TOWN OF ST. GEORGE,
SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION, AND
OTHER SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED MARCH 31, 2021

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YEAR ENDED MARCH 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of St. George, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. George, South Carolina, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. George, as of March 31, 2021 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(continued)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of St. George, South Carolina's basic financial statements. The combining fund financial schedules and the supplemental schedule of fines, assessments, and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial schedules, budgetary comparison schedules, and the schedule of fines, assessments, and surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial schedules, and the schedule of fines, assessments, and surcharges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2022 on our consideration of the Town of St. George, South Carolina'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 St. George, South Carolina's internal control over financial reporting and compliance.

McGregor & Company LLP

Barnwell, South Carolina
August 22, 2022

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

As management of the Town of St. George (the Town), we offer the readers of the Town of St. George's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended March 31, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The assets of the Town exceed its liabilities at the close of the most recent fiscal year by $9,428,792 *(net position)*. Of this amount, $2,330,913 *(unrestricted net position)* may be used to meet the Town's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of $4,203,108, an increase of $89,573. At the end of the current fiscal year, unassigned fund balance for the General Fund was $985,120 or 43.3 percent of the total General Fund expenditures.
- At the end of the year the Town's proprietary fund, the Water Fund, had an increase in net position of $223,122 to $2,314,363 of which $885,412 was unrestricted.

Overview of the Financial Statements

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

Government-wide Financial Statements – The *government-wide financial statements* provide a broad overview of the Town's operations in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and all intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the Town include general government, police, fire, judicial, public works, parks, recreation, and tourism. The business-type activities include the water operations.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of St. George, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be classified into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. All of the Town's basic services are reported in the governmental funds financial statements which focus on how money flows into and out of those funds in the near-term and the balances left at year-end that are available for commitment. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be committed in the near future to finance the Town 's programs. This information may be useful in evaluating the Town's near-term financing requirements.

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

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Local Accommodations Tax Fund, the Hospitality Tax Fund, and the Rosenwald School Capital Project Fund which are the Town's major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water operations which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town has no fiduciary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

Other Information – The Town adopts an annual appropriated budget for its General Fund and some of the special revenue funds. A budgetary comparison schedule has been presented as *required supplementary information* for the General Fund, the Hospitality Tax Fund, the Local Accommodations Tax Fund, and the major governmental funds with adopted budgets, to demonstrate compliance with the budget. Required supplementary information can be found on pages 45-51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and other schedules can be found on pages 52-53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by $9,428,792 at the close of the most recent fiscal year. The largest portion of the Town's net position (59.2%) is its investment in capital assets (e.g. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town of St. George Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	$ 4,337,915	$ 4,435,988	$ 1,201,977	$ 960,857	$ 5,539,892	$ 5,396,845
Capital Assets	4,600,572	3,634,133	1,428,951	1,446,365	6,029,523	5,080,498
Total Assets	8,938,487	8,070,121	2,630,928	2,407,222	11,569,415	10,477,343
Deferred Outflows	330,700	304,641	66,955	55,876	397,655	360,517
Liabilities						
Long-term Liabilities	1,857,264	1,169,149	315,248	262,212	2,172,512	1,431,361
Other Liabilities	121,271	270,312	3,499	5,645	124,770	275,957
Total Liabilities	1,978,535	1,439,461	318,747	267,857	2,297,282	1,707,318
Deferred Inflows	176,223	259,683	64,773	104,000	240,996	363,683
Net Position						
Net Investment in Capital Assets	4,150,572	3,634,133	1,428,951	1,446,365	5,579,523	5,080,498
Restricted	1,518,356	1,479,674	-	-	1,518,356	1,479,674
Unrestricted	1,445,501	1,561,811	885,412	644,876	2,330,913	2,206,687
Total Net Position	$ 7,114,429	$ 6,675,618	$ 2,314,363	$ 2,091,241	$ 9,428,792	$ 8,766,859

A portion of the Town's net position ($1,518,356) (16.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is unrestricted ($2,330,913) (24.7 percent) and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Town of St. George Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	$ 273,500	$ 319,067	$ 680,261	$ 632,503	$ 953,761	$ 951,570
Operating grants and contributions	22,554	171,518	-	-	22,554	171,518
Capital grants and contributions	523,707	508,500	-	-	523,707	508,500
General revenues						
Property taxes	587,995	752,767	-	-	587,995	752,767
Franchise taxes and business licenses	756,666	724,021	-	-	756,666	724,021
Local accommodations taxes	74,011	105,619	-	-	74,011	105,619
Local hospitality taxes	247,035	186,359	-	-	247,035	186,359
Unrestricted grants and contributions	101,756	94,961	-	-	101,756	94,961
Unrestricted interest income	30,484	40,802	2,767	712	33,251	41,514
Gain on sale of assets	1,501	-	-	-	1,501	-
Miscellaneous	7,857	175	-	-	7,857	175
Total revenues	2,627,066	2,903,789	683,028	633,215	3,310,094	3,537,004
Expenses						
Governmental activities						
General government	460,002	611,799	-	-	460,002	611,799
Judicial	117,422	82,229	-	-	117,422	82,229
Police	952,704	785,756	-	-	952,704	785,756
Fire	26,937	147,827	-	-	26,937	147,827
Public works	329,410	311,632	-	-	329,410	311,632
Parks	138,561	104,114	-	-	138,561	104,114
Recreation	38,227	51,340	-	-	38,227	51,340
Tourism promotion	124,992	176,411	-	-	124,992	176,411
Business-type activities						
Water department	-	-	459,906	508,713	459,906	508,713
Total expenses	2,188,255	2,271,108	459,906	508,713	2,648,161	2,779,821
Increase (decrease) in net position	438,811	632,681	223,122	124,502	661,933	757,183
Net position, beginning	6,675,618	6,042,937	2,091,241	1,966,739	8,766,859	8,009,676
Net position, ending	$7,114,429	$6,675,618	$2,314,363	$2,091,241	$ 9,428,792	$8,766,859

Governmental Activities – Governmental activities increased the Town's net position by $438,811 increasing net position of the Town by 6.6 percent. Key elements of this increase are as follows:

Capital grants and contributions amounting to $523,707 were the Town's largest program revenue accounting for 19.9 percent of total governmental revenues. The grants and contributions were received from various governmental and private sources for the restoration and renovation of the Rosenwald School, a historic landmark in the Town, as well as the in-kind donation of the Lourie Theatre a historic building in the center of town. Charges for services amounting to $273,500 were the second largest accounting for 10.4 percent. These charges are for fees related to sanitation services, building permits, and court fines. Property tax revenues amount to $587,995 or 22.4 percent of the $2,627,066 total revenues for governmental activities. Another component of general revenues is the revenue received from franchise taxes and business licenses which accounted for $756,666 (28.8 percent). Local hospitality taxes ($247,035 or 9.4 percent of total revenues) and unrestricted grants and contributions of $101,756 or 3.9 percent complete the top revenue sources for the Town.

Total governmental revenues decreased by $276,723 from the prior year, in part due to a decrease in operating grants and contributions of $148,964 relating to grants pertaining to police operations and the tennis courts, which did not repeat in the current year. In addition, property tax collections decreased by $164,772 or 21.9 percent as collections under a millage rate associated with the fire services previously operated by the town wound down and the new millage rate was remitted to the County, which took over county-wide fire protection.

The Town's governmental expenses decreased overall by 3.6 percent ($82,853); the largest decrease being in general government expenses, which decreased by $151,797 due to the timing of audit and accounting services. In addition, fire protection contract costs incurred during the transfer of services from the Town to the County decreased in direct proportion to the collections discussed in the previous paragraph, amounting to $120,880. Conversely, police department costs increased by $166,948, $74,721 pertaining to salaries and fringes and the remainder largely due to automotive repairs and non-capitalizable costs incurred during the renovation of the judicial center.

The Police Department program was the costliest program accounting for $952,704 of the $2,188,255 total expenses for governmental activities or 43.5 percent of the total expenses. General Government had the next largest program accounting for $460,002 (21.0 percent) of the total governmental expenses followed by Public Works with $329,410 (15.0 percent).

