

TOWN OF ATLANTIC BEACH,
SOUTH CAROLINA
BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	4
Statement of activities	5
Fund financial statements	
Balance sheet - governmental funds	6
Reconciliation of the balance sheet of governmental funds to the statement of net position	7
Statement of revenues, expenditures and changes in fund balances governmental funds	8
Reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	9
NOTES TO FINANCIAL STATEMENTS	10-29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of revenues, expenditures and changes in fund balances - budget and actual - general fund	30
Schedule of the town's proportionate share of the net pension liability - South Carolina Retirement System	31
Schedule of the town's pension plan contributions - South Carolina Retirement System	32
Schedule of the town's proportionate share of the net pension liability - Police Officers Retirement System	33
Schedule of the town's pension plan contributions - Police Officers Retirement System	34
SUPPLEMENTARY INFORMATION	
Uniform schedule of court fines, assessments and surcharges (per ACT 96)	35
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	36-37



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of Atlantic Beach
Atlantic Beach, South Carolina

Report on the Audit of the Financial Statements

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 Atlantic Beach, 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 Atlantic Beach, 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 Atlantic Beach, South Carolina, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Atlantic Beach, South Carolina's basic financial statements. The accompanying schedule of court fines, assessments and surcharges is 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 schedule of court fines, assessments and surcharges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of the Town of Atlantic Beach, 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 Atlantic Beach, 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 Atlantic Beach, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
January 24, 2024

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash - operating	\$ 868,146
Petty cash	300
Account receivables, net	139,835
Prepaid expenses	11,846
Due from other government	28,510
Capital assets:	
Non-depreciable capital assets	564,682
Depreciable capital assets, net	398,036
Restricted cash	1,321
Total assets	<u>2,012,676</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	<u>206,079</u>
Total deferred outflows of resources	<u>206,079</u>
LIABILITIES	
Accounts payable	49,774
Accrued liabilities	19,714
Due to state	466
Due to other funds	6,189
Due to other government	141
Contingent liabilities	362,418
Current portion of capital lease payable	7,853
Current portion of compensated absences	11,267
Long-term obligations:	
Net pension liability	750,863
Compensated absences	17,014
Capital lease payable, net of current portion	10,770
Total liabilities	<u>1,236,469</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension charges	<u>34,203</u>
	<u>34,203</u>
NET POSITION	
Net investment in capital assets	962,718
Restricted for:	
Police seized funds	1,321
Unrestricted	<u>(15,956)</u>
Total net position	<u>\$ 948,083</u>

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		<u>Program Revenues</u>	<u>Capital</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 875,329	\$ 39,310	\$ 375,368	\$ (460,651)
Public safety	422,188	30,879	-	(391,309)
Special event - Bike Fest	64,380	57,273	-	(7,107)
Total primary government	<u>\$ 1,361,897</u>	<u>\$ 127,462</u>	<u>\$ 375,368</u>	<u>(859,067)</u>
GENERAL REVENUES				
Property taxes				283,586
Licenses and permits				617,213
Franchise fees				71,272
Intergovernmental				59,630
Special tax				143,355
Other income				16,878
Gain on disposal of asset				5,275
Total general revenues				<u>1,197,209</u>
Change in net position				338,142
Net position, beginning of year				609,941
Net position, end of year				<u>\$ 948,083</u>

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 868,446
Restricted cash	1,321
Account receivables	139,835
Prepaid expenses	11,846
Due from other government	28,510
	<hr/>
Total assets	<u>\$ 1,049,958</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 49,774
Accrued liabilities	19,714
Due to state	466
Due to other funds	6,189
Due to other government	141
	<hr/>
Total liabilities	<u>76,284</u>

FUND BALANCES

Nonspendable:	
Prepaid expenses	11,846
Restricted for:	
Police seized funds	1,321
Unassigned:	960,507
	<hr/>
Total fund balances	<u>973,674</u>
	<hr/>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,049,958</u>

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance for governmental fund balances	\$ 973,674
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the capital assets was \$1,367,227 and the accumulated depreciation was \$404,509.	962,718
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term settlement agreement	(362,418)
Compensated absences	(28,281)
Capital lease payable	(18,623)
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the government funds but are recorded in the statement of net position.	<u>(578,987)</u>
Total net position of governmental activities	<u><u>\$ 948,083</u></u>

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

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

REVENUES

Property taxes	\$ 283,586
Licenses and permits	617,213
Franchise fees	71,272
Intergovernmental	59,630
Special tax	143,355
Court fines, fees and assessments	30,879
Grants and other donations	375,368
Other income	56,188
Bike Fest	57,273
Gain on disposal of asset	5,275
	<hr/>
Total revenues	1,700,039

