

**TOWN OF PAWLEYS ISLAND**  
*SOUTH CAROLINA*

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**HARPER,  
POSTON &  
MOREE, P.A.**

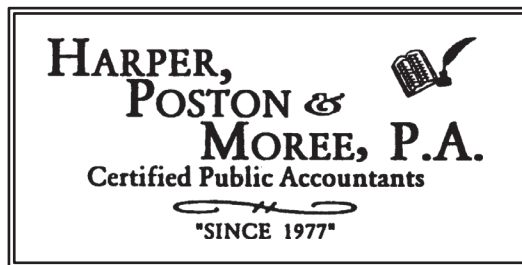
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Certified Public Accountants  
*Since 1977*

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DECEMBER 31, 2022**

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Robert D. Harper, Jr. CPA  
Robin B. Poston CPA



Stacey C. Moree CPA  
Wyndie B. Moree CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Town Council  
Town of Pawleys Island, South Carolina

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Pawleys Island, South Carolina, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town'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 and each major fund of the Town of Pawleys Island, South Carolina, as of December 31, 2022, 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 Pawleys 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 of 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'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 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 an 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'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'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 and budgetary comparison information on pages 4 through 10 and 31 through 37 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's basic financial statements. The supplemental schedules, as listed in the table of contents, 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Pawleys Island, South Carolina  
July 19, 2023

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED DECEMBER 31, 2022**

The discussion and analysis of The Town of Pawleys Island's financial performance provides an overall review of the Town's financial activities for the year ended December 31, 2022. We encourage readers to consider this information in conjunction with the additional information in the Town's financial statements and the accompanying notes to those financial statements.

We hope that the financial comparisons provided this year will be more meaningful to the reader and will be of assistance in explaining the Town's financial position and results of operations.

**FINANCIAL HIGHLIGHTS**

- . The Town's total net position increased \$787,206, which represents a 279.3% increase from the restated fiscal year-end balance at December 31, 2021.
- . The unrestricted net position totaled (\$553,805) at year-end compared to (\$1,224,697) at the end of 2021. This is the excess of the Town's unrestricted assets over its liabilities and may be used to meet ongoing obligations to its citizens and creditors.
- . Total revenues totaled \$1,970,892 compared to \$1,911,219 at the end of 2021, an increase of 3.1%. There was a modest increase in the revenues generated from fines and fees collected along with payments received from the MASC insurance program. There were notable increases in revenues from the Accommodations Tax funds, \$1,322,430 collected in 2022 as compared to \$1,236,275 collected in 2021. There was also significant decrease in underground wiring project donations collection, \$57,519 as compared to \$135,800 in 2021.
- . Total expenditures totaled \$1,183,686 compared to \$1,359,123 at the end of 2021. The decreases in expenditures can be attributed to fewer capital outlay purchases than in the previous year and staff adjustments that occurred in 2022 in both the Administration and Police Departments resulting in lower expenditures in salary.
- . Our principal operating fund, the General Fund, had \$662,089 in year 2022 revenues versus \$697,553 in year 2021. The lower total revenue is due primarily to the expected decrease in underground wire payments. However, there was also a corresponding decrease in General Fund expenditures - \$662,755 in 2022 as compared to \$786,471 in 2021. Notable decreases were in the Capital Outlay and Public Works categories of the budget. The total Deficiency of Revenues over Expenditures was \$666 in 2022.
- . The Town entered into a direct borrowing intergovernmental loan agreement on May 18, 2020, with Santee Cooper to repay \$285,000 in overages on the underground wire project. The agreement requires the Town to forgo the 5% bi-annual franchise fee payments and they are to be applied to the loan balance until paid in-full. This agreement is ongoing with an anticipation of repaying the debt within the next two to three years.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A description of these statements and some related definitions follow:

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. These statements outline functions of the Town that are principally supported by general revenue items and intergovernmental revenues (governmental activities). The Town imposed no property

taxes in 2022. The governmental activities of the Town include administration; law enforcement; judicial; public works; buildings; tourism and promotion; and beach re-nourishment. The government-wide financial statements can be found on pages 11 and 12 of this report.

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

Statement of Activities: The statement of activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be classified as governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16 of this report.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, accommodations tax fund, beach re-nourishment fund, and debt service fund, all of which are considered to be major funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-30 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules as required supplementary information for the general fund, accommodations tax fund, and beach re-nourishment fund, all of which have annual appropriated budgets. Required supplementary information can be found on pages 31-37 of this report.

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities resulting in a net position of \$1,069,053 as of December 31, 2022, a significant improvement from the restated net position of \$281,847 as of December 31, 2021.

The largest portion of the Town's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The Town has a deficit net unrestricted position on December 31, 2022. This deficit reflects certain long-term liabilities that are funded as they come due.

The following table presents a summary of the Town's net position for the year ended December 31, 2022 and December 31, 2021

NET POSITION GOVERNMENTAL ACTIVITIES			
	2022		2021
Current and Other Assets	\$ 2,347,073	\$	1,663,753
Capital Assets	1,372,713		1,425,767
Total Assets	\$ 3,719,786	\$	3,089,520
Current Liabilities	\$ 388,498	\$	323,766
Long-Term Liabilities	2,262,235		2,472,005
Total Liabilities	\$ 2,650,733	\$	2,795,771
 Net Position:			
Net Investment in Capital Assets	\$ 1,372,713	\$	1,425,767
Restricted	250,145		92,589
Unrestricted	(553,805)		(1,224,607)
Total Net Position	\$ 1,069,053	\$	293,749

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Changes in Net Position and Revenues and Expenses of Governmental Activities: The following table presents the revenues and expenses from the Governmental Activities of the Town and the resulting increase or decrease in net position as a result of those activities:

CHANGE IN NET POSITION  
GOVERNMENTAL ACTIVITIES

	2022	2021
Revenues:		
Program Revenues:		
Charges for Services	\$ 80,999	\$ 82,513
Operating Grants and Contributions	134,632	187,912
General Revenues:		
Accommodations Taxes	1,322,430	1,236,275
Franchise Fees	66,491	67,167
State Shared Revenues, Fees in Lieu of Taxes	348,043	325,795
Other Revenues	18,297	11,557
Total Revenues	\$ 1,970,892	\$ 1,911,219
Expenses:		
Administration	\$ 414,686	\$ 442,953
Law Enforcement	389,817	471,956
Judicial	30,379	24,853
Public Works	42,240	93,804
Buildings	37,074	40,249
Tourism & Marketing	166,507	170,162
Beach Renourishment	40,250	50,757
Interest and Other Debt Service Charges	62,733	64,389
Total Expenses	\$ 1,183,686	\$ 1,359,123
 Increase (Decrease) in Net Position	 \$ 787,206	 \$ 552,096
Net Position – Beginning	293,749	(258,347)
Prior Period Adjustment (Note 13)	(11,902)	-0-
Net Position – Ending	\$ 1,069,053	\$ 293,749

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Governmental activities: The following table presents the cost of the eight major Town functional activities: administration, law enforcement, judicial, public works, buildings, tourism and promotion, beach re-nourishment, and debt service.

