

TOWN OF PAWLEYS ISLAND
SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2024

POSTON,
MOREE & MOREE, P.A.

Certified Public Accountants

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DECEMBER 31, 2024**

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POSTON, MOREE & MOREE, P.A.

Certified Public Accountants

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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, 2024, 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, 2024, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 32 through 38 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 supplementary 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 September 3, 2025 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.



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

Pawleys Island, South Carolina
September 3, 2025

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED DECEMBER 31, 2024**

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, 2024. 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 \$636,018, which represents a 33.1% increase from the fiscal year-end balance at December 31, 2023.
- . The unrestricted net position totaled \$663,430 at year-end compared to \$195,429 at the end of 2023. 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 \$2,257,881 compared to \$2,377,684 at the end of 2023, a decrease of 5.0%. The decrease from 2023 was mostly due to the fact that there were no storm events requiring funding support from FEMA through the Public Assistance Program. Otherwise typical year to year sources of revenue including MASC insurance taxes along with State and Local Accommodations Taxes increased from previous years.
- . Total expenditures totaled \$1,593,039 compared to \$1,523,136 at the end of 2023. The increase in expenditures can be attributed primarily to the settlement of the claims and judgments related to the Prince George lawsuits.
- . Our principal operating fund, the General Fund, had \$822,339 in year 2024 revenues versus \$878,471 in year 2023. The lower General Fund revenue can be attributed primarily to a decrease in reimbursements received through external grant awards. The Town has been authorized funding via a grant from the SC Rural Infrastructure Authority to develop a Master Drainage Plan. The bulk of this work will take place in 2025 at which time reimbursements will be disbursed to the Town as the planning process moves forward. Otherwise the Town received higher revenues from the MASC program as well as increased revenues from ancillary sources such as Special Events collections. As anticipated, revenues from the underground wiring project have begun to decline and will be phased out around the end of 2026.
- . 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 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 2024. The governmental activities of the Town include administration; law enforcement; judicial; public works; buildings and grounds; tourism and promotion; and beach re-nourishment. The Town established a Building and Zoning Department in 2023 and began reflecting the corresponding revenues and expenditures of those activities. 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 17-31 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 32-38 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 \$2,559,619 as of December 31, 2024, a significant improvement from the net position of \$1,923,601 as of December 31, 2023.

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 (21.7%) represents resources that are subject to external restrictions on how they may be used. A smaller portion (26.0%) reflects its unrestricted part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other requirements.

The following table presents a summary of the Town's net position for the year ended December 31, 2024 and December 31, 2023

		NET POSITION GOVERNMENTAL ACTIVITIES	
		2024	2023
Current and Other Assets	\$	4,037,163	\$ 3,284,332
Capital Assets		1,351,346	1,341,813
Total Assets	\$	5,388,509	\$ 4,626,145
Current Liabilities	\$	990,631	\$ 418,077
Long-Term Liabilities		1,838,259	2,056,045
Total Liabilities	\$	2,828,890	\$ 2,702,544
 Net Position:			
Net Investment in Capital Assets	\$	1,341,346	\$ 1,329,690
Restricted		554,843	398,482
Unrestricted		663,430	195,429
Total Net Position	\$	2,559,619	\$ 1,923,601

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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

	2024	2023
Revenues:		
Program Revenues:		
Charges for Services	\$ 221,180	\$ 210,744
Operating Grants and Contributions	142,974	420,039
Capital Grants and Contributions	11,028	-0-
General Revenues:		
Accommodations Taxes	1,360,724	1,319,695
Franchise Fees	63,054	62,530
State Shared Revenues, Fees in Lieu of Taxes	423,289	334,153
Other Revenues	35,632	30,523
Total Revenues	\$ 2,257,881	\$ 2,377,684
Expenses:		
Administration	\$ 405,263	\$ 381,426
Law Enforcement	424,867	409,013
Judicial	36,992	37,890
Public Works	113,333	58,947
Buildings and Grounds	51,233	82,204
Building and Zoning	90,120	97,777
Tourism & Marketing	200,279	188,481
Beach Renourishment	64,316	204,819
Interest and Other Debt Service Charges	56,636	62,579
Claims and Judgments	150,000	-0-
Total Expenses	\$ 1,593,039	\$ 1,523,136
Increase (Decrease) in Net Position	\$ 664,842	\$ 854,548
Net Position – Beginning	1,923,601	1,069,053
Change in Accounting Principle (GASB 101 Implementation)	(28,824)	-0-
Net Position – Ending	\$ 2,559,619	\$ 1,923,601