EXPENDITURES

General government	738,065
Public safety	422,188
Special event - Bike Fest	64,380
Capital outlay	290,234
Debt service	
Principal	11,813
Interest	1,076
	<hr/>
Total expenditures	1,527,756

Net change in fund balances	172,283
Fund balances, beginning of year	<hr/> 801,391
Fund balances, end of year	<hr/> \$ 973,674

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balance - total governmental funds	\$	172,283
---	----	---------

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 asset additions	\$	290,234	
Depreciation expense		(58,821)	231,413

The issuance of long-term debt (e.g., bonds, leases, notes) provides current
financial resources to governmental funds, while the repayment of principal
of long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net position. Also,
governmental funds report the effect of premiums, discounts, and similar
items when debt is first issued, whereas these amounts are deferred and
amortized in the statement of activities.

Lease obligation principal payments	\$	11,813	11,813
-------------------------------------	----	--------	--------

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(66,099)
---	----------

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:

Change in compensated absences	(11,268)
--------------------------------	----------

Change in net position	\$ 338,142
------------------------	------------

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Atlantic Beach, South Carolina (the “Town”) was originally incorporated on May 7, 1966 to operate as an incorporated municipality under the laws of the State of South Carolina. The Town has four Council members along with the Mayor who serves as the presiding member. As authorized by its Code of Ordinances, the Town provides public safety (police), municipal court, licensing and regulation and general administrative services to its constituents. Trash collection, building and code enforcement services are contracted to outside companies. Water and sewer services are not owned, managed nor serviced by the Town.

Reporting Entity

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

As required by GAAP, the financial statements must present the Town’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town. At June 30, 2023, there were no such material component units of the Town.

Basis of Presentation

The *government-wide financial statements* (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. The 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 Town does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease purchase are reported as other financing sources.

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

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

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Town's governmental fund type is as follows:

The *General Fund*, a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not money market mutual funds are reported as investments.

Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of fees, charges and services, including franchise fees, business licenses, sewer charges and other fees and charges.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures are reported in the year in which services are consumed.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. As allowed by GASB #34, the Town has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town maintains a minimum capitalization threshold of \$1,000 for all capital assets.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and equipment	3 - 20 years

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the Town. 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.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences. The entire compensated absence liability and expense is reported in the government-wide financial statements. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year-end that are expected to be paid within a short time subsequent to year end (if material).

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements, debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Compensated absences, net pension liability, and capital lease payable were the only long-term obligations at June 30, 2023.

Accrued Liabilities and Long-Term Obligations, Continued

In the fund financial statements, governmental fund types recognize the lawsuit settlement charges during the current period.

Deferred Outflows and 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 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 currently has one type of deferred outflows of resources. The Town reports deferred pension charges in its 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 (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 currently has three types of deferred inflows of resources: (1) The Town also reports deferred revenue not only in the governmental funds Balance Sheet but also in the government-wide Statement of Net Position; it is deferred and recognized as an inflow of resources (property tax revenue) in the period for which is intended to finance. (2) In addition, the Town reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that compose a hierarchy that is based primarily on the extent the Town is bound to honor constraints on a specific purpose for which amounts in the respective governmental funds can be spent. The following classifications are used in the governmental fund financial statements.

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

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

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

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

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

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Net Position

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

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 9 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants

in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Accounting Estimates

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Legal Compliance – Budgets

Several months before the start of each fiscal year, departments and related agencies of the Town submit requests for appropriations to the Town Administrator for processing in formulation of the Town's upcoming fiscal year budget. The budget is prepared by fund, function and activity, and includes information on the current year estimates and requested appropriations for the next fiscal year. A proposed budget is formulated and presented to Town Council for review and revision. The revised budget is submitted and exposed for debate during formal budget hearings open to the public. Changes to the budget resulting from these hearings must be within the revenues and reserves estimated as available by original availability estimates, or either the estimated revenues must be changed by an affirmative vote of majority of the Town Council. The budget for each upcoming fiscal year is usually adopted before the end of the prior fiscal year.