The table also shows each function's net cost (total cost less charges for services generated by the activities and grants and contributions provided for specific programs). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	<u>2022</u>		<u>2021</u>	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Administration	\$ 414,686	\$ (323,140)	\$ 442,953	\$ (364,956)
Law Enforcement	389,817	(365,814)	471,956	(447,251)
Judicial	30,379	(30,379)	24,853	(24,853)
Public Works	42,240	15,279	93,804	41,996
Buildings	37,074	(29,501)	40,249	(37,749)
Tourism and Marketing	166,507	(142,880)	170,162	(141,090)
Beach Renourishment	40,250	(28,887)	50,757	(50,406)
Interest & Debt Service	62,733	(62,733)	64,389	(64,389)
<b>Totals</b>	<b>\$ 1,183,686</b>	<b>\$ (968,055)</b>	<b>\$ 1,359,123</b>	<b>\$ (1,088,698)</b>

As seen from the above table, the total net cost of the Town's activities for 2022 was \$968,055 as opposed to \$1,088,698 for the year 2021, a decrease of \$120,643. Some of the costs were paid by those who directly benefited from the activities or by contributions and grants. Total expenses decreased by \$175,437, which can be attributed by reduction in staffing in both the Law Enforcement and Administration departments during portions of 2022 along with a reduction in costs associated with Public Works activities.

The amount that the taxpayers financed through accommodations taxes for the year 2022 amounted to \$1,322,430 as opposed to \$1,236,275 for the year 2021. The Town paid the remaining costs of governmental activities with franchise and license fees, interest, state-shared revenues, contributions and other unrestricted miscellaneous revenue sources and charges.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

The General Fund is the principal operating fund of the Town. The General Fund's fund balance increased from \$803,777 as of December 31, 2021 to \$857,789 as of December 31, 2022. Of this amount, \$846,903 constitutes an "unassigned" fund balance, which is available for spending at the government's discretion. The remainder is reported as "non-spendable", "restricted", or "assigned" to indicate it is not available for new spending.

There was an increase in total combined fund balances of all governmental funds of \$624,823, which can be attributed to the increase in revenues generated from Accommodations Tax and an overall reduction in total expenditures incurred than in the previous year.

Several particular aspects of the Town's financial operations positively influenced the total governmental fund balance:

- Continued increase in accommodations taxes collected.
- Conservative budgeting and spending.
- Stable revenues and overall expenses remained within the budget.
- Continued diligence in the collection of local accommodations taxes and underground wire payments.

Total combined fund balances of all governmental funds at year-end amounted to \$2,196,062, an increase of 39.8% from 2021. Of this amount, \$1,346,288 represents total restricted fund balances, primarily restricted by Town Ordinance for future beach re-nourishment expenditures.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the actual expenditures in the general fund were greater than the final budget by \$6,775 or approximately 1.0%. Revenues fell short of the final budget by \$44,561 or by approximately 6.3%. This can mostly be attributed to the gradual decline in underground wiring project payments which will continue to decrease over the next 2-3 years. The amount of MASC program funding received also fell short of the project budget for the year. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the general fund, as well as the accommodations tax fund and the beach re-nourishment fund, is provided in this report as required supplementary information.

The Town has determined that, for many years, the Town has had more tourism related expenditures than revenues from State A-tax tourism related revenues, with the General Fund paying for all excess expenditures. The Town has determined that there was little likelihood that the Town would ever collect enough State A-tax money to repay our General Fund, so the Town Council passed an ordinance to adopt a policy that, on an annual basis when tourism related expenditures exceed State A-tax revenues, the General Fund will pay the excess Tourism related expenditures without expectation of the A-tax fund ever repaying the General Fund. There was no transfer to the Accommodations Tax Fund from the General Fund for the year 2022.

Variations between original and final budgeted amounts are a result of supplemental appropriations and expenditure revisions approved by Council during the year. During 2022, there was a net increase in expenditure appropriations of approximately \$9,200 for the general fund. This was primarily the result of an increase in Public Works for a Storm Drainage Project.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: As of December 31, 2022, the Town had invested \$1,372,713 in net capital assets, including land, buildings and improvements, and other vehicles and equipment. The current estimated depreciation expense of all total capital assets for the year is \$53,054. The following schedule presents capital asset balances net of depreciation for the year ended December 31, 2022 and December 31, 2021.

CAPITAL ASSETS (NET OF DEPRECIATION) GOVERNMENTAL ACTIVITIES			
		2022	2021
Land and Improvements	\$	577,136	\$ 585,122
Buildings and Improvements		741,976	762,671
Vehicles, Furniture, and Equipment		53,601	77,974
Total Capital Assets, Net	\$	1,372,713	\$ 1,425,767

Additional information on the Town's capital assets can be found in Note 5 of this audit report.

Debt Administration: As of December 31, 2022, the Town had total outstanding debt of approximately \$2,475,126 (excluding compensated absences). This debt consisted of Accommodations Tax Revenue Bonds which are covered by a portion of future local accommodations tax revenue, and a loan with Santee Cooper to repay overages on the underground wire project. The annual loan payments to Santee Cooper are made by forgoing the 5% bi-annual franchise fee payments until paid in full.

The Town's total debt as of December 31, 2022 and 2021 were as follows:

LONG-TERM DEBT GOVERNMENTAL ACTIVITIES			
		2022	2021
Accommodations Tax Revenue Bond	\$	2,314,000	\$ 2,479,000
Intergovernmental Notes Payable		161,126	207,225
Total Long-Term Debt	\$	2,475,126	\$ 2,686,225

Additional information on the Town's long-term obligations can be found in Note 6 of this audit report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town's elected officials and staff considered many factors when setting the fiscal year 2023 budget. The state of the economy, particularly in the tourism sector; future capital needs to implement long-term flood mitigation strategies; and the best interests of the Town's property owners were all considered.

Vacation rental income is expected to continue to increase in 2023 which will result in more revenue generated by Accommodations Taxes. The same trend is unlikely to influence revenue obtained from license and fee programs, producing results consistent with 2022. Voluntary donations to the underground wire project will begin to taper off with a growing number of property owners already satisfying their financial contribution to the project. Fine and fee income will remain consistent with last year. While the interest income from the Local Government Investment Pool provides a modest revenue source for the Town, however it is not intended to be a major source of revenue for the Town. The Town raised the annual golf cart permit fee from \$10 to \$25. This modest revenue increase will help address the administrative costs of overseeing the permit program. The Town is actively pursuing grant funds through several state and federal programs through the American Rescue Plan which will help fund stormwater infrastructure upgrades in the Town. In 2023, the Town also anticipates providing Building Dept Services to property owners, which has previously been the responsibility of Georgetown County. The Town closely tracked permit activity in 2022 to determine future budget projections from this revenue source. This is anticipated to provide a supplemental revenue source to the Town.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report should be addressed to the Town Administrator at 323 Myrtle Avenue, Pawleys Island, SC 29585.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 118,583
Investments	452,249
Receivables (Net of Allowance for Uncollectibles)	75,331
Prepaid Items	864
Restricted Assets:	
Cash and Cash Equivalents	1,061,845
Investments	638,201
Capital Assets:	
Nondepreciable	
Land	528,500
Depreciable (Net of Accumulated Depreciation)	
Land Improvements	48,636
Buildings and Improvements	741,976
Vehicles and Equipment	53,601
Total Assets	<u>\$ 3,719,786</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 90,250
Salaries and Benefits Payable	6,994
Accrued Interest Payable	13,617
Unearned Grant Revenues	53,767
Noncurrent Liabilities:	
Due Within One Year	223,870
Due In More Than One Year	2,262,235
Total Liabilities	<u>\$ 2,650,733</u>
<b>NET POSITION</b>	
Net Investment In Capital Assets	\$ 1,372,713
Restricted For:	
Law Enforcement	288
Tourism and Promotion	240,123
Old Town Hall Projects	9,734
Unrestricted	(553,805)
Total Net Position	<u><u>\$ 1,069,053</u></u>