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Governmental Activities – Cost of Services

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	$ 460,002	$ 423,428	$ 611,799	$ 585,845
Judicial	117,422	117,422	82,229	82,229
Police	952,704	884,870	785,756	578,800
Fire	26,937	26,937	147,827	147,827
Public works	329,410	160,318	311,632	145,357
Parks	138,561	138,561	104,114	84,999
Recreation	38,227	(61,773)	51,340	31,340
Tourism	124,992	(321,269)	176,411	(384,374)
Total Expenses	$ 2,188,255	$ 1,368,494	$ 2,271,108	$ 1,272,023

Charges for services and operating grants of $296,054 (13.5 percent of the total costs of services) were received and used to fund the general government expenses of the Town. The remaining $1,892,201 in overall governmental expenses was funded by property taxes, local accommodations and hospitality taxes, franchise fees, unrestricted grants, and other revenue. The majority of the capital grants and contributions of $523,707 were restricted for the Rosenwald School project which is not yet completed and put in service, and therefore plays no part in current year operation of the governmental activities.

Business–type Activities – Charges for services of $680,261 was the Town's largest program revenue accounting for 99.6 percent of the total business-type activities' revenues. These charges are for water services for the water enterprise fund.

Financial Analysis of the Town of St. George's Funds

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

Governmental Funds – The purpose of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of March 31, 2021, the Town's governmental funds reported a combined ending fund balance of $4,203,108, an increase of $89,573 in comparison with the prior year. Approximately 23.9 percent of this total ($985,120) is unassigned fund balance.

The ***General Fund*** is the primary operating fund of the Town. At the end of the current year, unassigned fund balance of the General Fund was $985,120 with a total fund balance of $999,259. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42.7 percent of total General Fund expenditures, while total fund balance represents 43.3 percent of that same amount. The General Fund's fund balance increased by $5,264 during the current year.

The ***Local Accommodations Tax Fund*** accounts for the collection and expenditure of a tax imposed on the gross proceeds derived from the transient rental of accommodations within the Town. The revenue is used to defray the cost of capital improvements and operating costs beneficial to the tourism industry. At the end of the fiscal year, fund balance was $339,190, a $55,503 decrease from prior year. The funds were used to support the Chamber of Commerce and various tourism related activities in the community.

The ***Hospitality Tax Fund*** accounts for the collection and expenditure of a tax imposed on the gross proceeds of prepared foods and beverages within the Town. The revenue is used to defray the cost of capital improvements and operating costs beneficial to the tourism industry. At the end of the fiscal year, fund balance was $859,903 a $67,045 increase from prior year. Funds are used for tourism promotion.

The ***Rosenwald School Capital Project Fund*** accounts for the collection and expenditure of grants, donations, and transfers from other funds for the purpose of restoring and renovating a historic building. At the end of the fiscal year, fund balance was $1,685,493 a $45,627 increase from the prior year. Funds are used for the restoration and renovation of the Rosenwald School, a historic landmark.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Water Fund at the end of the year amounted to $2,314,363, of which $885,412 was unrestricted. The total increase in net position was $223,122.

Budgetary Highlights

By state statute, the Town Council adopts the annual operating budget for the Town by the last day of March.

The Town's General Fund revenues were more than the amount budgeted by $88,263. Most of this can be accounted for by licenses and permit revenue exceeding budget by $105,739 as a result of the improving economy. Property tax revenue was also more than budgeted by $25,292, due to an increase in the assessed value of the property in the prior year, and miscellaneous revenues were over budget due to unanticipated revenues from grants and contributions, and reimbursed police officer training costs. Expenditures were over budget by $87,461, largely due to unbudgeted capital outlay for facilities renovations, police department automotive repairs and non-capitalizable costs incurred during the renovation of the judicial center This was offset by public works expenditures being under budget due to less than anticipated costs in payroll and related costs.

The Town's Local Accommodations Tax Fund revenues were less than the amount budgeted by $41,489 due to the decrease on hotel occupancy caused by the pandemic. The total expenditures were over budget by $14,021 due to unanticipated facility repair and renovation costs at the Klauber Building and the Sports Center.

The Towns Hospitality Tax Fund revenues were more than budgeted for by $47,036 or 23.5 percent of budgeted revenue of $200,000, in part due to the collection of hospitality taxes previously deemed to be uncollectible. Total actual expenditures were $2,009 under budget.

Capital Assets and Debt Administration

Capital Assets – The Town's net investment in capital assets for its governmental and business-type activities as of March 31, 2021, was $6,029,523 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, and infrastructure. The major capital asset events during the current fiscal year included the following:

- Construction in progress on Rosenwald School — $434,239
- Town facilities renovation (Judicial Complex) current year adds to construction in progress — $440,161
- Donation of Lourie Theatre — $100,000
- Security and lighting at judicial complex and tennis center — $76,980

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 285,009	$ 228,009	$ 41,748	$ 41,748	$ 326,757	$ 269,757
Construction in progress	1,818,053	1,549,026	574,043	574,043	2,392,096	2,123,069
Buildings and system improvements	2,212,996	1,649,176	782,659	816,806	2,995,655	2,465,982
Vehicles and heavy equipment	111,317	94,158	30,501	13,768	141,818	107,926
Equipment	173,197	113,764	-	-	173,197	113,764
	$ 4,600,572	$3,634,133	$ 1,428,951	$ 1,446,365	$ 6,029,523	$ 5,080,498

Additional information on the Town's capital assets can be found in Note III.D.

Long-Term Debt – During the year, the Town issued a $450,000 General Obligation Bond to be used to fund the renovation of Town property to be used for a judicial complex.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation debt	$ 450,000	$ -	$ -	$ -	$ 450,000	$ -
Compensated absences	$ 36,335	$ 24,974	$ 7,469	$ 11,021	$ 43,804	$ 35,995
	$ 486,335	$ 24,974	$ 7,469	$ 11,021	$ 493,804	$ 35,995

Additional information on the Town's long-term debt can be found in Note III.E.

Economic Factors and Next Year's Budget

During the current fiscal year, the Town's total General Fund balance increased allowing the Town to continue to provide quality service to the residents without a tax increase in the next fiscal year.

The Town actively works with the Economic Development Board to recruit new businesses, light industries, and restaurants, and is working to develop tourist attractions to meet the residents' growing demand to be able to live, work, and shop within the Town's limits.

The Town is a vibrant community that will continue to grow in the coming years. The budget will continue to expand to meet the service needs of the growing community.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of St. George Clerk/Treasurer, 305 Ridge Street, St. George, South Carolina 29477.

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BASIC FINANCIAL STATEMENTS

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF NET POSITION
MARCH 31, 2021

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,170,866	$ 966,562	$ 5,137,428
Investments	-	127,995	127,995
Receivables, net of allowance for doubtful accounts	55,741	84,197	139,938
Prepaid expenses	14,757	5,318	20,075
Internal balances	27,261	(27,261)	-
Due from state and local governments	69,290	-	69,290
Inventory	-	45,166	45,166
Capital assets			
Nondepreciable	2,103,062	615,791	2,718,853
Depreciable	2,497,510	813,160	3,310,670
TOTAL ASSETS	8,938,487	2,630,928	11,569,415
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made subsequent to measurement date	87,587	20,739	108,326
Differences between expected and actual experience	23,388	3,551	26,939
Change in assumptions	10,235	377	10,612
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	86,172	19,648	105,820
Net differences between projected and actual earnings on pension plan investments	123,318	22,640	145,958
TOTAL DEFERRED OUTFLOWS OF RESOURCES	330,700	66,955	397,655
LIABILITIES			
Accounts payable and other current liabilities	91,667	-	91,667
Accrued salaries and related benefits	19,077	3,499	22,576
Court bonds escrowed	10,527	-	10,527
Net pension liability	1,370,929	307,779	1,678,708
Noncurrent liabilities			
Due within one year	82,670	7,469	90,139
Due in more than one year	403,665	-	403,665
TOTAL LIABILITIES	1,978,535	318,747	2,297,282
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	5,667	1,164	6,831
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	170,556	63,609	234,165
TOTAL DEFERRED INFLOWS OF RESOURCES	176,223	64,773	240,996
NET POSITION			
Net investment in capital assets	4,150,572	1,428,951	5,579,523
Restricted for			
Tourism promotion	1,439,924	-	1,439,924
Police operations	29,521	-	29,521
Victims' assistance	48,911	-	48,911
Unrestricted	1,445,501	885,412	2,330,913
TOTAL NET POSITION	$ 7,114,429	$ 2,314,363	$ 9,428,792

