

TOWN OF JAMES ISLAND

SOUTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2023

**TOWN OF JAMES ISLAND, SOUTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2023**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of Town Council
Town of James Island
James Island, South Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of James Island, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of James Island, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of James Island, South Carolina, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of James Island, South Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of James Island, South Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of James Island, South Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of James Island, South Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension plan 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of James Island, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

As discussed in Note 9 to the financial statements, Town of James Island, South Carolina recorded a prior period adjustment to adjust the net position and governmental fund balance to properly reflect the deferred revenue related to American Rescue Plan Act not included in the previous year.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024, on our consideration of the Town of James Island, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of James Island, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of James Island, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
January 12, 2024

**TOWN OF JAMES ISLAND,
SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,797,860
Receivables, net	543,807
Prepays	<u>7,805</u>
Non-current assets	
Restricted cash and cash equivalents	2,945,229
Capital assets, net of accumulated depreciation	<u>10,703,767</u>
Total assets	<u>20,998,468</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	<u>355,712</u>
Total deferred outflows of resources	<u>355,712</u>
 LIABILITIES	
Current liabilities	
Accounts payable	120,533
Accrued payroll and taxes	115,420
Deferred revenue	<u>2,766,514</u>
Long-term liabilities	
Accrued compensated absences	67,831
Net pension liability	<u>1,868,360</u>
Total liabilities	<u>4,938,658</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred pension charges	<u>54,464</u>
Total deferred inflows of resources	<u>54,464</u>
 NET POSITION	
Invested in capital assets, net of related debt	10,703,767
Restricted for:	
Hospitality fund	2,279,174
Stormwater fund	624,573
Accommodations tax	41,482
Unrestricted	<u>2,712,062</u>
Total net position	<u>\$ 16,361,058</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating	Grants and Contributions Capital	
PRIMARY GOVERNMENT					
Governmental activities					
General government	\$ 1,335,397	\$ -	\$ -	\$ -	(1,335,397)
Elected officials	116,838	-	-	-	(116,838)
Planning	185,852	-	7,539	-	(178,313)
Public works	534,905	-	-	-	(534,905)
Building inspection	58,541	-	27,279	-	(31,262)
Codes and Safety	470,165	-	7,686	-	(462,479)
Parks and community	330,706	-	-	-	(330,706)
Facilities and equipment	223,312	-	-	-	(223,312)
JIPSD tax relief	1,269,996	-	-	-	(1,269,996)
Total governmental activities	\$ 4,525,712	\$ -	\$ 42,504	\$ -	(4,483,208)
GENERAL REVENUES					
Local option sales tax - revenue					550,542
Local option sales tax - property tax					1,286,714
State aid to subdivisions					275,661
Franchise fees					314,952
Brokers and insurance tax					775,188
Business licenses					499,280
Stormwater fees					297,479
Hospitality tax					673,442
Homestead exemption					46,792
ARP funding					846,523
Interest and other					95,142
Total general revenues					5,661,715
Change in net position					1,178,507
Net position, beginning of year as restated (Note 9)					15,182,551
Net position, end of year					\$ 16,361,058

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Stormwater Fund	Accommodations Tax Fund	Hospitality Tax Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,797,860	\$ -	\$ -	\$ -	\$ 6,797,860
Restricted cash and cash equivalents	-	624,573	41,482	2,279,174	2,945,229
Receivables	543,807	-	-	-	543,807
Prepays	7,805	-	-	-	7,805
Total assets	<u>\$ 7,349,472</u>	<u>\$ 624,573</u>	<u>\$ 41,482</u>	<u>\$ 2,279,174</u>	<u>\$ 10,294,701</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 120,533	\$ -	\$ -	\$ -	\$ 120,533
Accrued payroll and payroll taxes	115,420	-	-	-	115,420
Deferred revenue	2,766,514	-	-	-	2,766,514
Total liabilities	<u>3,002,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,002,467</u>
FUND BALANCES					
Restricted	-	624,573	41,482	2,279,174	2,945,229
Unassigned, reported in General fund	4,347,005	-	-	-	4,347,005
Total fund balances	<u>4,347,005</u>	<u>624,573</u>	<u>41,482</u>	<u>2,279,174</u>	<u>7,292,234</u>
Total liabilities and fund balances	<u>\$ 7,349,472</u>	<u>\$ 624,573</u>	<u>\$ 41,482</u>	<u>\$ 2,279,174</u>	<u>\$ 10,294,701</u>