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>FUNCTIONS/PROGRAMS</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Change in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities:					
Administration	\$ 414,686	\$ 59,046	\$ 32,500	\$ -	\$ (323,140)
Law Enforcement	389,817	21,953	2,050	-	(365,814)
Judicial	30,379	-	-	-	(30,379)
Public Works	42,240	-	57,519	-	15,279
Buildings	37,074	-	7,573	-	(29,501)
Tourism and Promotion	166,507	-	23,627	-	(142,880)
Beach Renourishment	40,250	-	11,363	-	(28,887)
Interest and Other Debt Service Charges	62,733	-	-	-	(62,733)
Total Governmental Activities	\$ 1,183,686	\$ 80,999	\$ 134,632	\$ -	\$ (968,055)
<b>GENERAL REVENUES</b>					
Accommodations Taxes				\$	1,322,430
Franchise Fees					66,491
State Shared Revenues and Fees in Lieu of Taxes					348,043
Unrestricted Investment Earnings					8,156
Miscellaneous Revenues					10,141
Total General Revenues				\$	1,755,261
<b>CHANGE IN NET POSITION</b>					
				\$	787,206
<b>NET POSITION - BEGINNING, AS RESTATED NOTE 13</b>					
					281,847
<b>NET POSITION - ENDING</b>					
				\$	1,069,053

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Beach Renourishment Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 116,576	\$ -	\$ -	\$ 2,007	\$ 118,583
Cash and Cash Equivalents - Restricted	288	567,971	493,586	-	1,061,845
Investments	452,249	-	-	-	452,249
Investments - Restricted	-	-	638,201	-	638,201
Receivables (Net)	5,795	60,474	9,062	-	75,331
Prepays	864	-	-	-	864
Due From Other Funds	391,443	1,923	-	-	393,366
Total Assets	<u>\$ 967,215</u>	<u>\$ 630,368</u>	<u>\$ 1,140,849</u>	<u>\$ 2,007</u>	<u>\$ 2,740,439</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 48,665	\$ 17,857	\$ 23,728	\$ -	\$ 90,250
Salaries and Benefits Payable	6,994	-	-	-	6,994
Unearned Grant Revenues	53,767	-	-	-	53,767
Due To Other Funds	-	372,388	20,978	-	393,366
Total Liabilities	<u>\$ 109,426</u>	<u>\$ 390,245</u>	<u>\$ 44,706</u>	<u>\$ -</u>	<u>\$ 544,377</u>
Fund Balances					
Nonspendable:					
Prepaid Items	\$ 864	\$ -	\$ -	\$ -	\$ 864
Restricted For:					
Victim's Assistance Program	288	-	-	-	288
Old Town Hall Projects	9,734	-	-	-	9,734
Tourism, Promotion & Support	-	240,123	-	-	240,123
Beach Renourishment	-	-	1,096,143	-	1,096,143
Assigned For:					
Debt Service	-	-	-	2,007	2,007
Unassigned	846,903	-	-	-	846,903
Total Fund Balances	<u>\$ 857,789</u>	<u>\$ 240,123</u>	<u>\$ 1,096,143</u>	<u>\$ 2,007</u>	<u>\$ 2,196,062</u>
Total Liabilities and and Fund Balances	<u>\$ 967,215</u>	<u>\$ 630,368</u>	<u>\$ 1,140,849</u>	<u>\$ 2,007</u>	<u>\$ 2,740,439</u>

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

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

Ending fund balances - governmental funds balance sheet	\$	2,196,062
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital Assets		1,731,591
Accumulated Depreciation		(358,878)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable		(10,979)
Accrued Interest Payable on Revenue Bonds		(13,617)
Revenue Bonds Payable		(2,314,000)
Intergovernmental Note Payable		<u>(161,126)</u>
Net position of governmental activities	\$	<u><u>1,069,053</u></u>

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



**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Beach Renourishment Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Accommodations Tax	\$ 48,622	\$ 448,817	\$ 824,991	\$ -	\$ 1,322,430
Franchise Fees	66,491	-	-	-	66,491
Fines and Fees	20,888	-	-	-	20,888
Local Government State Aid	3,023	-	-	-	3,023
Interest Income	8,151	-	11,363	5	19,519
MASC Programs	345,020	-	-	-	345,020
Special Events	54,612	-	-	-	54,612
Donations - Underground Wire	57,519	-	-	-	57,519
Donations - Other	42,123	-	-	-	42,123
Golf Cart Permits	4,434	-	-	-	4,434
Grants	-	23,627	-	-	23,627
Miscellaneous	11,206	-	-	-	11,206
Total Revenues	<u>\$ 662,089</u>	<u>\$ 472,444</u>	<u>\$ 836,354</u>	<u>\$ 5</u>	<u>\$ 1,970,892</u>
<b>EXPENDITURES</b>					
Current					
Administration	\$ 346,438	\$ 91,587	\$ -	\$ -	\$ 438,025
Law Enforcement	189,352	184,826	-	-	374,178
Judicial	13,853	16,526	-	-	30,379
Public Works	26,830	15,410	-	-	42,240
Buildings	33,218	3,856	-	-	37,074
Tourism and Promotion	-	166,507	-	-	166,507
Beach Renourishment	-	-	35,280	-	35,280
Capital Outlay					
Law Enforcement	2,261	-	-	-	2,261
Debt Service					
Principal	46,099	-	-	165,000	211,099
Interest and Other Charges	4,704	-	-	59,000	63,704
Total Expenditures	<u>\$ 662,755</u>	<u>\$ 478,712</u>	<u>\$ 35,280</u>	<u>\$ 224,000</u>	<u>\$ 1,400,747</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (666)</u>	<u>\$ (6,268)</u>	<u>\$ 801,074</u>	<u>\$ (223,995)</u>	<u>\$ 570,145</u>
<b>OTHER FINANCING SOURCES AND FINANCING (USES)</b>					
Insurance Proceeds	\$ 54,678	\$ -	\$ -	\$ -	\$ 54,678
Transfers In	-	170,440	-	224,500	394,940
Transfers Out	-	-	(394,940)	-	(394,940)
Total Other Financing Sources and Financing (Uses)	<u>\$ 54,678</u>	<u>\$ 170,440</u>	<u>\$ (394,940)</u>	<u>\$ 224,500</u>	<u>\$ 54,678</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 54,012	\$ 164,172	\$ 406,134	\$ 505	\$ 624,823
<b>FUND BALANCES - BEGINNING</b>	803,777	75,951	701,911	1,502	1,583,141
Adjustment (Note 13)	-	-	(11,902)	-	(11,902)
<b>FUND BALANCES - ENDING</b>	<u>\$ 857,789</u>	<u>\$ 240,123</u>	<u>\$ 1,096,143</u>	<u>\$ 2,007</u>	<u>\$ 2,196,062</u>

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Net change in fund balances - total governmental funds	\$	624,823
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the amount by which depreciation expense exceeded capital outlay in the current period:</p>		
Capital Outlays		-
Depreciation Expense		(53,054)
<p>The issuance of long-term debt provides current financial resources in governmental funds while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Principal Payments on Revenue Bonds		165,000
Principal Payments on Intergovernmental Note Payable		46,099
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in the governmental funds:</p>		
Compensated Absences		3,367
Interest Expense		971
		787,206
Change in net position of governmental activities	\$	787,206

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Pawleys 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 Pawleys Island, South Carolina (the Town) was incorporated on September 4, 1985 as a municipal corporation under the laws of the State of South Carolina. The Town's governing body consists of an elected mayor and four-member council. The Town operates under the Council form of government.