NOTE 3 – CASH

At June 30, 2023 the carrying amount of the Town's cash deposits were \$869,467 and the bank balance was \$887,359. All deposits were sufficiently insured by the FDIC.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023 consisted of the following:

	Governmental Activities
Accounts Receivable:	
Franchise fees	\$ 9,710
Hospitality tax	25,081
Road maintenance	4,969
Business license	84,317
MASC brokers tax	10,757
Other	5,001
Total	<u>\$ 139,835</u>

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

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

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Non-depreciable assets:				
Land	\$ 546,760	\$ -	\$ -	\$ 546,760
Construction in progress	2,073	17,922	(2,073)	17,922
Total non-depreciable assets	548,833	17,922	(2,073)	564,682
Depreciable:				
Buildings and improvements	308,447	36,478	-	344,925
Leasehold improvements	28,180	-	-	28,180
Furniture and equipment	206,532	237,907	(15,000)	429,439
Total depreciable capital assets	543,159	274,385	(15,000)	802,544
Less accumulated depreciation:				
Buildings and improvements	(246,487)	(11,801)	-	(258,288)
Furniture and equipment	(114,200)	(47,020)	15,000	(146,220)
Total accumulated depreciation	(360,687)	(58,821)	15,000	(404,508)
Total depreciable capital assets, net	182,472	215,564	-	398,036
Total capital assets, net	<u>\$ 731,305</u>	<u>\$ 233,486</u>	<u>\$ (2,073)</u>	<u>\$ 962,718</u>

NOTE 6 – CONTINGENT LIABILITIES

The Town of Atlantic Beach, South Carolina is party to a consent order agreement for settlement terms relating to three lawsuits: Montgomery v. Town of Atlantic Beach, 2008-CP-26-2109, for the sum of \$105,794; Tyson Beach Group, LLC v. Town of Atlantic Beach, 2010-CP-26-11971R, for the sum of \$266,839; and Carolyn Cole and Windy Price v. Town of Atlantic Beach, 2009-CP-26-11524, for \$15,694. The agreement called for forty-eight consecutive payments of \$8,090. Payments were to begin on November 15, 2012 and were to be paid to the trust account of the law firm of Thomas & Brittain, P.A. Payments were to be applied pro-rata to each matter and specifically 28.39% to the matter of Carolyn Montgomery v. Town of Atlantic Beach, 2010-CP-26-2109, and 71.61% shall be applied to the matter of Tyson Beach Group, LLC v. Town of Atlantic Beach, 2010-CP-26-11971R. Thomas & Brittain were entitled to retain one-third of all sums paid into its trust account until all outstanding attorney's fees in these matters between Thomas & Brittain and the plaintiffs are paid in full. The agreement further states that the Town shall expressly provide for the payment of these sums in its annual budgets for fiscal years ending 2014 thru 2018. For the year ended June 30, 2023, the Town did not make any of the scheduled monthly payments.

On May 19, 2016, Tyson Beach Group, LLC filed a lawsuit against the Town, Mayor, Council and Town Manager seeking to \$194,164 and an order directing Horry County to transfer certain tax receipts to the plaintiff. The majority of the \$194,164 has been recorded in the liabilities less interest and fees. The outcome of the lawsuit is unknown, as a result, the interest and fees have not been accrued at June 30, 2023.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CONTINGENT LIABILITIES, Continued

The Town of Atlantic Beach, South Carolina is party to an Order For Judgement settlement relating to a lawsuit: Randy Rizzo v. Town of Atlantic Beach, 2010-CP-26-7695, for the sum of \$127,804. The Town does not have a repayment agreement and has not made any payments towards the settlement obligation. The case is back in court as the Town hopes to reduce the monthly payment because the current requirement is more than the Town can manage. At June 30, 2023 \$362,418 is included in the current portion of the long-term obligations.

NOTE 7 - LONG-TERM LIABILITIES

Changes in other long-term liabilities

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

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 17,013	\$ 11,268	\$ -	\$ 28,281	\$ 11,267
Net pension liability	690,591	60,272	-	750,863	-
Lease obligation	30,436	-	(11,813)	18,623	7,853
Total	\$ 738,040	\$ 71,540	\$ (11,813)	\$ 797,767	\$ 19,120

The Town has entered into an agreement to lease certain vehicles. The lease agreement qualifies as other than a short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

The future minimum lease obligation and the net present value of the minimum lease payment as of June 30, 2023 are as follows:

	Annual Interest	Annual Principal
2024	\$ 5,036	\$ 7,853
2025	2,119	10,770
	<u>\$ 7,155</u>	<u>\$ 18,623</u>

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – 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 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 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.

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.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

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

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.
- 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.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

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

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

- 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.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

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.

Both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. Required employee contribution rates¹ for fiscal years 2022 and 2022 are as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</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%

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Required employer contribution rates ¹ for fiscal years 2022 and 2023 are as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	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 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

(Continued)

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – 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.