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

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>2024</u>		<u>2023</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Administration	\$ 405,263	\$ (312,854)	\$ 381,426	\$ (196,255)
Law Enforcement	424,867	(390,744)	409,013	(381,645)
Judicial	36,992	(36,992)	37,890	(37,890)
Public Works	113,333	(73,780)	58,947	14,349
Buildings and Grounds	51,233	(46,783)	82,204	(75,204)
Building and Zoning	90,120	12,796	97,777	11,384
Tourism and Marketing	200,279	(153,274)	188,481	(146,856)
Beach Renourishment	64,316	(9,590)	204,819	(17,657)
Interest & Debt Service	56,636	(56,636)	62,579	(62,579)
Claims & Judgments	150,000	(150,000)	-0-	-0-
Totals	\$ 1,593,039	\$ (1,217,857)	\$ 1,523,136	\$ (892,353)

As seen from the above table, the total net cost of the Town's activities for 2024 was \$1,217,857 as opposed to \$892,353 for the year 2023, an increase of \$325,504. Some of the costs were paid by those who directly benefited from the activities or by contributions and grants. Total expenses increased by \$69,903, which can be attributed primarily to the settlement of the claims and judgments related to the Prince George lawsuits.

The amount that the taxpayers financed through accommodations taxes for the year 2024 amounted to \$1,360,724 as opposed to \$1,319,695 for the year 2023. 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 decreased from \$1,007,096 as of December 31, 2023 to \$982,174 as of December 31, 2024. Of this amount, \$745,716 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 \$570,974, which can be attributed to the increase in revenues from accommodations taxes and state revenue sharing.

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

- Continued steady revenue generated from the accommodations taxes collected.
- Conservative budgeting and spending.
- Overall revenue stability.
- 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 \$3,462,003 an increase of 19.7% from 2023. Of this amount, \$2,644,167 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 less than the final budget by \$409,840 or approximately 32.5%. Actual General Fund revenues were less than the final budget by \$298,929 or approximately 26.6%. These deviations can primarily be attributed to the deferred utilization of anticipated grant revenues related to the completion of the Master Drainage Plan supported by the SCRIA grant and the implementation of the sea level rise demonstration project made possible by funding provided in the SC State Budget. The Town did receive a notable increase in revenues from the MASC Insurance program, Special Event collections, and from interest accrued through the Town’s Local Government Investment Pool accounts. The Town did begin to observe the decrease in the collection of underground wiring payments which is expected to completely phase out by the end of 2026. 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. During the current year, there were no changes made to the original adopted budget.

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 2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital and Intangible Assets: As of December 31, 2024, the Town had invested \$1,351,346 in net capital and intangible assets, including land, buildings and improvements, other vehicles and equipment, and intangible right-to-use leased assets. The current estimated depreciation and amortization expense of all total capital and intangible assets for the year is \$53,040. The following schedule presents capital and intangible asset balances net of depreciation and amortization for the year ended December 31, 2024 and December 31, 2023.

CAPITAL ASSETS (NET OF DEPRECIATION) GOVERNMENTAL ACTIVITIES			
	2024		2023
Land and Improvements	\$ 570,144	\$	575,727
Buildings and Improvements	700,598		721,287
Vehicles, Furniture, and Equipment	71,219		32,912
Intangible Right-to-Use Leased Equipment	9,385		11,887
Total Capital Assets, Net	\$ 1,351,346	\$	1,341,813

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

Debt Administration: As of December 31, 2024, the Town had total outstanding debt of approximately \$2,052,517 (excluding compensated absences and claims and judgments). 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, 2024 and 2023 were as follows:

LONG-TERM DEBT GOVERNMENTAL ACTIVITIES			
	2024		2023
Accommodations Tax Revenue Bond	\$ 1,972,000	\$	2,145,000
Intergovernmental Notes Payable	80,517		122,610
Total Long-Term Debt	\$ 2,052,517	\$	2,267,610

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 2025 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.