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. A component unit is included in the reporting entity if it is both fiscally dependent on the primary government and there is potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. Based on this criteria 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.

**Government-Wide and Fund Financial Statements**

The financial statement presentation for the Town meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related amendments, interpretations, and pronouncements. The financial statement presentation provides a comprehensive, entity-wide perspective of the Town's net position, revenues, expenses and changes in net position that replaces the fund-group perspective previously required.

During the current year, the Town implemented the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset for a period of time. It requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions in the contract. GASB requires that this statement be implemented retroactively by restating beginning net position; however, the Town had no leases subject to the provisions of this statement, therefore, restatement was not necessary.

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, 2) operating grants and contributions, and 3) capital 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.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Separate fund financial statements are presented for governmental, proprietary, and fiduciary activities (even though the latter are excluded from the government-wide financial statements). The emphasis in the fund financial statements is on *major funds*. Major individual funds are reported as separate columns in the fund financial statements. All nonmajor funds are aggregated and reported in a single column on each of the fund financial statements. Major funds are determined in accordance with criteria established by the Governmental Accounting Standards Board.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 judgments, are recorded only when payment is due.

The Town considers taxes, certain fines and fees, intergovernmental revenues, and interest to be susceptible to accrual. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable includes licenses and permits.

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.

*Special Revenue Fund:* The special revenue fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town uses the following special revenue funds:

*Accommodations Tax Fund:* Used to account for revenue received from state accommodations tax revenue sharing which finances the costs of Town tourism and promotion.

*Beach Renourishment Fund:* Used to account for the collection of local accommodations and hospitality tax which is legally restricted by Town ordinance to finance the costs of public and private beach renourishment projects.

*Debt Service Fund:* Used to account for the accumulation of resources for the payment of principal and interest of revenue bonds.

The Town reports the General Fund, Accommodations Tax Fund, Beach Renourishment Fund, and the Debt Service Fund as major governmental funds.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, liabilities, and deferred outflows/inflows of resources 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.

**Cash, 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.

The South Carolina Local Government Investment Pool (SCLGIP) investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The SCLGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or governing body of any political subdivision of the State, may be deposited. The SCLGIP is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. The State Treasurer is responsible for oversight of the SCLGIP. The fair value of the Town's position in the SCLGIP is the same as the value of the pool shares. The total value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by SCLGIP participants at any time and may be withdrawn upon 24 hours' notice. The SCLGIP is included as an investment trust fund in the State of South Carolina's Annual Comprehensive Financial Report. The underlying security ratings of the investments in the SCLGIP are classified in risk category "A". Detailed information may be obtained from the SCLGIP's complete financial statements by writing the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211.

**Receivables**

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.

**Interfund Receivables and Payables**

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 position.

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Restricted Assets**

Certain assets of the Town are classified as restricted on the balance sheet when specific limitations are placed upon their use. Restricted assets of the Town include cash deposits and investments set aside as required by state statute for providing services to victims and witnesses of crimes; by state statute for providing tourism and promotional activities financed by state accommodations tax revenues; and by local statute for providing beach renourishment projects financed by local accommodations tax revenues.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible right to use assets, 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 their acquisition 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>
Land Improvements	10 - 40
Buildings and Improvements	10 - 40
Vehicles and Equipment	5 - 10
Furniture and Fixtures	10

Amortization of right to use assets is based on the shorter of the lease term or the estimated useful life of the asset.

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."

GASB Statement No. 34 requires governments to report and depreciate new infrastructure effective with the year of implementation. Infrastructure assets include roads, bridges, sidewalks, etc. Neither their historical cost nor related depreciation has been previously reported in the financial statements. The Town is not required to implement the retroactive reporting provisions of GASB Statement No. 34 and has elected not to do so.

**Compensated Absences**

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

retirements. The Town's entire liability for compensated absences at December 31, 2022 is considered to be a current liability.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and or 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.

In addition to liabilities, the statement of net position and or 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.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position/Fund Balances**

The Town's net position in the government-wide financial statements is classified as follows:

*Net Investment in Capital Assets:* This represents the Town's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included.

*Restricted Net Position:* Restricted net position includes resources in which the Town is legally or contractually obligated to spend in accordance with restrictions externally imposed by third parties or imposed by law through constitutional provisions or enabling legislation, including that passed by the government itself.

*Unrestricted Net Position:* Any remaining balance of net position is reported as unrestricted, including management assignments and commitments.

In the governmental fund financial statements, equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable Fund Balance* – Consists of amounts that are not in a spendable form (such as prepaid items or advances from other funds) or are required to be maintained intact.

*Restricted Fund Balance* – Consists of amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Committed Fund Balance* – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned Fund Balance* – Consists of amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Unassigned Fund Balance* – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for a specific purpose. When fund balance resources are available for a specific purpose in more than one classification, it is the Town of Pawleys Island's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**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.

Assets from derived tax revenues are recognized when the underlying exchange has occurred or when the resources are received, whichever first. 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.

Assets, liabilities, deferred outflows/inflows of resources, revenues, and expenditures from government-mandated and voluntary nonexchange transactions are generally recognized when all eligibility requirements have been met. Resources received before eligibility requirements are fulfilled are reported as unearned revenues or deferred inflows of resources, as appropriate, depending upon whether time requirements have been met. 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.
4. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.



**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair Value**

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

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

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

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

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

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

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

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

**NOTE 2 - CASH & INVESTMENTS**

**Deposits**

At year end, the Town's carrying amount of deposits with financial institutions was \$1,180,328 excluding petty cash of \$100, and the corresponding bank balance was \$1,182,190.

*Custodial Credit Risk* – For deposits, this is the risk that in the event of a bank failure, the government's deposits may not be recovered. The Town does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of December 31, 2022, \$805,418 of the Town's bank balances of \$1,182,190 was exposed to custodial credit risk because it was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

**Investments**

State statutes authorize the Town to invest in obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the federal government, certificates

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 - CASH & INVESTMENTS (continued)**

of deposit where the certificates are collaterally secured by securities of the type described above, or deposit accounts with banking institutions. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The Town is under no contractual agreements that restrict investment alternatives.

As of December 31, 2022, the carrying value of the Town's investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$1,090,450 and the corresponding account balance was \$1,090,450. Pool shares are acquired at a cost of \$1. The fair value of the Town's position is the same as the value of pool shares. It is the policy of the State Treasurer that the weighted average maturity of the LGIP portfolio not exceed 60 days.

*Custodial Credit Risk* - For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since deposits with the SCLGIP are not evidenced by securities that exist in physical or book-entry form, they are not exposed to custodial credit risk.

*Credit Risk* - The Town's investment in the SCLGIP was unrated. Funds deposited into the State Treasurer's investment pool are used to purchase: 1) direct obligations of the U.S. government, 2) federal agency securities, 3) repurchase agreements secured by the U.S. government and/or federal agency securities and 4) commercial paper rated A1/P1 (S&P/Moody's highest rating). Because the Town only invests in the SCLGIP, it does not have a policy regarding credit risk of its investment portfolio.

*Concentration of Credit Risk* - The Town's investment policy places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in external investment pools are excluded from this disclosure requirement.