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
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%

(Continued)

² Includes inflation at 2.25%

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Net Pension Liability

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

System	Employer's 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	\$ 24,242,152,940	57.1%	.00172%
PORS	\$ 2,998,979,179	66.5%	.01114%

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.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity ³	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity ^{1 4}	9.0%	8.75%	0.79%
Private Debt ²	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%	0.18%
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 \$416,663 and \$334,200 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 ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

For the year ended June 30, 2023, the Town recognized pension expense for the SCRS and PORS plans of \$103,930 and \$46,024, respectively. At June 30, 2022, 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	\$ 16,983	\$ (1,816)
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	57,378	(14,620)
Net difference between projected and actual earnings on pension plan investments	643	-
Town's contributions subsequent to the measurement date	39,268	-
Total SCRS	<u>\$ 114,272</u>	<u>\$ (16,436)</u>
PORS		
Differences between expected and actual experience	\$ 19,524	\$ (6,607)
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	26,688	(11,160)
Net difference between projected and actual earnings on pension plan investments	1,009	-
Town's contributions subsequent to the measurement date	44,586	-
Total PORS	<u>\$ 91,807</u>	<u>\$ (17,767)</u>

The \$39,268 and \$44,586 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, 2023.

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – 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	\$ 58,125	\$ 18,580	\$ 76,705
2024	3,481	11,597	15,078
2025	(13,905)	(13,712)	(27,617)
2026	10,866	12,990	23,856
	<u>\$ 58,567</u>	<u>\$ 29,455</u>	<u>\$ 88,022</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 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability of the SCRS	\$ 534,214	\$ 416,663	\$ 318,935
Town's proportionate share of the net pension liability of the PORS	\$ 466,022	\$ 334,200	\$ 226,292

(Continued)

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – 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, 2022. 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 9 – RISK MANAGEMENT AND CONTINGENCIES

The Town is exposed to various risks of losses related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The Town manages risk through employee awareness efforts and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims the Town considers all events that might give rise to possible claims both reported and unreported.

As mentioned in Note 6, the Town is party to a consent order agreement for long-term settlement terms relating to three lawsuits. The Town has recorded this settlement as a long-term liability.

The Town is a defendant in various other lawsuits that have arisen in the normal course of operations. The Town does not believe that settlement, if any, of these lawsuits will have a material effect on its financial condition. Furthermore, the Town may participate in various federal or state grant/loan programs from year to year, as they become available. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 10 – CONCENTRATIONS RISK

A significant portion of the Town's revenue has historically been derived from one customer. For the year ended June 30, 2023 the largest customer accounted for 13.1 percent of the Town's total revenue.

NOTE 11 – SUBSEQUENTS 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 January 24, 2024, which is the date that these financial statements were available to be issued.

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property tax	\$ 263,100	\$ 263,100	\$ 283,586	\$ 20,486
Merchants inventory	370	370	370	-
Special tax	70,000	70,000	143,355	73,355
License and permits	428,075	428,075	617,213	189,138
Franchise fees	67,700	67,700	71,272	3,572
Intergovernmental	56,939	56,939	59,630	2,691
Bike Fest	-	-	57,273	57,273
Charges for services	24,000	24,000	39,310	15,310
Fines and forfeitures	8,500	8,500	30,879	22,379
Grants and donations	-	-	375,368	375,368
Interest income	-	-	1,617	1,617
Other income	100	100	14,891	14,791
Gain on disposal of asset	-	-	5,275	5,275
Total revenues	918,784	918,784	1,700,039	781,255
EXPENDITURES				
General government				
Salaries and benefits	487,917	487,917	545,739	57,822
Supplies	24,932	24,932	16,318	(8,614)
Office expense	1,000	1,000	1,847	847
Uniforms	3,500	3,500	6,911	3,411
Travel and mileage	8,350	8,350	30,560	22,210
Dues and subscriptions	800	800	1,093	293
Training	2,500	2,500	8,954	6,454
Janitorial charges	500	500	1,554	1,054
Utilities	89,426	89,426	85,446	(3,980)
Computers	-	-	17,960	17,960
Repairs and maintenance	20,450	20,450	72,149	51,699
Advertising	1,300	1,300	3,388	2,088
Professional services	207,900	207,900	250,741	42,841
Bank charges	-	-	53	53
Detention/prisoner housing	3,000	3,000	1,164	(1,836)
Insurance	40,189	40,189	37,393	(2,796)
Equipment rental	6,698	6,698	9,004	2,306
Bike Fest	-	-	64,380	64,380
Festivals	-	-	19,315	19,315
Court services	15,000	15,000	19,512	4,512
Capital outlay	-	-	290,234	290,234
Debt service				
Principal	-	-	11,813	11,813
Interest	-	-	1,076	1,076
Miscellaneous	3,342	3,342	31,152	27,810
Total expenditures	916,804	916,804	1,527,756	610,952
	\$ 1,980	\$ 1,980	\$ 172,283	\$ 1,392,207
Fund balances, beginning of year			801,391	
Fund balances, end of year			\$ 973,674	