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government administration	$ 460,002	$ 36,574	$ -	$ -	$ (423,428)	$ -	$ (423,428)
Judicial	117,422	-	-	-	(117,422)	-	(117,422)
Public safety - police	952,704	67,834	-	-	(884,870)	-	(884,870)
Public safety - fire protection	26,937	-	-	-	(26,937)	-	(26,937)
Public works	329,410	169,092	-	-	(160,318)	-	(160,318)
Parks	138,561	-	-	-	(138,561)	-	(138,561)
Recreation	38,227	-	-	100,000	61,773	-	61,773
Tourism promotion	124,992	-	22,554	423,707	321,269	-	321,269
Total governmental activities	2,188,255	273,500	22,554	523,707	(1,368,494)	-	(1,368,494)
Business-type activities							
Water Department	459,906	680,261	-	-	-	220,355	220,355
Total business-type activities	459,906	680,261	-	-	-	220,355	220,355
Total	$ 2,648,161	$ 953,761	$ 22,554	$ 523,707	(1,368,494)	220,355	(1,148,139)
General revenues							
Property taxes					587,995	-	587,995
Franchise taxes and business licenses					756,666	-	756,666
Local accommodations taxes					74,011	-	74,011
Local hospitality taxes					247,035	-	247,035
Grants and contributions not restricted to specific programs					101,756	-	101,756
Unrestricted revenue from use of money and property					30,484	2,767	33,251
Gain of sales of capital assets					1,501	-	1,501
Miscellaneous					7,857	-	7,857
Total general revenues					1,807,305	2,767	1,810,072
Change in net position					438,811	223,122	661,933
Net position - beginning of year					6,675,618	2,091,241	8,766,859
Net position - end of year					$ 7,114,429	$ 2,314,363	$ 9,428,792

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2021

	General Fund	Local Accommodations Tax Fund	Hospitality Tax	Rosenwald School Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,005,797	$ 315,641	$ -	$ 1,681,309	$ 168,119	$ 4,170,866
Receivables, net of allowance for doubtful accounts	19,634	10,546	25,561	-	-	55,741
Prepaid expenses	14,139	464	-	-	154	14,757
Due from state and local governments	69,290	-	-	-	-	69,290
Due from other funds	-	12,539	834,342	4,184	240,993	1,092,058
TOTAL ASSETS	$ 2,108,860	$ 339,190	$ 859,903	$ 1,685,493	$ 409,266	$ 5,402,712
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 90,019	$ -	$ -	$ -	$ 1,648	$ 91,667
Accrued salaries and related benefits	19,077	-	-	-	-	19,077
Court bonds escrowed	10,527	-	-	-	-	10,527
Due to other funds	976,442	-	-	-	88,355	1,064,797
TOTAL LIABILITIES	1,096,065	-	-	-	90,003	1,186,068
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	10,236	-	-	-	-	10,236
Unavailable revenue	3,300	-	-	-	-	3,300
TOTAL DEFERRED INFLOWS OF RESOURCES	13,536	-	-	-	-	13,536
FUND BALANCES						
Nonspendable:						
Prepaids	14,139	-	-	-	-	14,139
Restricted:						
Capital projects	-	-	-	1,685,493	-	1,685,493
Tourism promotion	-	339,190	859,903	-	240,831	1,439,924
Police operations	-	-	-	-	29,521	29,521
Victims' assistance	-	-	-	-	48,911	48,911
Unassigned	985,120	-	-	-	-	985,120
TOTAL FUND BALANCES	999,259	339,190	859,903	1,685,493	319,263	4,203,108
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 2,108,860	$ 339,190	$ 859,903	$ 1,685,493	$ 409,266	$ 5,402,712

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET–GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MARCH 31, 2021

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

Total governmental fund balances		$ 4,203,108
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is $6,348,410, and accumulated depreciation is $1,747,838.		4,600,572
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Contributions made subsequent to measurement date	$ 87,587	
Changes in assumptions	10,235	
Differences between expected and actual experience related to pension expense	23,388	
Differences between projected and actual investment earnings	123,318	
Changes in proportion and differences between employer contribution and proportionate share of contributions	86,172	
Property taxes	10,236	
State aid to subdivisions	3,300	
		344,236
Other long term liabilities related to pension expense do not consume current financial resources and are, therefore, not reported in the funds:		
Differences between expected and actual experience related to pension expense	$ (5,667)	
Changes in proportion and differences between employer contribution and proportionate share of contributions	(170,556)	
		(176,223)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	$ (450,000)	
Net pension liability	(1,370,929)	
Compensated absences	(36,335)	
		(1,857,264)
Net position of governmental activities		$ 7,114,429

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES–
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2021

	General Fund	Local Accommodations Tax Fund	Hospitality Tax	Rosenwald School Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	$ 616,229	$ -	$ -	$ -	$ -	$ 616,229
Accommodations	-	74,011	-	-	-	74,011
Hospitality taxes	-	-	247,036	-	-	247,036
Intergovernmental	112,127	-	-	410,802	22,552	545,481
Licenses and permits	793,239	-	-	-	-	793,239
Fines, fees, and forfeitures	44,858	-	-	-	6,367	51,225
Charges for services	169,092	-	-	-	-	169,092
Miscellaneous	66,226	-	-	-	75	66,301
Revenues from use of money and property	1,279	7	-	-	271	1,557
Total revenues	1,803,050	74,018	247,036	410,802	29,265	2,564,171
EXPENDITURES						
Current						
General government	382,173	-	17,762	5,435	-	405,370
Judicial	107,935	-	-	-	-	107,935
Public safety						
Police	830,819	-	-	-	2,125	832,944
Fire protection	26,937	-	-	-	-	26,937
Public works	296,557	-	-	-	-	296,557
Parks	124,623	-	-	-	-	124,623
Recreation	7,086	-	-	-	-	7,086
Tourism promotion	-	47,286	66,426	-	-	113,712
Capital outlay	532,118	31,235	21,303	434,240	-	1,018,896
Total expenditures	2,308,248	78,521	105,491	439,675	2,125	2,934,060
Excess of revenues over(under) expenditures	(505,198)	(4,503)	141,545	(28,873)	27,140	(369,889)
OTHER FINANCING SOURCES (USES)						
Insurance proceeds	7,961	-	-	-	-	7,961
Proceeds from issuance of bonds	450,000	-	-	-	-	450,000
Transfers in	51,000	-	-	74,500	-	125,500
Transfers out	-	(51,000)	(74,500)	-	-	(125,500)
Proceeds from sale of capital assets	1,501	-	-	-	-	1,501
Total other financing sources (uses)	510,462	(51,000)	(74,500)	74,500	-	459,462
Net change in fund balances	5,264	(55,503)	67,045	45,627	27,140	89,573
Fund balances, beginning of year	993,995	394,693	792,858	1,639,866	292,123	4,113,535
Fund balances, end of year	$ 999,259	$ 339,190	$ 859,903	$ 1,685,493	$ 319,263	$ 4,203,108