Reconciliation of the balance sheet of governmental funds to the statement of net position

Total Fund Balance - Governmental Funds	\$ 7,292,234
Amounts to be reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund (net of accumulated depreciation)	10,703,767
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the General Fund	
Compensated absences (vacation time earned)	(67,831)
Net pension liability and related deferrals	<u>(1,567,112)</u>
Net position of Governmental Activities	<u>\$ 16,361,058</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General	Stormwater Fund	Accommodations Tax Fund	Hospitality Tax Fund	Total Governmental Funds
REVENUE					
Local option sales tax - revenue	\$ 550,542	\$ -	\$ -	\$ -	\$ 550,542
Local option sales tax - property tax	1,286,714	-	-	-	1,286,714
State aid to subdivisions	275,661	-	-	-	275,661
ARP funding	846,523	-	-	-	846,523
Permits, planning and other charges	42,504	-	-	-	42,504
Business license	499,280	-	-	-	499,280
Hospitality tax	-	-	-	673,442	673,442
Franchise fees	314,952	-	-	-	314,952
Insurance collection program	775,188	-	-	-	775,188
Stormwater fees	-	297,479	-	-	297,479
Homestead exemption	46,792	-	-	-	46,792
Accommodations tax	-	-	73,765	-	73,765
Interest and other	21,377	-	-	-	21,377
Total revenues	<u>4,659,533</u>	<u>297,479</u>	<u>73,765</u>	<u>673,442</u>	<u>5,704,219</u>
EXPENDITURES					
Current:					
General government	866,485	-	45,092	-	911,577
Elected officials	116,838	-	-	-	116,838
Planning	185,852	-	-	-	185,852
Public works	408,212	126,693	-	-	534,905
Building inspection	58,541	-	-	-	58,541
Code and safety	470,165	-	-	-	470,165
Parks and community	94,478	-	-	236,715	331,193
Facilities and equipment	223,312	-	-	-	223,312
JIPSD tax relief	1,269,996	-	-	-	1,269,996
Capital outlay	848,837	-	-	93,700	942,537
Total expenditures	<u>4,542,716</u>	<u>126,693</u>	<u>45,092</u>	<u>330,415</u>	<u>5,044,916</u>
Net changes in fund balances	116,817	170,786	28,673	343,027	659,303
Fund balances, beginning of year as restated (Note 9)	4,230,188	453,787	12,809	1,936,147	6,620,122
Fund balances, end of year	<u>\$ 4,347,005</u>	<u>\$ 624,573</u>	<u>\$ 41,482</u>	<u>\$ 2,279,174</u>	<u>\$ 7,279,425</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2023

Net change in fund balances - Total Governmental Fund		\$ 659,303
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 942,537	
Depreciation expense	<u>(334,544)</u>	607,993
An item reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund. This activity consists of:		
Pension accrual		(60,378)
Compensated absences		(28,411)
Total changes in net position		<u>\$ 1,178,507</u>

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Town of James Island, South Carolina (the Town) was created by South Carolina Code Section 5-1-70 and began operations August 2, 2012. Services provided by the Town include zoning, permitting, public works, building inspection, code enforcement, public safety, disaster and emergency preparedness, recreation, and general government. The Town operates under a Mayor Council form of government. The Town Council is composed of a mayor and four town council members elected at large.