*Interest Rate Risk* - The Town's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Currently, the Town only invests in the external investment pool of the State Treasurer that limits its weighted average maturity to 60 days or less.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets of the Town at December 31, 2022 consist of the following:

	<u>General</u>	<u>A-Tax</u>	<u>Beach Renourishment</u>	<u>Total</u>
Cash and Cash Equivalents Restricted For:				
Victim's Services	\$ 288	\$ -	\$ -	\$ 288
Tourism and Promotion	-	567,971	-	567,971
Beach Renourishment Projects	-	-	493,586	493,586
Total Restricted Cash and Cash Equivalents	<u>\$ 288</u>	<u>\$ 567,971</u>	<u>\$ 493,586</u>	<u>\$ 1,061,845</u>
Investments Restricted For:				
Beach Renourishment Projects	\$ -	\$ -	\$ 638,201	\$ 638,201
Total	<u>\$ 288</u>	<u>\$ 567,971</u>	<u>\$ 1,131,787</u>	<u>\$ 1,700,046</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for individual major funds are as follows. There were no allowances for uncollectible amounts associated with any receivable at year end.

	General	A-Tax	Beach Renourishment	Total
Receivables:				
Franchise Fees	\$ 3,976	\$ -	\$ -	\$ 3,976
State Aid	761	-	-	761
A-Tax	-	60,474	9,062	69,536
Due from Employee	1,058	-	-	1,058
Gross Receivables	\$ 5,795	\$ 60,474	\$ 9,062	\$ 75,331
Less: Allowance for Uncollectibles	-	-	-	-
Net Receivables	\$ 5,795	\$ 60,474	\$ 9,062	\$ 75,331

The Town expects to collect all receivables within the subsequent year.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 528,500	\$ -	\$ -	\$ 528,500
Total Capital Assets, Not Depreciated	\$ 528,500	\$ -	\$ -	\$ 528,500
Capital Assets, Being Depreciated				
Land Improvements	\$ 126,776	\$ -	\$ -	\$ 126,776
Buildings and Improvements	842,562	-	-	842,562
Vehicles, Furniture, and Equipment	233,753	-	-	233,753
Total Capital Assets, Being Depreciated	\$ 1,203,091	\$ -	\$ -	\$ 1,203,091
Less Accumulated Depreciation For:				
Land Improvements	\$ (70,154)	\$ (7,986)	\$ -	\$ (78,140)
Buildings and Improvements	(79,891)	(20,695)	-	(100,586)
Vehicles, Furniture, and Equipment	(155,779)	(24,373)	-	(180,152)
Total Accumulated Depreciation	\$ (305,824)	\$ (53,054)	\$ -	\$ (358,878)
Total Capital Assets, Being Depreciated, Net	\$ 897,267	\$ (53,054)	\$ -	\$ 844,213
Capital Assets, Net	\$ 1,425,767	\$ (53,054)	\$ -	\$ 1,372,713

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 - CAPITAL ASSETS (continued)**

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

<b>Governmental Activities:</b>		
Administration	\$	25,236
Law Enforcement		22,848
Beach Renourishment		4,970
Total Depreciation Expense - Governmental Activities	\$	<u>53,054</u>

**NOTE 6 – LONG-TERM LIABILITIES**

**Accommodations Tax Revenue Bonds**

The Town issued Accommodations Tax Revenue Bonds purchased through direct placement during the year ended December 31, 2019 which are secured solely by a pledge of local accommodations tax revenues. These bonds were used to defray a portion of the beach renourishment project costs. In the event of default, the bond owner has the power to proceed with any right or remedy granted by the law, including any suit, action, or special proceeding to cause the Town to comply with its obligations.

Accommodations Tax Revenue Bonds currently outstanding at December 31, 2022 are as follows:

	<u>Outstanding December 31, 2022</u>
\$2,800,000 direct placement Accommodations Tax Revenue Bonds, Series 2019. Principal installments are due annually on October 1 with semiannual interest payments due April 1 and October 1, at an annual interest rate of 2.38%.	\$ <u>2,314,000</u>
Total Accommodations Tax Revenue Bonds	\$ <u>2,314,000</u>

Annual debt service requirements to maturity for Accommodations Tax Revenue Bonds are as follows:

Year Ending June 30	Bonds from Direct Placement		
	Principal	Interest	Total
2023	\$ 169,000	\$ 55,073	\$ 224,073
2024	173,000	51,051	224,051
2025	177,000	46,934	223,934
2026	181,000	42,721	223,721
2027	185,000	38,413	223,413
2028-2032	996,000	123,784	1,119,784
2033-2034	<u>433,000</u>	<u>15,517</u>	<u>448,517</u>
Totals	<u>\$ 2,314,000</u>	<u>\$ 373,493</u>	<u>\$ 2,687,493</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**Notes Payable**

The Town entered into a direct borrowing intergovernmental loan agreement on May 18, 2020 with Santee Cooper to repay \$285,000 in overages on the underground wire project. In March of 2014, Town Council approved a project with Santee Cooper that expanded the initial underground wire project and placed all of the remaining electrical lines on the island underground. The project was completed in October of 2018. However as part of the project, the Town agreed to pay Santee Cooper an upfront \$220,000 contingency to account for uncertainty that could potentially affect the final cost of the project. Santee Cooper failed to collect the contingency at the beginning of the contract; therefore, the Town is still liable for the contingency. In March of 2019 Santee Cooper informed the Town that the actual project costs exceeded the estimated project costs by \$333,702. Due to subsequent payments by the Town and easement acquisition credit, the agreed upon balance due to be paid to Santee Cooper is \$285,000.

The agreement states that principal and interest payments will be made by the Town foregoing the 5% bi-annual franchise fee payments due from Santee Cooper to the Town. Franchise fee payments are to be applied to the loan beginning July 2020 until the loan has been paid in full or December 31, 2030, whichever occurs first. The note is secured by the full faith, credit, and taxing power of the Town. In the event of default, Santee Cooper may declare the outstanding principal and all accrued interest thereon due and payable without presentment, demand, protest, or further notice of any kind.

Notes payable currently outstanding at December 31, 2022 are as follows:

	<u>Outstanding December 31, 2022</u>
\$285,000 direct borrowing intergovernmental note payable. Principal and interest payments made by foregoing the 5% bi-annual franchise fee payments until paid in full or December 31, 2030, whichever occurs first. Variable interest rate applied at the taxable commercial paper interest rate.	\$ <u>161,126</u>
Total Notes Payable	\$ <u><u>161,126</u></u>

Annual debt service requirements to maturity for the note payable are as follows:

Year Ending June 30	Direct Borrowings		
	Principal	Interest	Total
2023	\$ 43,891	\$ 6,912	\$ 50,803
2024	46,075	4,728	50,803
2025	48,399	2,404	50,803
2026	22,761	292	23,053
Totals	\$ 161,126	\$ 14,336	\$ 175,462

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

The following is a summary of changes in long-term obligations and balances for December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Direct Placement A-Tax					
Revenue Bonds	\$ 2,479,000	\$ -	\$ (165,000)	\$ 2,314,000	\$ 169,000
Total Bonds Payable	2,479,000	-	(165,000)	2,314,000	169,000
Direct Borrowing Notes Payable	207,225	-	(46,099)	161,126	43,891
Compensated Absences	14,346	10,979	(14,346)	10,979	10,979
Totals	<u>\$ 2,700,571</u>	<u>\$ 10,979</u>	<u>\$ (225,445)</u>	<u>\$ 2,486,105</u>	<u>\$ 223,870</u>

For governmental activities, the general fund typically liquidates the liability for notes payable and compensated absences. The beach renourishment fund will liquidate long-term liabilities for the revenue bonds.

**NOTE 7 – SHORT-TERM LEASES**

The Town leases various office equipment under short-term cancellable lease terms. The total cost for these leases in 2022 was \$1,543.