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

Net change in fund balances - total governmental funds		$ 89,573
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:		
Capital outlay	$1,018,896	
Depreciation	(152,457)	
		866,439
In the statement of activities, revenue from the donation of capital assets is reported. Because the donated assets do not represent current financial resources they are not reported as revenues in the fund statements.		100,000
Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered "available" revenues in the governmental funds. Similarly, other revenues that do not provide current financial resources are not reported as revenues in the fund.		
Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:		
Property taxes	$ (38,470)	
State aid to subdivisions	(13,671)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:		
Property taxes	10,236	
State aid to subdivisions	3,300	
		(38,605)
Pension expense that is related to net pension liability as recorded in the statement of activities is based on the Town's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of financial resources (e.g. required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the Town's proportionate share of pension expense exceeds actual contributions.		(117,235)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds. However, the transaction has no effect on net assets. This amount is the difference in the treatment of long-term debt.		(450,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of net changes in such accruals are as		
Compensated absences		(11,361)
Change in net position of governmental activities		$ 438,811

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE-ENTERPRISE FUND
MARCH 31, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 966,562
Investments	127,995
Accounts receivable, net of allowance for doubtful accounts	84,197
Inventory	45,166
Prepaid expenses	5,318
Total current assets	1,229,238
Capital assets	
Land	41,748
Construction in progress	574,043
Building, system improvements, and equipment	3,137,614
Less accumulated depreciation	(2,324,454)
Total capital assets, net of accumulated depreciation	1,428,951
TOTAL ASSETS	2,658,189
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions made subsequent to measurement date	20,739
Assumption changes	377
Differences between expected and actual experience	3,551
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	19,648
Net differences between projected and actual earnings on pension plan investments	22,640
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,955
LIABILITIES	
Current liabilities	
Accrued salaries and related benefits	3,499
Due to other funds	27,261
Compensated absences payable	7,469
Total current liabilities	38,229
Long-term liabilities	
Net pension liability	307,779
TOTAL LIABILITIES	346,008
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	1,164
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	63,609
TOTAL DEFERRED INFLOWS OF RESOURCES	64,773
NET POSITION	
Net investment in capital assets	1,428,951
Unrestricted	885,412
TOTAL NET POSITION	$ 2,314,363

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE-ENTERPRISE FUND
YEAR ENDED MARCH 31, 2021

OPERATING REVENUES	
Water charges	$ 618,565
Late fees and other	51,592
Tap fees	10,104
Total operating revenues	680,261
OPERATING EXPENSES	
Personnel costs	213,073
Insurance	24,716
Contract services	41,364
Repairs and maintenance	15,857
Supplies	22,698
Utilities	32,801
Other	21,868
Depreciation	87,529
Total operating expenses	459,906
Operating income	220,355
NONOPERATING REVENUES (EXPENSES)	
Investment income	2,767
Total nonoperating revenues (expenses)	2,767
Increase in net position	223,122
Net position, beginning of year	2,091,241
Net position, end of year	$ 2,314,363

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF ST. GEORGE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE-ENTERPRISE FUND
YEAR ENDED MARCH 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 698,131
Payments to other funds	(5,629)
Payments to suppliers	(171,058)
Payments to employees	(212,489)
Net cash provided by operating activities	308,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(70,115)
Net cash used in capital and related financing activities	(70,115)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	133,784
Interest earned on investments	2,767
Net cash provided by investing activities	136,551
Net increase in cash and cash equivalents	375,391
Cash and cash equivalents, beginning of year	591,171
Cash and cash equivalents, end of year	$ 966,562
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 220,355
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	87,529
Provision for bad debts	10,467
(Increase) decrease in:	
Accounts receivable	7,403
Inventories	(10,984)
Prepaid expenses	(770)
Increase (decrease) in:	
Due to other funds	(5,629)
Accrued salaries and related benefits	4,136
Accrued compensated absences	(3,552)
Net cash provided by operating activities	$ 308,955

The accompanying Notes to Financial Statements are an integral part of this financial statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of St. George (the Town) is a municipal corporation of the State of South Carolina, located in Dorchester County, and, as such, possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The Town operates under the Council form of government under which the Council exercises all legislative and administrative functions. The Town Council (the Council) is composed of six members, elected from districts, and a mayor, who is a voting member of the Council, elected at large. The mayor serves as the Town's administrative officer as directed by the Council and presides over Council meetings.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

There are no entities which meet the criteria detailed above for inclusion in the Town's financial statements as component units. The Town is a legally separate and fiscally independent entity whose governing body is a Council whose members are elected in a general election and should therefore be considered a primary government.

B. Government-wide and Fund Financial Statements

Financial statements for governments such as the Town are presented from two perspectives: the government-wide perspective and the fund perspective.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. Net position is calculated based on information on all the Town's assets and liabilities, including property and equipment and long-term debt. In these statements, governmental activities which are normally supported by taxes and intergovernmental revenues are distinguished from any business-type activities in which the government may be engaged and which rely on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses*, including depreciation of property and equipment, are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. *General revenues* include all taxes, certain grants and contributions, and other unrestricted revenues.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate fund financial statements for each fund category - governmental, proprietary, and fiduciary funds, are presented. Funds are used to control resources that have been segregated for specific activities or objectives. Major individual governmental funds are reported as separate columns in the fund financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (continued)

The governmental fund balance sheet includes a reconciliation of the total fund balance for all governmental funds to total net position of governmental activities reported in the government-wide statement of net position.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and business licenses are recognized as revenues in the year for which they are levied or assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, state levied locally shared taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales, use, and hospitality taxes are recorded when the underlying transaction is made. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). When grant funds are received in advance, recognition is deferred until qualifying expenditures are made. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town's major governmental fund type is as follows:

The G*eneral Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Local Accommodations Tax Fund*, a special revenue fund, accounts for the collection of a tax imposed on the gross proceeds derived from the transient rental of accommodations within the Town. The revenue is used to defray the cost of capital improvements and operating costs beneficial to the tourism industry.

The *Hospitality Tax Fund*, a special revenue fund, accounts for the collection of a tax imposed on the gross proceeds of prepared food and beverages within the Town. The revenue is used to defray the cost of capital improvements and operating costs beneficial to the tourism industry.

The *Rosenwald School Capital Projects Fund* accounts for the collection and expenditure of grants, donations, and transfers from other funds for the purpose of restoring and renovating a historic building.

The government reports the following major proprietary fund:

The *Water Fund* accounts for the activities of the water department. The department operates the water distribution system.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In addition, the Town also reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants and other special purpose fees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Town's proprietary fund classifies its revenues and expenses as either operating or non-operating. *Operating revenues* include revenues generated by activities that have the characteristics of exchange transactions and generally result from transactions arising in connection with its principal on-going activity, the delivery of water services. Operating revenues include charges to customers for water services. Operating expenses result from providing the water services exchanged for the respective revenues. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as *non-operating revenues and expenses.*

The Town's policy for applying expenses that can use both restricted and unrestricted resources is to apply the expense to restricted resources, then to unrestricted resources. The Council permits unrestricted funds to be expended in the following order: Committed, Assigned, and Unassigned.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

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

Investments
In accordance with GASB 31, investments in all funds are stated at fair value. State statutes authorize the Town to invest in certificates of deposit, United States Treasury and United States Agency obligations, South Carolina and related political subdivision general obligation bonds, and repurchase agreements collateralized by these obligations.

Receivables and payables
Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Taxes on real and personal property other than vehicles are assessed as of January 1. Liens attach to real and personal property other than vehicles at the time the taxes are assessed. Taxes are levied and billed in September of the subsequent year, are due January 15, and become delinquent and subject to sale March 15. Penalties of 3% are assessed on unpaid taxes on January 16, February 1 an additional 7%, and March 15 an additional 5%. The levy date and the date on which liens attach for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

Inventories
Inventories of the enterprise fund are recorded at cost determined by the first-in, first-out method. Inventory items consist of supplies used to install water systems.

Capital assets
Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) and are reported in the applicable governmental or business-type columns in the government-wide financial statements and the proprietary fund type statement of net position. Capital assets are defined by the government as movable personal property with a unit cost in excess of $5,000 and an estimated useful life in excess of two years and depreciable land improvements, buildings and improvements, and related tangible assets costing in excess of $50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on other property, plant, equipment, and infrastructure is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, land improvements, and water systems, and 5 to 10 years for machinery, equipment, and vehicles. A half year of depreciation is taken the year the asset is placed in service and in the year of disposition.

Land and construction in progress are not depreciated.

