u>	<u>12,954</u>
Total Planning and Development	<u>21,445</u>	<u>34,399</u>	<u>12,954</u>
Debt Issued	-	-	-
Bond Interest	893	661	(232)
Debt Retirement	<u>17,263</u>	<u>17,088</u>	<u>(175)</u>
Total Debt Service	<u>18,156</u>	<u>17,749</u>	<u>(407)</u>
Total Expenditures	<u>333,150</u>	<u>334,978</u>	<u>1,828</u>
Revenues Over Expenditures	<u>\$ (21,490)</u>	<u>\$ 43,201</u>	<u>\$ 64,691</u>
Beginning Fund Balance	<u>718,491</u>	<u>718,491</u>	<u>-</u>
Ending Fund Balance	<u>\$ 697,001</u>	<u>\$ 761,692</u>	<u>\$ 64,691</u>

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SCHEDULE 2

**TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
FOR THE YEAR ENDED JUNE 30, 2020**

Court Fines

Court Fines Collected	\$ 1,698
Court Fines Retained by the City	(714)
Total Court Fines Remitted to State Treasurer	<u><u>\$ 984</u></u>

Court Assessments

Court Assessments Collected	\$ 39
Court Assessments Retained by the City	(39)
Total Court Assessments Remitted to State Treasurer	<u><u>\$ -</u></u>

Court Surcharges

Court Surcharges Collected	\$ 675
Court Surcharges Retained by the City	(675)
Total Court Surcharges Remitted to State Treasurer	<u><u>\$ -</u></u>

Court Pullouts

Court Pullouts Collected	\$ -
Total Court Pullouts Remitted to State Treasurer	<u><u>\$ -</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$ -
Court Assessments and Surcharges Allocated to Victims' Assistance Fund	714
Interest Earned	-
Victims' Assistance Fund Expenditures	-
Victims' Assistance Fund Remitted to Ninth Circuit Solicitor's Office	-
Funds Available for Carryforward, End of Year	<u><u>\$ 714</u></u>

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**TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF MCCLELLANVILLES'
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Town of McClellanvilles' Proportion of the Net Pension Liability	0.000739%	0.000679%	0.000710%	0.000690%	0.000861%
Town of McClellanvilles' Proportion Share of the Net Pension Liability	\$ 168,676	\$ 152,190	\$ 159,832	\$ 147,383	\$ 151,345
Town of McClellanvilles' Covered-Employee Payroll	\$ 90,535	\$ 70,248	\$ 71,635	\$ 66,690	\$ 65,538
Town of McClellanvilles' Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	186.31%	216.65%	223.12%	221.00%	230.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.4%	54.1%	53.3%	52.9%	59.9%

Note to Schedule:

The amount presented for each fiscal year were determined as of the preceeding fiscal year.

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**TOWN OF MCCLELLANVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF MCCLELLANVILLES' CONTRIBUTIONS
TO THE SOUTH CAROLINA RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 14,087	\$ 11,357	\$ 9,544	\$ 8,281	\$ 7,289
Contribution in Relation to the Contractually Required Contribution	14,087	11,357	9,544	8,281	7,289
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of McClellanvilles' Covered-Employee Payroll	\$ 90,535	\$ 78,004	\$ 70,384	\$ 71,635	\$ 66,811
Contributions as a Percentage of Covered-Employee Payroll	15.56%	14.56%	13.56%	11.56%	10.91%

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**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***

To the Town Council and Mayor
Town of McClellanville, 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 aggregate remaining fund information of the Town of McClellanville, South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of McClellanville, South Carolina’s basic financial statements, and have issued our report thereon dated December , 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of McClellanville, South Carolina’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 of McClellanville, South Carolina’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of McClellanville, South Carolina’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. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of McClellanville, South Carolina'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.

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.

HYLAND, RUDDY AND GARBETT
Mt. Pleasant, SC

December , 2020