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of interfund balances as of December 31, 2022 follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 391,443	\$ -
A-Tax Fund	1,923	372,388
Beach Renourishment	-	20,978
Total	<u>\$ 393,366</u>	<u>\$ 393,366</u>

Transfers are used to move certain revenues to finance various program costs that the government must account for in other funds in accordance with budgetary authorizations. A schedule of interfund transfers is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
A-Tax Fund	\$ 170,440	\$ -
Beach Renourishment	-	394,940
Debt Service	224,500	-
Total	<u>\$ 394,940</u>	<u>\$ 394,940</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 9 - RETIREMENT PLAN**

The Town contributes to a defined contribution pension plan established under the provisions of IRS Code Section 401(A) and Section 457 for its full-time employees. The plan is administered by ICMA-RC.

Benefit terms, including contribution requirements, for the plan are established and may be amended by Town Council. Participation in the plan is voluntary; however, for those employees that elect participation, both employees and the employer are required to contribute to the plan at the rates listed below as established in the plan document. Each employee is also allowed to voluntarily contribute to the plan up to allowed IRS limits. Each participant directs the investment of their individual plan account.

For the year ended December 31, 2022, required employee contributions totaled \$29,202, and the Town recognized pension expense of \$32,434.

	Employee	Employer
Chief of Police	10.0%	10.5%
Administrator	10.0%	12.0%
Police Officers and Clerk	6.0%	6.5%

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in Town contributions and earnings on Town contributions after five years of credited service with the Town. Nonvested Town contributions are forfeited upon termination of employment. There were no forfeitures for the current year. As of December 31, 2022, the Town reported \$1,695 in outstanding payables to the plan for legally required contributions.

**NOTE 10 - 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. General blanket and fidelity bond insurance was also maintained.

There were no significant reductions in coverage from the previous year and no settlements have exceeded insurance coverage for the past three years ended December 31, 2022, 2021, and 2020.

**NOTE 11 - CONTINGENCIES**

During December 31, 2021, the Town paid \$39,040 in uninsured claims related to condemnation challenges of beach renourishment easements. An appeal was filed by the plaintiffs seeking reimbursement of a larger claim of attorney fees which was ordered by the courts to be paid on June 8, 2023 in the amount of \$14,814.

Suits have been filed against the Town alleging the recently completed beach renourishment project has created significant erosion to the northern end of Prince George. No outcome can presently be determined.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 11 – CONTINGENCIES (continued)**

The Town also participates in certain federal and/or state assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. Liability for reimbursement, if any, which may arise as a result of these audits is not believed to be material.

**NOTE 12 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires a contract that conveys control of the right-to-use a vendor’s information technology (IT) software be recognized as a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The standard is applicable for periods beginning after June 15, 2022. The Town has not yet determined the impact of this statement on the financial statements.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections*, to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information. The requirements of this statement are effective for periods beginning after June 15, 2023.

GASB has issued Statement No. 101, *Compensated Absences*, to align the recognition and measurement guidance under a unified model and to amend certain previously required disclosures. This standard is effective for periods beginning after December 15, 2023.

**NOTE 13 – NET POSITION AND FUND BALANCE RESTATEMENT**

During the current year, a prior period adjustment was made to correct an error that understated the accounts payable balance at December 31, 2021.

	Governmental Activities	Beach Renourishment Fund
As Originally Reported	\$ 293,749	\$ 701,911
Unrecorded Accounts Payable	(11,902)	(11,902)
As Restated	\$ 281,847	\$ 690,009

**NOTE 14 – NET POSITION RESTRICTED THROUGH ENABLING LEGISLATION**

The Town has restricted total net position of governmental activities in the amount of \$240,123 through enabling legislation with a local accommodations and hospitality tax which requires 20% of collections to be used towards tourism and promotion expenditures.