Compensated absences
It is the Town's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations
In the government-wide financial statements and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, other than insurance prepayments, are reported as expenditures when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows of Resources
In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town may have the following items that qualify for reporting in this category which are related to pension obligations as follows:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

1. Pension contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.
3. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions which will be deferred and amortized over the remaining service lives of all plan participants.
5. Changes in actuarial assumptions, which will be deferred and amortized over the remaining service lives of all plan participants.

Deferred Inflows of Resources
In addition to liabilities, the statement 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 net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town may have the following items that qualify for reporting in this category:

1. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
2. The changes in proportion and differences between employer contribution and proportionate share of contributions which will be deferred and amortized over the remaining service lives of all plan participants.
3. Changes in actuarial assumptions, which will be deferred and amortized over the remaining service lives of all plan participants.

The government also has inflows which arise under the modified accrual basis of accounting that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. As such, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from state aid to subdivisions, grant revenue received after the eligibility requirements were met, and property taxes that were billed but remain unavailable. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available.

Unearned Revenue
The Town also defers revenue recognition in connection with resources such as grants that have been billed or received but not yet earned.

Net Position/Fund Balance

Government-wide Statements

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

Net Investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

Restricted net position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Town classifies and reports amounts in appropriate fund balance classifications and considers the appropriateness of fund types used. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Town Council Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest-level action to remove or change the constraint.

Assigned – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority. The Council has not delegated any official or body as of March 31, 2021.

Unassigned – All amounts not included in other spendable classifications.

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

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers' Retirement System (PORS) and additions to/deductions from the SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Violation of Budget Ordinance

At March 31, 2021, the Town was not in compliance with the provisions of the General Fund budget ordinance for fiscal year 2020-2021. Budgetary basis expenditures in the amount of $2,281,311 exceeded authorized expenditures of $2,193,850 by $87,461. The over-expenditure was funded by greater than expected revenues. The expenditures were approved by the Council, but the budget was not formally amended.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Deposits of the Town are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation.

The Town follows state statutes concerning custodial credit risk, but does not have a formal investment policy that addresses it. At March 31, 2021, the reported amount of the Town's cash and deposits was $5,265,423, including certificates of deposits, and the bank balance was $5,353,233. Of the bank balance, $909,248 was covered by federal depository insurance. Of the remaining $4,443,985, $4,425,722 was covered by collateral pledged by the banks and held in escrow by an independent, third party entity, and $18,263 was not insured or collateralized.

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have a formal investment policy that addresses interest rate risk. At March 31, 2021, the Town's investments, amounting to $127,995, consisted of certificates of deposit, all of which had maturity dates of one year or less.

3. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town follows state statutes concerning allowable investments, but has not adopted a formal investment policy for managing credit risk. In accordance with state statutes, the Town is authorized to invest in the following:

a. Obligations of the United States and agencies thereof;

b. General obligations of the State of South Carolina or any of its political units;

c. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;

d. Certificates of where certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government, and

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (continued)

e. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina State statutes authorize the Center to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund, created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is not registered with the SEC. It is similar to a money market fund in that it is offered at a stable price and is guided by risk control principles such as significant overnight Repurchase Agreements for liquidity, attention to credit quality, portfolio diversification, and maintenance of a short average maturity of fixed and floating rate investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, investments in the SCLGIP are carried at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value for all investments of the SCGLIP is determined on a recurring basis based upon quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Local Accommodations Tax	Hospitality Tax	Water Fund
Receivables				
Taxes	$ 34,722	$ 10,546	$ 25,561	$ -
Accounts	-	-	-	277,458
Gross receivables	34,722	10,546	25,561	277,458
Less, allowance for uncollectibles	(15,088)	-	-	(193,261)
Net total receivables	$ 19,634	$ 10,546	$ 25,561	$ 84,197

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Receivables, Payables, and Transfers

Interfund balances at March 31, 2021, were:

	Receivable Fund	Payable Fund
Major governmental fund		
– General Fund	$ -	$ 976,442
– Local Accommodations Tax Fund	12,539	-
– Hospitality Tax Fund	834,342	-
– Rosenwald School Capital Project Fund	4,184	-
Nonmajor governmental funds	240,993	88,355
Major business-type fund – Enterprise Fund	-	27,261
Total interfund balances	$ 1,092,058	$ 1,092,058

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers in (out) from other funds for the year ended March 31, 2021, consisted of the following:

	Transfer in	Transfer out
Major governmental fund		
– General Fund	$ 51,000	$ -
– Rosenwald School Capital Project Fund	74,500	-
– Local Accommodations Tax Fund	-	51,000
– Local Hospitality Tax Fund	-	74,500
Total	$ 125,500	$ 125,500

Transfers of resources from a fund receiving revenue to a fund through which the resources are expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as nonoperating revenues (expenses) in proprietary funds. The Town transferred funds from the Local Hospitality Tax Fund to the Rosenwald School Capital Project Fund to assist in funding the cost to restore and renovate a historic building. Transfers from the Local Accommodations Tax Fund were used to fund administrative costs incurred by the General Fund.

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended March 31, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 228,009	$ 57,000	$ -	$ 285,009
Construction in Progress	1,549,026	874,401	(605,374)	1,818,053
Total capital assets not being depreciated	1,777,035	931,401	(605,374)	2,103,062
Capital assets being depreciated:				
Buildings and improvements	2,725,105	648,374	-	3,373,479
Vehicles	474,799	53,588	(20,000)	508,387
Equipment	298,439	90,907	(25,864)	363,482
Total capital assets being depreciated	3,498,343	792,869	(45,864)	4,245,348
Less accumulated depreciation for:				
Buildings and improvements	(1,075,929)	(84,554)	-	(1,160,483)
Vehicles	(380,641)	(36,429)	20,000	(397,070)
Equipment	(184,675)	(31,474)	25,864	(190,285)
Total accumulated depreciation	(1,641,245)	(152,457)	45,864	(1,747,838)
Total capital assets being depreciated, net	1,857,098	640,412	-	2,497,510
Governmental activities capital assets, net	$ 3,634,133	$1,571,813	$ (605,374)	$ 4,600,572

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 41,748	$ -	$ -	$ 41,748
Construction in Progress	574,043	-	-	574,043
Total capital assets not being depreciated	615,791	-	-	615,791
Capital assets being depreciated:				
Buildings and system improvements	2,933,695	45,275	(4,090)	2,974,880
Vehicles and heavy equipment	135,894	24,840	-	160,734
Office equipment	2,000	-	-	2,000
Total capital assets being depreciated	3,071,589	70,115	(4,090)	3,137,614
Less accumulated depreciation for:				
Buildings and system improvements	(2,116,889)	(79,422)	4,090	(2,192,221)
Vehicles and heavy equipment	(122,126)	(8,107)	-	(130,233)
Office equipment	(2,000)	-	-	(2,000)
Total accumulated depreciation	(2,241,015)	(87,529)	4,090	(2,324,454)
Total capital assets being depreciated, net	830,574	(17,414)	-	813,160
Business-type activities capital assets, net	$ 1,446,365	$ (17,414)	$ -	$ 1,428,951

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	$ 45,542
Public safety and law enforcement	
Police	43,090
Public works	21,404
Recreation	31,141
Tourism promotion	11,280
Total depreciation expense – governmental activities	$ 152,457
Business-type activities:	
Water department	$ 87,529
Total depreciation expense - business type activities	$ 87,529

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt

General Obligation Bonds

The Town has issued direct placement general obligation bonds, the proceeds to be used for renovations at the St. George Judicial Center. The bonds will have a 10-year maturity schedule with semi-annual, level -term payments of principal and interest at 1.84%, commencing May 1, 2021. The primary sources of revenue for repayment of bonds reported in the governmental activities are property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Changes in long-term liabilities. Long-term liability activity for the year ended March 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ -	$ 450,000	$ -	$ 450,000	$ 46,335
Compensated absences	$ 24,974	$ 48,832	$ 37,471	$ 36,335	$ 36,335
Governmental activity long-term liabilities	$ 24,974	$ 498,832	$ 37,471	$ 486,335	$ 82,670
Business-type activities					
Compensated absences	$ 11,021	$ 10,738	$ 14,290	$ 7,469	$ 7,469
Business-type activities long-term liabilities	$ 11,021	$ 10,738	$ 14,290	$ 7,469	$ 7,469