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

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

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

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

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

The Town utilizes the following governmental funds:

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

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

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

Cash and Cash Equivalents and Investments

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

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

Receivables and Payables

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The Town has a prepaid balance in the amount of \$7,805 at June 30, 2023 related to workers compensation insurance paid in advance.

Restricted cash

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

Capital Assets

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

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

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

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Compensated Absences

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

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

Deferred Revenue

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

Deferred Outflows/Inflows of Resources

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Balance

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

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

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

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

	Restricted Fund Balance
Hospitality Tax Fund	2,279,174
Stormwater Fund	624,573
	<u>\$ 2,903,747</u>

Property Taxes

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

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

Nonexchange Transactions

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2023, none of the Town's bank balances of \$9,850,900 were exposed to custodial credit risk because they were insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2023 for individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Insurance collection	\$ 65,656
Franchise fees	40,174
Local option sales tax	157,677
Hospitality tax	67,092
Accommodations tax	31,203
Business licenses	37,772
State aid to subdivisions	71,401
Other	72,832
Net receivables	<u>\$ 543,807</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Non-depreciable assets:					
Land	\$ 2,203,474	\$ 495,179	\$ -	\$ -	\$ 2,698,653
Construction in Progress	1,172,502	350,430	-	(321,967)	1,200,965
Total non-depreciable assets	<u>3,375,976</u>	<u>896,569</u>	<u>-</u>	<u>(321,967)</u>	<u>3,899,620</u>
Depreciable:					
Buildings and Improvements	3,481,205	-	-	-	3,481,205
Equipment	221,270	47,188	-	-	268,458
Vehicles	131,733	49,742	-	-	181,475
Park improvements	511,113	-	-	321,967	833,080
Infrastructure	3,573,171	-	-	-	3,573,171
Town signs	25,487	-	-	-	25,487
Total depreciable capital assets	<u>7,943,979</u>	<u>96,930</u>	<u>-</u>	<u>321,967</u>	<u>8,362,876</u>
Less accumulated depreciation:	1,224,183	334,544	-	-	1,558,727
Total depreciable capital assets, net	6,719,794	(237,614)	-	-	6,804,149
Total capital assets, net	<u>\$10,095,752</u>	<u>\$ 658,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,703,767</u>

The Town has construction in progress for various infrastructure projects, park improvements and cultural art center renovation.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Compensated absences	\$ 39,420	\$ 28,411	\$ -	\$ 67,831
Net pension liability	1,652,027	216,333	-	1,868,360
Total	\$ 2,058,683	\$ 244,744	\$ -	\$ 1,936,191

At June 30, 2023, \$0 of the compensated absences balance is expected to be due within one year.

NOTE 6 – PENSION PLANS

State Retirement 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 the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (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 an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Annual Comprehensive Financial Report (ACFR) is publicly available through 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.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through 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 July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

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

Benefits

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

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

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

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

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

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	17.41%	16.41%
Employee Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	19.84%	18.84%
Employee Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

(Continued)

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Town's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 1,405,607	57.1%	.005798%
PORS	\$ 462,753	66.4%	.015430%

(Continued)

² Includes inflation at 2.25%

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL 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 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 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity³	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity^{1 4}	9.0%	8.75%	0.79%
Private Debt²	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ²	9.0%	4.12%	0.37%
Infrastructure ²	3.0%	5.88%	0.15%
Total Expected Real Return ⁵	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Pensions

At June 30, 2023, the Town reported a liability of \$1,405,607 and \$462,753 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

³ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

⁴ Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁵ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

For the year ended June 30, 2023, the Town recognized pension expense for the SCRS and PORS plans of \$154,086 and \$98,927, respectively. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 57,293	\$ 6,126
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	39,454	-
Net difference between projected and actual earnings on pension plan investments	-	2,168
Town's contributions subsequent to the measurement date	131,732	2,016
Total SCRS	<u>\$ 228,479</u>	<u>\$ 10,310</u>
PORS		
Differences between expected and actual experience	\$ 27,034	\$ -
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	39,775	6,148
Net difference between projected and actual earnings on pension plan investments	-	35,494
Town's contributions subsequent to the measurement date	60,424	-
Total PORS	<u>\$ 127,233</u>	<u>\$ 44,624</u>

The \$228,479 and \$127,233 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2023 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

(Continued)

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS and PORS:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ 43,261	\$ 29,187	\$ 72,448
2024	35,274	(2,607)	32,667
2025	(28,754)	(22,401)	(51,155)
2026	36,656	17,988	54,644
	<u>\$ 86,437</u>	<u>\$ 22,167</u>	<u>\$ 108,604</u>

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.00 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate.