While vacation rental income is expected to continue to generate significant revenues once again in 2025, the Town set a conservative Accommodations Tax revenue budget in case there is a negative shift in the local/regional tourism economy. After two years of administering a Building and Zoning Department, the Town is now better equipped to anticipate the revenues to be generated and the expenses involved with these services. Based on construction activities in 2024, the anticipated Building permit revenue in 2025 is \$114,000. This program requires the technical support of a qualified third- party vendor, with a fee for services based on permit fee collections to be approximately \$102,600. 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 has increased over the past year, it only provides a modest revenue source for the Town. The Town will continue to pursue grant opportunities to upgrade the drainage and flood mitigation infrastructure on the island. The Town received a \$150,000 award from the SC Rural Infrastructure Authority to develop a Master Drainage Plan for the island. This planning initiative is anticipated to be completed by the end of 2025. Georgetown County voters approved a Capital Project Sales Tax referendum in November 2024 with tax collection revenues beginning to accrue in 2025. The referendum includes \$286,000 to upgrade the North Jetty and \$2,080,000 to implement flood mitigation and storm drainage infrastructure outlined in the forthcoming Master Drainage Plan.

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, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 66,443
Investments	743,229
Receivables (Net of Allowance for Uncollectibles)	136,358
Prepaid Items	70,640
Restricted Assets:	
Cash and Cash Equivalents	1,990,205
Investments	1,030,288
Capital Assets:	
Nondepreciable	
Land	528,500
Depreciable (Net of Accumulated Depreciation)	
Land Improvements	41,644
Buildings and Improvements	700,598
Vehicles and Equipment	71,219
Intangible Right to Use Assets (Net of Accumulated Amortization):	
Leased Equipment	9,385
Total Assets	<u>\$ 5,388,509</u>
LIABILITIES	
Accounts Payable	\$ 221,543
Salaries and Benefits Payable	8,270
Accrued Interest Payable	11,628
Claims Payable	150,000
Unearned Grant Revenues	324,172
Lease Liability Payable	9,757
Noncurrent Liabilities:	
Due Within One Year	265,261
Due In More Than One Year	1,838,259
Total Liabilities	<u>\$ 2,828,890</u>
NET POSITION	
Net Investment In Capital Assets	\$ 1,341,346
Restricted For:	
Law Enforcement	1,089
Tourism and Promotion	538,485
Old Town Hall Projects	15,269
Unrestricted	663,430
Total Net Position	<u>\$ 2,559,619</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, 2024**

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position Governmental Activities
			Operating Grants and Contributions			
Governmental Activities:						
Administration	\$ 405,263	\$ 92,359	\$ 50		\$ -	\$ (312,854)
Law Enforcement	424,867	25,905	8,218		-	(390,744)
Judicial	36,992	-	-		-	(36,992)
Public Works	113,333	-	28,525	11,028		(73,780)
Buildings and Grounds	51,233	-	4,450		-	(46,783)
Building and Zoning	90,120	102,916	-		-	12,796
Tourism and Promotion	200,279	-	47,005		-	(153,274)
Beach Renourishment	64,316	-	54,726		-	(9,590)
Interest and Other Debt Service Charges	56,636	-	-		-	(56,636)
Claims and Judgments	150,000	-	-		-	(150,000)
Total Governmental Activities	\$ 1,593,039	\$ 221,180	\$ 142,974		\$ 11,028	\$ (1,217,857)
GENERAL REVENUES						
Accommodations Taxes					\$	1,360,724
Franchise Fees						63,054
State Shared Revenues and Fees in Lieu of Taxes						423,289
Unrestricted Investment Earnings						29,734
Miscellaneous Revenues						5,898
Total General Revenues					\$	1,882,699
CHANGE IN NET POSITION						\$ 664,842
NET POSITION - BEGINNING, As Previously Reported						1,923,601
Change in Accounting Principle for GASB Statement No. 101 Implementation						(28,824)
NET POSITION - BEGINNING, As Restated						\$ 1,894,777
NET POSITION - ENDING						\$ 2,559,619