Following is a summary of debt service requirements to maturity by year for the governmental activities:

Year Ending March 31,	Principal	Interest	Total
Governmental activities:			
	General Obligation Bonds		
2022	$ 46,335	$ 2,806	$ 49,141
2023	41,610	7,531	49,141
2024	42,387	6,754	49,141
2025	43,161	5,980	49,141
2026	43,983	5,158	49,141
Thereafter	232,524	13,181	245,705
Totals	$450,000	$41,410	$491,410

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and job-related illnesses and accidents. The Town pays premiums to a public entity risk pool for workers' compensation insurance and for property and casualty coverage. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. The public entity risk pool is self-sustaining through member premiums and reinsures through commercial companies for certain claims. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage, and amounts of settlements have not exceeded coverage in any of the last three years. The Town is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees. The Town has enrolled substantially all of its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The State reinsures through commercial companies for these risks.

B. Defined Benefit Pension Plan

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the State's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans.

PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee, and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned, and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government, and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

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

Membership

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

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health.

- Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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 the benefit terms for each system is presented below.

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

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

  The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020.

If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rate as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

Required employee contribution rates are as follows:

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2019
SCRS		
Employee Class Two	9.00% of earnable compensation	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation	9.00% of earnable compensation
PORS		
Employee Class Two	9.75% of earnable compensation	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation	9.75% of earnable compensation

Required employer contribution rates are as follows:

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2019
SCRS		
Employer Class Two	15.41% of earnable compensation	15.41% of earnable compensation
Employer Class Three	15.41% of earnable compensation	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation	0.15% of earnable compensation
PORS		
Employer Class Two	17.84% of earnable compensation	17.84% of earnable compensation
Employer Class Three	16.84% of earnable compensation	16.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation
Employer Accidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation

Required and actual contributions are as follows:

	Plan's fiscal year ended June 30, 2020	Town's fiscal year ended March 31, 2021
SCRS		
Governmental Activities		
Required contributions	$40,193	$41,014
Actual contributions	$40,193	$41,014
Business-type Activities		
Required contributions	$20,910	$20,967
Actual contributions	$20,910	$20,967
PORS		
Governmental Activities		
Required contributions	$64,753	$72,279
Actual contributions	$64,753	$72,279

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ended June 30, 2015.

The June 30, 2020, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in PEBA's report were determined by their consulting actuary, Gabriel, Roeder, Smith, and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)*	4.0% to 10.0% (varies by service)*
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

*Includes inflation of 2.25%

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

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

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

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each retirement system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2020, and 2019, the Town's proportional share of the NPL amounts for SCRS is presented below:

	Measurement Period Ended June 30,	
System	2020	2019
SCRS		
Governmental Activities	591,616	520,593
Business-type Activities	307,779	251,191
Town's proportion of the net pension liability	0.00352%	0.00338%
PORS		
Governmental Activities	779,313	623,582
Town's proportion of the net pension liability	0.02350%	0.02176%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

IV. OTHER INFORMATION (CONTINUED)

B. Defined Benefit Pension Plan (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**51%**		
Global Public Equity	35%	7.81%	2.73%
Private Equity	9%	8.91%	0.80%
Equity Options Strategy	7%	5.09%	0.36%
Real Assets	**12%**		
Real Estate (Private)	8%	5.55%	0.44%
Real Estate (REITs)	1%	7.78%	0.08%
Infrastructure (Private)	2%	4.88%	0.10%
Infrastructure (Public)	1%	7.05%	0.07%
Opportunistic	**8%**		
Global Tactical Asset Allocation	7%	3.56%	0.25%
Other Opportunistic Strategies	1%	4.41%	0.04%
Credit	**15%**		
High Yield Bonds/ Bank Loans	4%	4.21%	0.17%
Emerging Markets Debt	4%	3.44%	0.14%
Private Debt	7%	5.79%	0.41%
Rate Sensitive	**14%**		
Core Fixed Income	13%	1.60%	0.21%
Cash and Short Duration (Net)	1%	0.56%	0.01%
Total Expected Real Return	100%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS 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 the total pension liability.

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Governmental Activities			
SCRS	$ 733,235	$ 591,616	$ 473,362
PORS	$ 1,031,679	$ 779,313	$ 576,679
Business-type Activities			
SCRS	$ 381,454	$ 307,779	$ 246,259

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended March 31, 2021, the Town recognized pension expense of $224,569 for governmental activities and $27,345 for business-type activities.

At March 31, 2021, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
SCRS		
Differences between actual and expected experience	$ 6,826	$ 2,237
Changes of assumptions	725	-
Net difference between projected and actual earnings on pension plan investments	43,518	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	9,099	36,952
Contributions subsequent to the measurement date	31,196	-
Total	$ 91,364	$ 39,189

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
PORS		
Differences between actual and expected experience	$ 16,562	$ 3,430
Changes of assumptions	9,510	-
Net difference between projected and actual earnings on pension plan investments	79,800	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	77,073	133,604
Contributions subsequent to the measurement date	56,391	-
Total	$ 239,336	$ 137,034
Total Governmental Activities		
Differences between actual and expected experience	$ 23,388	$ 5,667
Changes of assumptions	10,235	-
Net difference between projected and actual earnings on pension plan investments	123,318	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	86,172	170,556
Contributions subsequent to the measurement date	87,587	-
Total	$ 330,700	$ 176,223
Business-type Activities		
Differences between actual and expected experience	$ 3,551	$ 1,164
Changes of assumptions	377	-
Net difference between projected and actual earnings on pension plan investments	22,640	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	19,648	63,609
Contributions subsequent to the measurement date	20,739	-
Total	$ 66,955	$ 64,773

The Town reported $87,587 and $20,739 as deferred outflows of resources related to contributions subsequent to the measurement date in governmental and business-type activities, respectively, which will be recognized as a reduction of the net pension liability in fiscal year ended March 31, 2022. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at March 31, 2021. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2020, was 4.026 and 4.217 years for SCRS and PORS, respectively.

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (continued)

Measurement Period Ending June 30,	Fiscal year Ending March 31,	SCRS	PORS
Governmental Activities			
2021	2022	$ 5,332	$ (22,159)
2022	2023	1,448	22,622
2023	2024	(16,655)	(23,797)
2024	2025	(11,104)	(22,577)
Net balance of deferred outflows (inflows)		$ (20,979)	$ (45,911)
Business-type Activities			
2021	2022	$ 25,952	$ -
2022	2023	11,415	-
2023	2024	(13,033)	-
2024	2025	(5,777)	-
Net balance of deferred outflows (inflows)		$ 18,557	$ -

Payables to the Pension Plans

At March 31, 2021, the Town reported payables of $29,440 and $40,720 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

C. Joint Venture

In 2001, the Town entered into an agreement with Dorchester County for the development of the St. George New Century Industrial Park. The Town provided approximately 14 acres, and the County provided funds for development and infrastructure. The development of the park was supervised by the Park Committee, which is comprised of five individuals, two selected by the Town, two by the County, and the upper Dorchester County representative of the Charleston Regional Development Alliance or his designee. The Park Committee must obtain the approval of both the Town and the County for expenditures in excess of $10,000. The Town and County must also jointly agree to execute any notes, mortgages, deeds, or contracts to sell, buy, lease, manage, or market the property. Funds received for the sale of the Park property are designated for further economic development in upper Dorchester County as are various donations received by area businesses for such purposes. All such funds amount to $25,260 at March 31, 2021.

D. Commitments

In September 2017, the Town entered into a contract in the amount of $835,000 for engineering services in the design and construction of a water system facilities upgrade. The remaining commitment under the contract at March 31, 2021, was $241,200.