System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Town's proportionate share of the net pension liability of the SCRS	\$ 1,802,148	\$ 1,405,607	\$ 1,075,915
Town's proportionate share of the net pension liability of the PORS	\$ 645,281	\$ 462,753	\$ 313,337

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 – PENSION PLANS, Continued

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2021. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' Comprehensive Annual Financial Report.

NOTE 7 – RISK MANAGEMENT

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

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

During June 30, 2023, the Town did not experience any uninsured claims. There is no liability or expenditure reordered for other actual claims and management does not believe any provision for unasserted claims is necessary.

There were no significant reductions in coverage from the previous year and no settlements have exceeded insurance coverage for the past three years ended June 30, 2022, 2021, and 2020.

NOTE 8 – CONTINGENCIES

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

TOWN OF JAMES ISLAND, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The Town has recorded a prior period adjustment to the financial statements to adjust the general fund balance and governmental activities net position to properly reflect the amount that is unearned revenue related to the American Rescue Plan act.

	General Fund Balance	Governmental Activities Net Position
Beginning net position, as previously reported at June 30, 2022	\$ 5,915,404	\$ 16,854,958
Prior period adjustments:		
Deferred revenue	(1,672,407)	(1,672,407)
Net position, as restated at July 1, 2022	\$ 4,242,997	\$ 15,182,551

NOTE 10 – SUBSEQUENT EVENTS

The Town has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2023 through the date on the auditor's report January 12, 2024 the date the financial statements were available to be issued.

TOWN OF JAMES ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance
	Original	Final		
REVENUE				
Local option sales tax - revenue	\$ 530,000	\$ 530,000	\$ 550,542	\$ 20,542
Local option sales tax - property tax	1,270,000	1,270,000	1,286,714	16,714
State aid to subdivisions	272,350	272,350	275,661	3,311
ARP funding	1,854,631	1,854,631	846,523	(1,008,108)
Permits, planning and other charges	23,500	23,500	42,504	19,004
Business license	375,000	375,000	499,280	124,280
Homestead exemption	50,000	50,000	46,792	(3,208)
Franchise fees	332,500	332,500	314,952	(17,548)
Insurance collection program	870,000	870,000	775,188	(94,812)
Donations and grants	25,000	25,000	-	(25,000)
Interest and other	97,400	97,400	21,377	(76,023)
Total revenues	5,700,381	5,700,381	4,659,533	(1,040,848)
EXPENDITURES				
Current:				
General government	1,585,298	1,585,298	866,485	718,813
Elected officials	113,500	113,500	116,838	(3,338)
Planning	15,335	15,335	185,852	(170,517)
Public works	355,930	355,930	408,212	(52,282)
Building inspection	60,250	60,250	58,541	1,709
Code and safety	141,390	141,390	470,165	(328,775)
Parks and community	36,475	36,475	94,478	(58,003)
Facilities and equipment	239,330	239,330	223,312	16,018
JIPSD tax relief	1,271,000	1,271,000	1,269,996	1,004
Capital outlay	1,046,875	1,046,875	848,837	198,038
Total expenditures	4,865,383	4,865,383	4,542,716	322,667
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	834,998	834,998	116,817	(718,181)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(834,998)	(834,998)	-	834,998
Total other financing sources (uses)	(834,998)	(834,998)	-	834,998
Net changes in fund balances	-	-	116,817	116,817
Fund balances, beginning of year	4,230,188	4,230,188	4,230,188	4,230,188
Fund balances, end of year	\$ 4,230,188	\$ 4,230,188	\$ 4,347,005	\$ 4,347,005