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	Accommodations Tax Fund	Beach Renourishment Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 64,423	\$ -	\$ -	\$ 2,020	\$ 66,443
Cash and Cash Equivalents - Restricted	1,089	1,024,533	964,583	-	1,990,205
Investments	743,229	-	-	-	743,229
Investments - Restricted	-	-	1,030,288	-	1,030,288
Receivables (Net)	25,832	85,085	25,441	-	136,358
Prepays	70,640	-	-	-	70,640
Due From Other Funds	467,664	-	-	-	467,664
Total Assets	\$ 1,372,877	\$ 1,109,618	\$ 2,020,312	\$ 2,020	\$ 4,504,827
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 46,926	\$ 174,408	\$ 209	\$ -	\$ 221,543
Salaries and Benefits Payable	8,270	-	-	-	8,270
Unearned Grant Revenues	314,332	-	9,840	-	324,172
Due To Other Funds	-	396,725	70,939	-	467,664
Total Liabilities	\$ 369,528	\$ 571,133	\$ 80,988	\$ -	\$ 1,021,649
Deferred Inflows of Resources					
Unavailable Grant Revenues	\$ 21,175	\$ -	\$ -	\$ -	\$ 21,175
Total Deferred Inflows of Resources	\$ 21,175	\$ -	\$ -	\$ -	\$ 21,175
Fund Balances					
Nonspendable:					
Prepaid Items	\$ 70,640	\$ -	\$ -	\$ -	\$ 70,640
Restricted For:					
Victim's Assistance Program	1,089	-	-	-	1,089
Old Town Hall Projects	15,269	-	-	-	15,269
Claims and Judgments	150,000	-	-	-	150,000
Tourism, Promotion & Support	-	538,485	-	-	538,485
Beach Renourishment	-	-	1,939,324	-	1,939,324
Assigned For:					
Debt Service	-	-	-	2,020	2,020
Unassigned	745,176	-	-	-	745,176
Total Fund Balances	\$ 982,174	\$ 538,485	\$ 1,939,324	\$ 2,020	\$ 3,462,003
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,372,877	\$ 1,109,618	\$ 2,020,312	\$ 2,020	\$ 4,504,827

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, 2024**

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

Ending fund balances - governmental funds balance sheet	\$	3,462,003
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital Assets		1,766,090
Accumulated Depreciation		(424,129)
Intangible Right to Use Leased Assets		12,511
Accumulated Amortization		(3,126)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds:		
Grants Receivable		21,175
Long-term right to use lease obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Right to Use Lease Obligations Payable		(9,757)
Accrued Interest Payable on Right to Use Lease Obligations		(23)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable		(51,003)
Accrued Interest Payable on Revenue Bonds		(11,605)
Revenue Bonds Payable		(1,972,000)
Intergovernmental Note Payable		(80,517)
Claims Payable		(150,000)
		(2,235,105)
Net position of governmental activities	\$	2,559,619