In March 2019, the Town entered into a contract in the amount of $838,700 for renovations to the Rosenwald School. Construction on the exterior portion of the project has been completed. The commitment under the contract for interior renovations at March 31, 2021, was $781,989, plus an additional ten percent for architectural services, for a total of $860,188.

IV. OTHER INFORMATION (Continued)

E. Pending GASB Statements

The GASB has issued the following statements:

GASB Statement No. 87, *Leases,* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset with the goal of enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2021. The Town will implement the new guidance with the 2023 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. The Statement requires that such interest cost be recognized as an expense in the period in which the cost is incurred for financial statements using the economic resources measurement focus, and accordingly, this interest cost will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2020. The Town will implement the new guidance with the 2022 financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, intends to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. The Town will implement the new guidance with the 2023 financial statements.

GASB Statement No. 92, *Omnibus 2020*, intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

IV. OTHER INFORMATION (Continued)

E. Pending GASB Statements (continued)

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective, as amended by GASB Statement 94, for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective, as amended by GASB Statement 94, for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective, as amended by GASB Statement 94, for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic. The Town will implement the new guidance with the 2023 financial statements.

GASB Statement 93, *Replacement of Interbank Offered Rates*, intended to address issues expected to arise in debt or other agreements related to the cessation of the London Interbank Offered Rate (LIBOR) at the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Town will implement the new guidance with the 2023 financial statements.

GASB Statement No. 94, *Public-Private and Public Partnerships and Available Payment Arrangements*, intended to improve financial reporting by addressing issues related to public private and public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The Town will implement the new guidance with the 2024 financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The Town will implement the new guidance with the 2024 financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 intends to enhance accounting and financial reporting requirements for accounting changes and error corrections. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements and prescribes the accounting and financial reporting for each of the several types of accounting change and for error corrections. The Town will implement the new guidance with the 2025 financial statements.

IV. OTHER INFORMATION (Continued)

E. Pending GASB Statements (continued)

GASB Statement No. 101, *Compensated Absences* requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The statement establishes guidance for the amount and timing of the liability and simplifies the required disclosures. The Town will implement the new guidance with the 2022 financial statements.

Management has not yet determined the impact implementation of these standards will have on the Town's financial statements, if any.

F. Uncertainties

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting global and national economies and affecting donors of all types. The extent of the impact of COVID-19 on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on the Town's donors, employees, and related entities, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Town's financial condition or results of operations remains uncertain.

G. Subsequent Events

In November 2021, the Town awarded a contract for the construction/renovation of the Water Fund Operations Building in the amount of $1,588,000. The project will be paid from the proceeds of a USDA grant.

Subsequent events have been evaluated through August 22, 2022, the date the statements were available to be released.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

TOWN OF ST. GEORGE, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED MARCH 31, 2021
(UNAUDITED)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Property taxes	$ 600,000	$ 564,000	$ 589,292	$ 25,292
Intergovernmental	173,500	173,500	112,127	(61,373)
Licenses and permits	667,000	687,500	793,239	105,739
Fines, fees, and forfeitures	60,000	60,000	44,858	(15,142)
Charges for services	168,300	168,300	169,092	792
Miscellaneous	46,050	34,350	66,226	31,876
Revenues from use of money and property	-	200	1,279	1,079
Total revenues	1,714,850	1,687,850	1,776,113	88,263
EXPENDITURES				
Current				
General government administration	348,850	372,800	382,173	(9,373)
Judicial	112,000	122,200	107,935	14,265
Police	792,700	802,450	830,819	(28,369)
Public works	342,500	355,800	296,557	59,243
Parks	118,500	116,500	124,623	(8,123)
Recreation	7,500	6,000	7,086	(1,086)
Capital outlay	21,000	373,100	532,118	(159,018)
Debt service				
Principal retirement	30,000	45,000	-	45,000
Total expenditures	1,773,050	2,193,850	2,281,311	(87,461)
Excess of revenues over expenditures	(58,200)	(506,000)	(505,198)	802
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	800	7,961	7,161
Proceeds from issuance of debt	-	450,000	450,000	-
Transfers in	65,100	65,100	51,000	(14,100)
Transfers out	9,900	9,900	-	(9,900)
Proceeds from sales of capital assets	-	-	1,501	1,501
Total other financing sources	75,000	525,800	510,462	(15,338)
Net change in fund balance	$ 16,800	$ 19,800	5,264	$ (14,536)
Fund balances, beginning of year			993,995	
Fund balances, end of year			$ 999,259	

TOWN OF ST. GEORGE, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE –
LOCAL ACCOMMODATIONS TAX FUND
YEAR ENDED MARCH 31, 2021
(UNAUDITED)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Hospitality taxes	$ 115,500	$ 115,500	$ 74,011	$ (41,489)
Revenues from use of money and property	-	-	7	7
Total revenues	115,500	115,500	74,018	(41,482)
EXPENDITURES				
Current				
Tourism promotion	64,500	64,500	47,286	17,214
Capital outlay	-	-	31,235	(31,235)
Total expenditures	64,500	64,500	78,521	(14,021)
Excess of revenues over expenditures	51,000	51,000	(4,503)	(55,503)
OTHER FINANCING SOURCES (USES)				
Transfers out	(51,000)	(51,000)	(51,000)	-
Total other financing sources (uses)	(51,000)	(51,000)	(51,000)	-
Net change in fund balances	$ -	$ -	(55,503)	$ (55,503)
Fund balance, beginning of year			394,693	
Fund balance, end of year			$ 339,190	

TOWN OF ST. GEORGE, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE –
HOSPITALITY TAX FUND
YEAR ENDED MARCH 31, 2021
(UNAUDITED)

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Hospitality taxes	$ 200,000	$ 247,036	$ 47,036
Total revenues	200,000	247,036	47,036
EXPENDITURES			
Current			
General government administration	-	17,762	(17,762)
Tourism promotion	107,500	66,426	41,074
Capital outlay	-	21,303	(21,303)
Total expenditures	107,500	105,491	2,009
Excess of revenues over expenditures	92,500	141,545	49,045
OTHER FINANCING SOURCES (USES)			
Transfers out	(74,500)	(74,500)	-
Total other financing sources (uses)	(74,500)	(74,500)	-
Net change in fund balances	$ 18,000	67,045	$ (49,045)
Fund balance, beginning of year		792,858	
Fund balance, end of year		$ 859,903	

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Local Accommodations Tax Fund, and the Hospitality Fund. All annual appropriations lapse at fiscal year end.

A draft budget is prepared by the Clerk/Treasurer in conjunction with all department heads. The proposed budget is presented to the Council for review and approval. The Council holds public hearings and adopts the budget no later than March 31. An annual millage rate is established by the Council as part of the budget process. The Town's real and personal property taxes are assessed and collected by Dorchester County.

The appropriated budget is prepared by fund, function, and department. Town department heads may make transfers within their department budgets with the approval of the Council. The legal level of budgetary control is the fund level. There were no budget amendments during the year.

The General Fund budget was prepared and adopted on a basis that is not consistent with accounting principles generally accepted (GAAP) in the United States of America. The budget as adopted presents the amounts retained by Dorchester County (the County) from the property taxes to pay for fire protection as a reduction in property tax revenues rather than a contractual expense. The following adjustments are necessary to convert the results of operations of the General Fund for the year ended March 31, 2021, on the GAAP basis to the Budgetary basis:

Actual revenue – GAAP basis	$ 1,803,050
Amounts retained by the County for fire protection services	(26,937)
Actual revenue – Budgetary basis	$ 1,776,113
Actual expenditures - GAAP basis	$ 2,308,248
Amounts retained by the County for fire protection services	(26,937)
Actual expenditures - Budgetary basis	$ 2,281,311

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

Measurement Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Town's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.003520%	$ 899,395	$ 392,693	229%	50.70%
2019	0.003380%	$ 771,784	$ 355,511	217%	54.40%
2018	0.004141%	$ 927,875	$ 371,650	250%	54.10%
2017	0.004494%	$ 1,011,671	$ 387,031	261%	53.30%
2016	0.002947%	$ 629,475	$ 375,785	168%	52.90%
2015	0.003171%	$ 601,395	$ 392,459	153%	59.92%
2014	0.004220%	$ 726,544	$ 383,144	190%	56.39%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM

Measurement Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Town's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.023500%	$ 779,313	$ 355,003	220%	58.80%
2019	0.021758%	$ 623,582	$ 315,677	198%	62.70%
2018	0.031910%	$ 904,196	$ 351,373	257%	61.70%
2017	0.031315%	$ 857,883	$ 340,761	252%	60.90%
2016	0.017435%	$ 442,234	$ 299,091	148%	60.40%
2015	0.015590%	$ 339,783	$ 268,989	126%	67.55%
2014	0.024009%	$ 459,635	$ 283,250	162%	62.98%

Note: Each year the Town will add an additional year of data until a total of ten years is presented.