**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State Accommodations Tax	\$ 46,250	\$ 46,250	\$ 48,622	\$ 2,372
Franchise Fees	63,000	63,000	66,491	3,491
Fines and Fees	15,900	15,900	20,888	4,988
Local Government State Aid	2,400	2,400	3,023	623
Interest Income	2,200	2,200	8,151	5,951
MASC Programs	365,000	365,000	345,020	(19,980)
Special Events	60,000	60,000	54,612	(5,388)
Donations - Underground Wire	91,000	91,000	57,519	(33,481)
Donations - Other	16,500	16,500	42,123	25,623
Golf Cart Permits	6,000	6,000	4,434	(1,566)
Grants	26,900	26,900	-	(26,900)
Miscellaneous	11,500	11,500	11,206	(294)
Total Revenues	<u>\$ 706,650</u>	<u>\$ 706,650</u>	<u>\$ 662,089</u>	<u>\$ (44,561)</u>
<b>EXPENDITURES</b>				
Administration				
Advertising	\$ 500	\$ 500	\$ 213	\$ 287
Bank Charges	750	750	57	693
Capital Outlay	2,000	2,000	-	2,000
Claims and Judgments	-	-	14,814	(14,814)
Communications	750	750	1,556	(806)
Computer	2,200	2,200	771	1,429
Dues and Subscriptions	3,500	3,500	2,829	671
Health Insurance	14,450	14,450	9,166	5,284
Insurance	12,500	12,500	16,694	(4,194)
Mileage Reimbursement	5,500	5,500	3,245	2,255
Miscellaneous	2,500	2,500	2,307	193
Ordinance Review/Revision	10,000	10,000	1,025	8,975
Postage	1,000	1,000	360	640
Printing	2,500	2,500	646	1,854
Professional Services	94,500	94,500	77,233	17,267
Rent	3,600	3,600	3,514	86
Repairs and Maintenance	500	500	297	203
Retirement	8,450	8,450	6,328	2,122
Salaries and Labor	69,900	69,900	66,869	3,031
Special Events	33,000	33,000	29,749	3,251
Storm Cleanup	-	-	98,601	(98,601)
Supplies	3,000	3,000	2,199	801
Taxes and Licenses	5,450	5,450	5,063	387
Telephone	2,520	2,520	1,805	715
Training and Seminars	3,500	3,500	1,097	2,403
Total Administration	<u>\$ 282,570</u>	<u>\$ 282,570</u>	<u>\$ 346,438</u>	<u>\$ (63,868)</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (continued)</b>				
Law Enforcement				
Automotive	\$ 20,500	\$ 18,000	\$ 15,077	\$ 2,923
Beach Access Security	8,300	8,300	15,315	(7,015)
Capital Outlay	-	-	2,261	(2,261)
Communications	3,300	3,300	3,409	(109)
Computer	12,200	12,200	9,634	2,566
Dues and Subscriptions	700	700	125	575
Health Insurance	10,440	8,040	4,355	3,685
Insurance	9,200	7,880	8,873	(993)
Mileage Reimbursement	1,000	1,000	-	1,000
Miscellaneous	2,000	2,000	1,547	453
Printing	1,200	1,200	338	862
Repairs and Maintenance	1,500	1,500	2,138	(638)
Retirement	7,920	7,080	7,066	14
Salaries and Labor	125,390	109,390	95,544	13,846
Supplies	4,000	4,000	1,671	2,329
Tag Readers	6,600	6,600	5,742	858
Taxes and Licenses	9,400	7,560	7,544	16
Telephone	6,200	5,900	5,382	518
Training and Seminars	4,600	4,600	3,421	1,179
Uniforms	4,000	3,000	2,080	920
Victim Services	-	-	91	(91)
Total Law Enforcement	\$ <u>238,450</u>	\$ <u>212,250</u>	\$ <u>191,613</u>	\$ <u>20,637</u>
Judicial				
Court Expenses	\$ 1,200	\$ 1,200	\$ 2,836	\$ (1,636)
Magistrate	5,600	5,600	11,017	(5,417)
Total Judicial	\$ <u>6,800</u>	\$ <u>6,800</u>	\$ <u>13,853</u>	\$ <u>(7,053)</u>
Public Works				
Animal Control	\$ 1,000	\$ 1,000	\$ 3,880	\$ (2,880)
Annual Cleanup	1,050	1,050	696	354
Mowing	1,860	1,860	1,644	216
Park Maintenance	3,000	3,000	6,424	(3,424)
Repairs and Maintenance	10,000	10,000	3,972	6,028
Storm Drainage Pilot Program	-	35,400	-	35,400
Street Sign Work	3,000	3,000	1,723	1,277
Supplies	6,000	6,000	4,227	1,773
Trash Removal	5,400	5,400	4,264	1,136
Total Public Works	\$ <u>31,310</u>	\$ <u>66,710</u>	\$ <u>26,830</u>	\$ <u>39,880</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (continued)</b>				
Buildings				
Decorations	\$ 3,000	\$ 3,000	\$ 159	\$ 2,841
Insurance	5,400	5,400	4,702	698
Nature Park	22,000	22,000	13,798	8,202
Repairs and Maintenance	8,800	8,800	10,703	(1,903)
Utilities	3,250	3,250	3,856	(606)
Total Buildings	<u>\$ 42,450</u>	<u>\$ 42,450</u>	<u>\$ 33,218</u>	<u>\$ 9,232</u>
Debt Service				
Principal	\$ 43,000	\$ 43,000	\$ 46,099	\$ (3,099)
Interest and Other Charges	2,200	2,200	4,704	(2,504)
Total Debt Service	<u>\$ 45,200</u>	<u>\$ 45,200</u>	<u>\$ 50,803</u>	<u>\$ (5,603)</u>
Total Expenditures	<u>\$ 646,780</u>	<u>\$ 655,980</u>	<u>\$ 662,755</u>	<u>\$ (6,775)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 59,870</u>	<u>\$ 50,670</u>	<u>\$ (666)</u>	<u>\$ (51,336)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	\$ -	\$ -	\$ 54,678	\$ 54,678
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,678</u>	<u>\$ 54,678</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 59,870	\$ 50,670	\$ 54,012	\$ 3,342
<b>FUND BALANCE - BEGINNING</b>	<u>803,777</u>	<u>803,777</u>	<u>803,777</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 863,647</u></u>	<u><u>\$ 854,447</u></u>	<u><u>\$ 857,789</u></u>	<u><u>\$ 3,342</u></u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
ACCOMMODATIONS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State Accommodations Tax	\$ 403,750	\$ 403,750	\$ 448,817	\$ 45,067
Grants	-	-	23,627	23,627
Total Revenues	<u>\$ 403,750</u>	<u>\$ 403,750</u>	<u>\$ 472,444</u>	<u>\$ 68,694</u>
<b>EXPENDITURES</b>				
Administration				
Salaries and Benefits	\$ 98,250	\$ 98,250	\$ 87,376	\$ 10,874
Telephone	5,880	5,880	4,211	1,669
Total Administration	<u>\$ 104,130</u>	<u>\$ 104,130</u>	<u>\$ 91,587</u>	<u>\$ 12,543</u>
Advertising and Promotion				
Advertising and Promotion Organization	\$ 127,500	\$ 127,500	\$ 165,359	\$ (37,859)
Brochure	1,000	1,000	-	1,000
Website	2,000	2,000	1,148	852
Total Advertising and Promotion	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 166,507</u>	<u>\$ (36,007)</u>
Law Enforcement				
Insurance	\$ 13,800	\$ 11,820	\$ 13,310	\$ (1,490)
Salaries and Benefits	224,350	192,730	171,516	21,214
Total Law Enforcement	<u>\$ 238,150</u>	<u>\$ 204,550</u>	<u>\$ 184,826</u>	<u>\$ 19,724</u>
Judicial				
Magistrate	\$ 8,400	\$ 8,400	\$ 16,526	\$ (8,126)
Total Judicial	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 16,526</u>	<u>\$ (8,126)</u>
Public Works				
Annual Cleanup	\$ 2,450	\$ 2,450	\$ 1,624	\$ 826
Mowing	4,340	4,340	3,836	504
Trash Removal	12,600	12,600	9,950	2,650
Total Public Works	<u>\$ 19,390</u>	<u>\$ 19,390</u>	<u>\$ 15,410</u>	<u>\$ 3,980</u>
Buildings				
Utilities	\$ 3,250	\$ 3,250	\$ 3,856	\$ (606)
Total Buildings	<u>\$ 3,250</u>	<u>\$ 3,250</u>	<u>\$ 3,856</u>	<u>\$ (606)</u>
Total Expenditures	<u>\$ 503,820</u>	<u>\$ 470,220</u>	<u>\$ 478,712</u>	<u>\$ (8,492)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (100,070)</u>	<u>\$ (66,470)</u>	<u>\$ (6,268)</u>	<u>\$ 60,202</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
ACCOMMODATIONS TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Beach Renourishment	\$ 148,000	\$ 148,000	\$ 170,440	\$ 22,440
Total Other Financing Sources (Uses)	\$ 148,000	\$ 148,000	\$ 170,440	\$ 22,440
<b>NET CHANGE IN FUND BALANCE</b>	\$ 47,930	\$ 81,530	\$ 164,172	\$ 82,642
<b>FUND BALANCE - BEGINNING</b>	75,951	75,951	75,951	-
<b>FUND BALANCE - ENDING</b>	\$ 123,881	\$ 157,481	\$ 240,123	\$ 82,642

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
BEACH RENOURISHMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Accommodations Tax	\$ 740,000	\$ 740,000	\$ 824,991	\$ 84,991
Interest Income	1,000	1,000	11,363	10,363
<b>Total Revenues</b>	<b>\$ 741,000</b>	<b>\$ 741,000</b>	<b>\$ 836,354</b>	<b>\$ 95,354</b>
<b>EXPENDITURES</b>				
Beach Renourishment Projects				
Beach Management	\$ 19,000	\$ 19,000	\$ 12,749	\$ 6,251
Beach Renourishment	30,000	30,000	21,531	8,469
Beach Sand Fence Project	2,000	2,000	1,000	1,000
Creek Dredging Study	46,000	46,000	-	46,000
North Jetty Study	13,600	13,600	-	13,600
<b>Total Beach Renourishment</b>	<b>\$ 110,600</b>	<b>\$ 110,600</b>	<b>\$ 35,280</b>	<b>\$ 15,720</b>
 Total Expenditures	 \$ 110,600	 \$ 110,600	 \$ 35,280	 \$ 15,720
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <b>\$ 630,400</b>	 <b>\$ 630,400</b>	 <b>\$ 801,074</b>	 <b>\$ 111,074</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Accommodations Tax Fund	\$ (148,000)	\$ (148,000)	\$ (170,440)	\$ (22,440)
Transfer to Debt Service Fund	(224,200)	(224,200)	(224,500)	(300)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (372,200)</b>	<b>\$ (372,200)</b>	<b>\$ (394,940)</b>	<b>\$ (22,740)</b>
 <b>NET CHANGE IN FUND BALANCE</b>	 <b>\$ 258,200</b>	 <b>\$ 258,200</b>	 <b>\$ 406,134</b>	 <b>\$ 88,334</b>
 <b>FUND BALANCE - BEGINNING</b>	 701,911	 701,911	 701,911	 -
Adjustment (Note 13)	(11,902)	(11,902)	(11,902)	-
 <b>FUND BALANCE - ENDING</b>	 <b>\$ 948,209</b>	 <b>\$ 948,209</b>	 <b>\$ 1,096,143</b>	 <b>\$ 88,334</b>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governments for all governmental funds maintained by the Town. Amounts presented in the “*Original*” budget column in the budgetary comparison schedule reflect amounts originally adopted by ordinance. Amounts presented in the “*Final*” budget column include any supplemental appropriations or amendments formally authorized by Town Council. All annual appropriations lapse at year end.