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

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

SCRS	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.005798%	0.005703%	0.005506%	0.005621%	0.005093%	0.005809%	0.004501%	0.004047%
Town's proportionate share of the net pension liability	\$ 1,405,607	\$ 1,234,262	\$ 1,406,749	\$ 1,283,409	\$ 1,141,265	\$ 1,307,699	\$ 961,408	\$ 767,533
Town's covered-employee payroll	\$ 750,185	\$ 690,424	\$ 644,703	\$ 614,212	\$ 593,517	\$ 526,930	\$ 587,873	\$ 435,818
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.37%	55.94%	45.83%	47.86%	52.01%	40.29%	163.54%	176.11%
Plan fiduciary net position as a percentage of the total pension liability	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	59.9%

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

PORS	2023	2022	2021	2020	2019	2018
Town's proportion of the net pension liability	0.015430%	0.016237%	0.017460%	0.013060%	0.009022%	0.000380%
Town's proportionate share of the net pension liability	\$ 462,753	\$ 417,765	\$ 578,991	\$ 374,291	\$ 255,629	\$ 10,438
Town's covered-employee payroll	\$ 298,523	\$ 244,200	\$ 244,155	\$ 263,750	\$ 189,429	\$ 128,025
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.51%	58.45%	42.17%	70.47%	74.10%	1226.53%
Plan fiduciary net position as a percentage of the total pension liability	66.4%	70.4%	58.8%	62.7%	61.7%	60.9%

Notes to schedule:

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

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

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

SCRS	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 131,732	\$ 114,334	\$ 100,316	\$ 95,572	\$ 86,416	\$ 71,452	\$ 67,076	\$ 47,458
Contributions in relation to the contractually required contribution	(131,732)	(114,334)	(100,316)	(95,572)	(86,416)	(71,452)	(67,076)	(47,458)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 750,185	\$ 690,424	\$ 644,703	\$ 614,212	\$ 593,517	\$ 526,930	\$ 587,873	\$ 435,818
Contributions as a percentage of covered-employee payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.41%	10.89%

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

PORS	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 60,424	\$ 46,984	\$ 44,534	\$ 48,108	\$ 32,657	\$ 20,279
Contributions in relation to the contractually required contribution	(60,424)	(46,984)	(44,534)	(48,108)	(32,657)	(20,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 298,523	\$ 244,200	\$ 244,155	\$ 263,750	\$ 189,428	\$ 128,025
Contributions as a percentage of covered-employee payroll	20.24%	19.24%	18.24%	18.24%	17.24%	15.84%

TOWN OF JAMES ISLAND, SOUTH CAROLINA
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOSPITALITY TAX FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance
	Original	Final		
REVENUE				
Hospitality tax	\$ 655,000	\$ 655,000	\$ 673,442	\$ 18,442
Total revenues	655,000	655,000	673,442	18,442
EXPENDITURES				
Current:				
Parks and community	440,907	440,907	236,715	204,192
Capital outlay	1,099,850	1,099,850	93,700	1,006,150
Total expenditures	1,540,757	1,540,757	330,415	1,210,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(885,757)	(885,757)	343,027	1,228,784
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	885,757	885,757	-	885,757
Total other financing sources (uses)	885,757	885,757	-	885,757
Net changes in fund balances	-	-	343,027	343,027
Fund balances, beginning of year	1,936,147	1,936,147	1,936,147	1,936,147
Fund balances, end of year	\$ 1,936,147	\$ 1,936,147	\$ 2,279,174	\$ 2,279,174



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of Town Council
Town of James Island
James Island, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of James Island, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of James Island, South Carolina's basic financial statements, and have issued our report thereon dated January 12, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of James Island, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

January 12, 2024