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

Measurement year ended June 30	Fiscal year ended March 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered-employee payroll
2020	2021	$ 61,981	$ 61,981	$ -	$ 398,524	15.55%
2019	2020	$ 55,704	$ 55,704	$ -	$ 393,060	14.17%
2018	2019	$ 49,781	$ 49,781	$ -	$ 347,795	14.31%
2017	2018	$ 50,764	$ 50,764	$ -	$ 388,130	13.08%
2016	2017	$ 43,703	$ 43,703	$ -	$ 382,092	11.44%
2015	2016	$ 32,408	$ 32,408	$ -	$ 373,485	8.68%
2014	2015	$ 41,413	$ 41,413	$ -	$ 401,244	10.32%

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

Measurement year ended June 30	Fiscal year ended March 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered-employee payroll
2020	2021	$ 72,279	$ 72,279	$ -	$ 372,258	19.42%
2019	2020	$ 61,877	$ 61,877	$ -	$ 330,465	18.72%
2018	2019	$ 54,019	$ 54,019	$ -	$ 294,128	18.37%
2017	2018	$ 54,545	$ 54,545	$ -	$ 336,879	16.19%
2016	2017	$ 50,281	$ 50,281	$ -	$ 322,017	15.61%
2015	2016	$ 25,900	$ 25,900	$ -	$ 270,079	9.59%
2014	2015	$ 37,454	$ 37,454	$ -	$ 262,527	14.27%

Note: Each year the Town will add an additional year of data until a total of ten years is presented.

	SCRS	PORS
Valuation date	7/1/2019	7/1/2019
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Amortization period	29 years maximum, closed period*	29 years maximum, closed period*
Asset valuation method	5-year smoothed	5-year smoothed
Actuarial assumptions		
Inflation rate	2.25%	2.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Investment rate of return	7.25%	7.25%
Benefit adjustments	less of 1% or $50 annually	less of 1% or $50 annually

* Pension reform legislation enacted effective July 1, 2017 schedules the amortization period to be reduced one year for the next 10 years, to 20 years.

B. Contribution Rates

The actual contribution rates and the actuarially determined contribution rates for the SCRS and PORS are determined in accordance with Section 9-1-1085 of the South Carolina Code. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contributions rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a 10-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

TOWN OF ST. GEORGE, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2021

	Special Revenue Funds			
	State Accom-modations Tax	Drug Fund	Victims' Assistance Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 9,550	$ 21,457	$ 137,112	$ 168,119
Prepaids	-	-	154	154
Due from other funds	231,281	9,712	-	240,993
TOTAL ASSETS	$ 240,831	$ 31,169	$ 137,266	$ 409,266
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	$ -	$ 1,648	$ -	$ 1,648
Due to other funds	-	-	88,355	88,355
TOTAL LIABILITIES	-	1,648	88,355	90,003
Restricted for				
Tourism promotion	240,831	-	-	240,831
Police operations	-	29,521	-	29,521
Victims' assistance	-	-	48,911	48,911
TOTAL FUND BALANCE	240,831	29,521	48,911	319,263
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 240,831	$ 31,169	$ 137,266	$ 409,266

TOWN OF ST. GEORGE, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES–NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2021

	Special Revenue Funds			
	State Accommodations Tax	Confiscated Drug Fund	Victims' Assistance Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	$ 22,552	$ -	$ -	$ 22,552
Fines and forfeitures	-	-	6,367	6,367
Miscellaneous revenues	-	75	-	75
Revenues from use of money and property	11	9	251	271
TOTAL REVENUES	22,563	84	6,618	29,265
EXPENDITURES				
Current				
Police	-	350	1,775	2,125
Tourism promotion	-	-	-	-
TOTAL EXPENDITURES	-	350	1,775	2,125
EXCESS OF REVENUES OVER EXPENDITURES	22,563	(266)	4,843	27,140
FUND BALANCE				
Beginning of year	218,268	29,787	44,068	292,123
End of year	$ 240,831	$ 29,521	$ 48,911	$ 319,263

TOWN OF ST. GEORGE, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
YEAR ENDED MARCH 31, 2021

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			$ 111,892	$ 111,892
Court fines and assessments remitted to State Treasurer			61,098	61,098
Total Court Fines and Assessments retained			**50,794**	**50,794**
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			923	923
Assessments retained			5,444	5,444
Total Surcharges and Assessments retained for victim services			**$ 6,367**	**$ 6,367**

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICES FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	**$ 44,068**		**$ 44,068**
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	923		923
Victim Service Surcharges Retained by City/County Treasurer	5,444		5,444
Interest Earned	251		251
Grant Funds Received			
Grant from: Victim of Crime Grant			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Assistance Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	**$ 50,686**		**$ 50,686**
Expenditures for Victim Assistance Program:	**Municipal**	**County**	**Total**
Salaries and Benefits			
Operating Expenditures	$ 1,775		$ 1,775
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Assistance Fund/Program (B)	**$ 1,775**		**$ 1,775**
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	**$ 48,911**		**$ 48,911**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

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 Honorable Mayor and Town Council
Town of St. George, South Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of St. George, South Carolina as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of St. George's basic financial statements and have issued our report thereon dated August 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of St. George's internal control over financial reporting (internal control) to determine the auditing 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 St. George's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of St. George's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. We consider the deficiency 2021-001 described in the accompanying schedule of findings and responses to be a significant deficiency.

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ORANGEBURG
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(803) 536-1015 | FAX (803) 536-1020
BARNWELL
340 FULDNER ROAD | PO BOX 1305 | BARNWELL, SC 29812
(803) 259-1163 | FAX (803) 259-5469

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*

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of St. George'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 that are required to be reported under *Government Auditing Standards.*

The Town of St. George's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the 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.

McGregor & Company LLP

Barnwell, South Carolina
August 22, 2022

TOWN OF ST. GEORGE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED MARCH 31, 2021

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2021-001 Segregation of duties

Criteria: Well-designed internal controls allow for proper segregation of duties so that no one individual is responsible for authorizing, processing, recording and reporting financial transactions.

Condition: The Town does not have adequate segregation of duties relating to: cash receipts and disbursements and posting activities; technical administration (such as setting up new users and access levels) and posting activities; and the administration of human resources and the calculation and disbursement of paychecks.

Effect of Condition: There is a potential for misappropriation and/or misstatements in the financial statements due to the lack of segregation of duties.

Cause: This is an inherent internal control weakness in a town the size of St. George where the number of employees is limited.

Recommendations: Management should review the Town's current procedures and consider the following: 1) Assigning the task of collections (for water payments or business licenses, etc.) to an individual who is not responsible for billing and posting. 2) Assigning the duties of adding users to an individual or consultant not involved in the accounting function. 3) Outsourcing payroll as a technique to segregate the duties of setting pay rates, preparing checks, signing and distributing them, and performing payroll bank reconciliations.

Auditee Response: Management has determined that the costs to implement the controls and hire additional staff do not justify the benefits to the Town. The Town has contracted with an accounting firm for an additional layer of oversight.

TOWN OF ST. GEORGE, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED MARCH 31, 2021

The significant deficiencies relating to segregation of duties that were listed as 2020-001 in the previous year are being repeated as audit finding 2021-001.