In establishing the budget, individual departments submit their proposed budgets to Mayor and Council. The Mayor and Council in turn consider the budgets of individual departments and the Town as a whole. The overall legally enacted budget ordinance is formally approved after two public readings. Public readings allow individual citizens of the Town an opportunity to have input in the budgetary process. The Mayor has the authority to amend line item transfers in the budget without Council’s approval; however, any change to total budgeted revenues or expenditures requires Council’s authorization.

Formal budgetary accounting is employed as a management control for funds of the Town. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriations, is not utilized by the Town and is not part of budgetary integration.

**NOTE 2 - PRESENTATION**

The budgetary comparison schedule presents the general fund and each major individual special revenue fund for which an annual budget is legally adopted.

**NOTE 3 - EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures exceeded budgetary appropriations for the year ended December 31, 2022 by \$6,775 in the General Fund and by \$8,492 in the Accommodations Tax Fund.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest Income	\$ -	\$ -	\$ 5	\$ 5
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	\$ 160,000	\$ 160,000	\$ 165,000	\$ (5,000)
Interest and Other Charges	64,200	64,200	59,000	5,200
Total Debt Service	<u>\$ 224,200</u>	<u>\$ 224,200</u>	<u>\$ 224,000</u>	<u>\$ 200</u>
Total Expenditures	<u>\$ 224,200</u>	<u>\$ 224,200</u>	<u>\$ 224,000</u>	<u>\$ 200</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (224,200)</u>	<u>\$ (224,200)</u>	<u>\$ (223,995)</u>	<u>\$ 205</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Beach Renourishment Fund	\$ 224,200	\$ 224,200	\$ 224,500	\$ 300
Total Other Financing Sources (Uses)	<u>\$ 224,200</u>	<u>\$ 224,200</u>	<u>\$ 224,500</u>	<u>\$ 300</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	\$ 505	\$ 505
<b>FUND BALANCE - BEGINNING</b>	<u>1,502</u>	<u>1,502</u>	<u>1,502</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,502</u>	<u>\$ 1,502</u>	<u>\$ 2,007</u>	<u>\$ 505</u>



**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

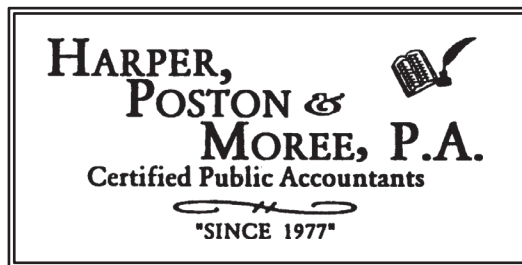
**FOR THE STATE TREASURER'S OFFICE:**

<u>COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT</u>	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
<b>Court Fines &amp; Assessments:</b>				
Court Fines and Assessments Collected	\$ -	\$ -	\$ 20,454	\$ 20,454
Court Fines and Assessments Remitted to State Treasurer	-	-	(2,922)	(2,922)
<b>Total Court Fines &amp; Assessments Retained</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,532</u>	<u>\$ 17,532</u>
<b>Surcharges &amp; Assessments Retained for Victim Services</b>				
Surcharges Collected and Retained	\$ -	\$ -	\$ 207	\$ 207
Assessments Retained	-	-	75	75
<b>Total Surcharges &amp; Assessments Retained for Victim Services</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 282</u>

**FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):**

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
<b>Carryforward from Previous Year - Beginning Balance</b>	\$ 97	\$ -	\$ 97
<b>Victim Services Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	75	-	75
Victim Service Surcharges Retained by City/County Treasurer	207	-	207
Interest Earned	-	-	-
Grant Funds Received			
Grant From:			
General Funds Transferred To Victim Service Fund	-	-	-
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of _____	-	-	-
(2) Town of _____	-	-	-
(3) City of _____	-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<u>\$ 379</u>	<u>\$ -</u>	<u>\$ 379</u>
<b>Expenditures for Victim Service Program:</b>			
Salaries and Benefits	\$ -	\$ -	\$ -
Operating Expenditures	-	-	-
<b>Victim Service Contract(s):</b>			
(1) Georgetown County	91	-	91
(2) Other Entity	-	-	-
<b>Victim Service Donation(s)</b>			
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) Other Local Direct Crime Victims Service Agency	-	-	-
<b>Transferred to General Fund</b>	-	-	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ 91</u>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 288	\$ -	\$ 288
Less: Prior Year Deficit Repayment	-	-	-
<b>Carryforward Funds - End of Year</b>	<u>\$ 288</u>	<u>\$ -</u>	<u>\$ 288</u>

Robert D. Harper, Jr. CPA  
Robin B. Poston CPA



Stacey C. Moree CPA  
Wyndie B. Moree CPA

**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 Mayor and Members of Town Council  
Town of Pawleys Island, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Pawleys Island, South Carolina as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 19, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified the deficiency, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

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

**Auditee's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Pawleys Island, South Carolina  
July 19, 2023

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. One control deficiency was disclosed during the audit of the basic financial statements. This deficiency is reported as a material weakness.
3. No instances of material noncompliance were disclosed during the audit of the financial statements.
4. There were no major federal award programs for the year ended December 31, 2022; therefore, no control deficiencies were disclosed for major federal award programs.
5. There were no major federal award programs for the year ended December 31, 2022; therefore, no auditor's report on compliance for major federal award programs was issued.
6. There were no major federal award programs for the year ended December 31, 2022; therefore, no audit findings relative to major federal award programs are disclosed in the following schedule.
7. No federal award programs were required to be tested as major programs.
8. The Town did not fall under the requirements of OMB's Uniform Guidance; therefore, there was no threshold for distinguishing between Types A and B programs.
9. Risk relative to major federal award programs was not required to be assessed.

**B. Findings - Financial Statement Audit**

**2022-001      *Financial Statement Preparation***

Control Deficiency: The Town's accounting staff does not prepare the year-end entries necessary to convert its cash basis records to the accrual basis of accounting and does not prepare the financial statements and related note disclosures.

Criteria: Controls over the preparation of year-end adjusting entries and the financial statements are necessary in preventing and detecting misstatements that could occur in the financial statements.

Cause: Town personnel do not possess the technical skills necessary to prepare accrual basis financial statements.

Effect: Errors or misstatements could occur and not be detected by management.

Repeat Audit Finding: This finding was also reported in the prior audit period as finding 2021-001.

Recommendation: Management should continue to consult with outside accountants on significant accounting matters and take steps towards gaining the experience needed to prepare financial statements that are presented in accordance with generally accepted accounting principles.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**B. Findings - Financial Statement Audit (continued)**

**2022-001      *Financial Statement Preparation (continued)***

Management's Response and Planned Corrective Action: Management has evaluated the cost/benefit of employing personnel with the technical skills necessary to prepare financial statements on the full accrual basis of accounting and has determined that the cost to the Town outweighs its benefit at the present time. To help mitigate the risk of material misstatement in the financial statements, management ensures that all journal entries are reviewed prior to posting and the financial statements are approved prior to issuance.

**C. Findings and Questioned Costs - Federal Award Program Audit**

Not applicable.