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, 2024

	<u>General Fund</u>	<u>Accommodations Tax Fund</u>	<u>Beach Renourishment Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Accommodations Tax	\$ 50,371	\$ 482,046	\$ 828,307	\$ -	\$ 1,360,724
Franchise Fees	63,054	-	-	-	63,054
Fines and Fees	24,705	-	-	-	24,705
Local Government State Aid	3,314	-	-	-	3,314
Interest Income	29,726	-	53,726	8	83,460
MASC Programs	419,975	-	-	-	419,975
Special Events	77,727	-	-	-	77,727
Donations - Underground Wire	7,350	-	-	-	7,350
Donations - Other	17,000	-	-	-	17,000
Building Permits and Fees	102,916	-	-	-	102,916
Golf Cart Permits	14,632	-	-	-	14,632
Grants	6,746	47,005	1,000	-	54,751
Miscellaneous	4,823	-	-	-	4,823
Total Revenues	<u>\$ 822,339</u>	<u>\$ 529,051</u>	<u>\$ 883,033</u>	<u>\$ 8</u>	<u>\$ 2,234,431</u>
EXPENDITURES					
Current					
Administration	\$ 286,924	\$ 92,570	\$ -	\$ -	\$ 379,494
Law Enforcement	207,133	193,380	-	-	400,513
Judicial	18,370	18,622	-	-	36,992
Public Works	87,702	25,245	-	-	112,947
Buildings and Grounds	48,344	2,889	-	-	51,233
Building and Zoning	90,120	-	-	-	90,120
Tourism and Promotion	-	200,279	-	-	200,279
Beach Renourishment	-	-	59,160	-	59,160
Capital Outlay	62,573	-	-	-	62,573
Debt Service					
Principal	42,093	-	-	173,000	215,093
Interest and Other Charges	6,277	-	-	51,051	57,328
Total Expenditures	<u>\$ 849,536</u>	<u>\$ 532,985</u>	<u>\$ 59,160</u>	<u>\$ 224,051</u>	<u>\$ 1,665,732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (27,197)</u>	<u>\$ (3,934)</u>	<u>\$ 823,873</u>	<u>\$ (224,043)</u>	<u>\$ 568,699</u>
OTHER FINANCING SOURCES AND FINANCING (USES)					
Sale of Capital Assets	\$ 2,275	\$ -	\$ -	\$ -	\$ 2,275
Transfers In	-	161,204	-	224,051	385,255
Transfers Out	-	-	(385,255)	-	(385,255)
Total Other Financing Sources and Financing (Uses)	<u>\$ 2,275</u>	<u>\$ 161,204</u>	<u>\$ (385,255)</u>	<u>\$ 224,051</u>	<u>\$ 2,275</u>
NET CHANGE IN FUND BALANCE	\$ (24,922)	\$ 157,270	\$ 438,618	\$ 8	\$ 570,974
FUND BALANCES - BEGINNING	<u>1,007,096</u>	<u>381,215</u>	<u>1,500,706</u>	<u>2,012</u>	<u>2,891,029</u>
FUND BALANCES - ENDING	<u>\$ 982,174</u>	<u>\$ 538,485</u>	<u>\$ 1,939,324</u>	<u>\$ 2,020</u>	<u>\$ 3,462,003</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, 2024**

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

Net change in fund balances - total governmental funds	\$	570,974
<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 difference in capital outlays and depreciation expense in the current period:</p>		
Capital Outlays		62,573
Depreciation Expense		(50,538)
<p>The net effect of various miscellaneous transactions involving capital asset disposals is to decrease net position for the net book value of assets disposed.</p>		
Original Cost		(34,353)
Accumulated Depreciation		34,353
<p>Governmental funds report lease payments on right to use assets as expenditures. However, in the statement of activities the discounted present value of long-term leases is allocated over the term of the lease and reported as amortization expense. Additionally, the repayment of the principal portion of long-term right to use leases has no effect on net position.</p>		
Amortization Expense		(2,502)
Principal Payments on Leased Equipment		2,366
<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		173,000
Principal Payments on Intergovernmental Note Payable		42,093
<p>Revenues reported in the statement of activities that will not be collected for several months after year end do not provide current financial resources and; therefore, are not reported as revenues in the governmental funds:</p>		
Unavailable Grant Revenues		21,175
<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		(5,322)
Interest Expense		1,023
Claims and Judgments		(150,000)
Change in net position of governmental activities	\$	664,842

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

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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. 101, *Compensated Absences*. This statement aligns the recognition and measurement guidance for compensated absences under a unified model which results in a liability that more appropriately reflects when an obligation is incurred. As required by GASB, this statement has been implemented retroactively by restating beginning net position.