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

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

SCRS	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	0.001719%	0.001804%	0.00175%	0.00084%	0.00046%	0.00049%	0.00091%	0.00047%	0.00047%	0.00043%
Town's proportionate share of the net pension liability	\$ 416,663	\$ 390,462	\$ 445,843	\$ 190,958	\$ 102,782	\$ 110,307	\$ 194,161	\$ 88,758	\$ 88,758	\$ 78,358
Town's covered-employee payroll	\$ 223,622	\$ 204,663	\$ 203,954	\$ 194,663	\$ 88,309	\$ 47,534	\$ 49,482	\$ 87,983	\$ 43,888	\$ 31,491
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.3%	190.8%	218.6%	98.1%	116.4%	232.1%	392.4%	100.9%	202.2%	248.8%
Plan fiduciary net position as a percentage of the total pension liability	57.1%	60.8%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%	56.4%

Notes to schedule:

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

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

SCRS	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 39,268	\$ 33,892	\$ 31,735	\$ 30,290	\$ 12,858	\$ 6,446	\$ 5,720	\$ 9,731	\$ 4,784	\$ 3,338
Contributions in relation to the contractually required contribution	39,268	33,892	31,735	30,290	12,858	6,446	5,720	9,731	4,784	3,338
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 223,622	\$ 204,663	\$ 203,954	\$ 194,663	\$ 88,309	\$ 47,534	\$ 49,482	\$ 87,983	\$ 43,888	\$ 31,491
Contributions as a percentage of covered-employee payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICER'S RETIREMENT SYSTEM

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

PORS	Year Ended June 30,																	
	2023		2022		2021		2020		2019		2018		2017		2016		2015	
Town's proportion of the net pension liability	0.01114%		0.01167%		0.01026%		0.00969%		0.00847%		0.01020%		0.00784%		0.00337%		0.00337%	
Town's proportionate share of the net pension liability	\$	334,200	\$	300,129	\$	340,203	\$	277,749	\$	240,060	\$	279,435	\$	198,885	\$	73,362	\$	73,362
Town's covered-employee payroll	\$	220,286	\$	176,361	\$	175,404	\$	154,974	\$	140,569	\$	117,266	\$	137,358	\$	99,957	\$	41,695
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.7%		170.2%		194.0%		179.2%		170.8%		238.3%		144.8%		73.4%		175.9%	
Plan fiduciary net position as a percentage of the total pension liability	66.5%		70.4%		58.8%		62.7%		61.7%		60.9%		60.4%		64.6%		67.6%	

Notes to schedule:

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

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
POLICE OFFICER'S RETIREMENT SYSTEM

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

PORS	Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 44,586	\$ 33,932	\$ 31,994	\$ 28,267	\$ 24,234	\$ 19,044	\$ 19,560	\$ 13,734	\$ 5,592
Contributions in relation to the contractually required contribution	44,586	33,932	31,994	28,267	24,234	19,044	19,560	13,734	5,592
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 220,286	\$ 176,361	\$ 175,404	\$ 154,974	\$ 140,569	\$ 117,266	\$ 137,358	\$ 99,957	\$ 41,695
Contributions as a percentage of covered-employee payroll	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

TOWN OF ATLANTIC BEACH, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE:

MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			16,221	16,221
Court fines and assessments remitted to State Treasurer			(8,781)	(8,781)
Total court fines and assessments retained			7,440	7,440
Surcharges and assessments retained for victims services:				
Assessments and surcharges retained and collected		1,126		1,126
Total surcharges and assessments retained for victims services		1,126		1,126
VICTIM SERVICE FUNDS COLLECTED		Municipal	County	Total
Carryforward from previous year - Beginning Balance		-		-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)		1,126		1,126
<u>Expenditures for Victim Service Program:</u>				
Salaries and Benefits				
Operating Expenditures				
Victim Service Contract(s):				
(1) Horry County		1,126		1,126
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 Service Fund/Program (B)		1,126		1,126
Total Victim Service Funds Retained by Municipal County Treasurer (A-B)		-		-
Less: Prior Year Fund Deficit Repayment				
Carryforward Funds - End of Year		-		-



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 Atlantic Beach
Atlantic Beach, 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 Atlantic Beach, 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 Atlantic Beach, South Carolina's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Atlantic Beach, 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 Atlantic Beach, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Atlantic Beach, 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 Atlantic Beach, 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 24, 2024