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, 2024

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, 2024

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, 2024**

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:

Asset	Years
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 or subscription 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, sick leave, and holiday pay. A liability for compensated absences is recognized in the government-wide financial statements for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used or paid out. The liability is

TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

calculated on the employee's pay or salary rates in effect at the date of the financial statements. A liability is reported in the governmental funds only if they have matured and will be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements.

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, 2024

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, 2024**

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 \$2,056,548 excluding petty cash of \$100, and the corresponding bank balance was \$2,080,947.

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, 2024, \$1,739,366 of the Town's bank balances of \$2,080,947 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, 2024**

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, 2024, the carrying value of the Town's investments consisted of deposits with the South Carolina Local Government Investment Pool (SCLGIP) in the amount of \$1,773,517 and the corresponding account balance was \$1,773,517. 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, 2024 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	\$ 1,089	\$ -	\$ -	\$ 1,089
Tourism and Promotion	-	1,024,533	-	1,024,533
Beach Renourishment Projects	-	-	964,583	964,583
Total Restricted Cash and Cash Equivalents	<u>\$ 1,089</u>	<u>\$ 1,024,533</u>	<u>\$ 964,583</u>	<u>\$ 1,990,205</u>
Investments Restricted For:				
Beach Renourishment Projects	\$ -	\$ -	\$ 1,030,288	\$ 1,030,288
Total	<u>\$ 1,089</u>	<u>\$ 1,024,533</u>	<u>\$ 1,994,871</u>	<u>\$ 3,020,493</u>

TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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	\$ 3,551	\$ -	\$ -	\$ 3,551
State Aid	838	-	-	838
MASC Programs	268	-	-	268
Grants	21,175	-	-	21,175
A-Tax	-	85,085	25,441	110,526
Gross Receivables	\$ 25,832	\$ 85,085	\$ 25,441	\$ 136,358
Less: Allowance for Uncollectibles	-	-	-	-
Net Receivables	\$ 25,832	\$ 85,085	\$ 25,441	\$ 136,358

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 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	\$ 131,811	\$ -	\$ -	\$ 131,811
Buildings and Improvements	842,562	-	-	842,562
Vehicles, Furniture, and Equipment	234,997	62,573	(34,353)	263,217
Total Capital Assets, Being Depreciated	\$ 1,209,370	\$ 62,573	\$ (34,353)	\$ 1,237,590
Less Accumulated Depreciation For:				
Land Improvements	\$ (84,584)	\$ (5,583)	\$ -	\$ (90,167)
Buildings and Improvements	(121,275)	(20,689)	-	(141,964)
Vehicles, Furniture, and Equipment	(202,085)	(24,266)	34,353	(191,998)
Total Accumulated Depreciation	\$ (407,944)	\$ (50,538)	\$ 34,353	\$ (424,129)
Total Capital Assets, Being Depreciated, Net	\$ 801,426	\$ 12,035	\$ -	\$ 813,461
Intangible Right-to-Use Assets:				
Leased Equipment	\$ 12,511	\$ -	\$ -	\$ 12,511
Total Intangible Right-to-Use Assets	\$ 12,511	\$ -	\$ -	\$ 12,511
Less Accumulated Amortization For:				
Leased Equipment	\$ (624)	\$ (2,502)	\$ -	\$ (3,126)
Total Accumulated Amortization	\$ (624)	\$ (2,502)	\$ -	\$ (3,126)
Total Intangible Right-to-Use Assets, Net	\$ 11,887	\$ (2,502)	\$ -	\$ 9,385
Capital Assets, Net	\$ 1,341,813	\$ 9,533	\$ -	\$ 1,351,346

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation and amortization expense were charged to functions/programs of the Town as follows:

Governmental Activities:	
Administration	\$ 24,827
Law Enforcement	22,671
Public Works	386
Beach Renourishment	<u>5,156</u>
Total Depreciation and Amortization Expense - Governmental Activities	<u>\$ 53,040</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, 2024 are as follows:

	Outstanding <u>December 31, 2024</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>1,972,000</u>
Total Accommodations Tax Revenue Bonds	<u>\$ 1,972,000</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
2025	\$ 177,000	\$ 46,934	\$ 223,934
2026	181,000	42,721	223,721
2027	185,000	38,413	223,413
2028	190,000	34,010	224,010
2029	194,000	29,488	223,488
2030-2034	<u>1,045,000</u>	<u>75,803</u>	<u>1,120,803</u>
Totals	<u>\$ 1,972,000</u>	<u>\$ 267,369</u>	<u>\$ 2,239,369</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 was \$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, 2024 are as follows:

	<u>Outstanding December 31, 2024</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>80,517</u>
Total Notes Payable	\$ <u><u>80,517</u></u>

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

Year Ending June 30	Direct Borrowings		
	Principal	Interest	Total
2025	\$ 60,942	\$ 2,907	\$ 63,849
2026	<u>19,575</u>	<u>197</u>	<u>19,772</u>
Totals	<u><u>\$ 80,517</u></u>	<u><u>\$ 3,104</u></u>	<u><u>\$ 83,621</u></u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 – LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term obligations and balances for December 31, 2024:

	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Direct Placement A-Tax					
Revenue Bonds	\$ 2,145,000	\$ -	\$ (173,000)	\$ 1,972,000	\$ 177,000
Total Bonds Payable	2,145,000	-	(173,000)	1,972,000	177,000
Direct Borrowing Notes Payable	122,610	-	(42,093)	80,517	60,942
Compensated Absences	45,680	5,323 *		51,003	27,319
Claims and Judgments	-	150,000	-	150,000	150,000
Totals	<u>\$ 2,313,290</u>	<u>\$ 155,323</u>	<u>\$ (215,093)</u>	<u>\$ 2,253,520</u>	<u>\$ 415,261</u>

*The change in the compensated absences liability is presented as a net change.

For governmental activities, the general fund typically liquidates the liability for claims and judgments.

NOTE 7 – RIGHT-TO-USE LEASE OBLIGATIONS

Right-to-use lease obligations currently outstanding at December 31, 2024 are as follows:

	Outstanding December 31, 2024
Copier: Lease entered into on October 2, 2023 with a 60 month non-cancellable lease term. Monthly payments are \$225 plus applicable taxes. Interest rate of 3% as stated in the lease agreement used for purposes of discounting future payments. The value of the right-to-use asset as of December 31, 2024 is \$12,511 with accumulated amortization of \$3,126 for a net value of \$9,385.	\$ 9,757
Total Notes Payable	<u>\$ 9,757</u>

Future lease payments over the next five years are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 2,438	\$ 260	\$ 2,698
2026	2,513	185	2,698
2027	2,589	109	2,698
2028	<u>2,217</u>	<u>30</u>	<u>2,247</u>
Totals	<u>\$ 9,757</u>	<u>\$ 584</u>	<u>\$ 10,341</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024 follows:

	Due from Other Funds	Due To Other Funds
A-Tax Fund	\$ 467,664	\$ -
Beach Renourishment	-	396,725
Debt Service	-	70,939
Total	\$ 467,664	\$ 467,664

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:

	Transfers In	Transfers Out
A-Tax Fund	\$ 161,204	\$ -
Beach Renourishment	-	385,255
Debt Service	224,051	-
Total	\$ 385,255	\$ 385,255

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, 2024, required employee contributions totaled \$30,429, and the Town recognized pension expense of \$33,683.

	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, 2024, the Town reported no outstanding payables to the plan.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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. As referenced in Note 11, settlements of \$150,000 exceeded insurance coverage in the year ended December 31, 2024. No settlements exceeded insurance coverage for years ended December 31, 2023, and 2022.

NOTE 11 - CONTINGENCIES

Suits have been filed against the Town alleging the beach renourishment project has created significant erosion to the northern end of Prince George. Subsequent to year end, an agreement was reached between the Town and the Plaintiffs. The settlement will require payment from the Town of \$150,000 (above insurance coverage) to the Plaintiffs. The settlement will also impose an obligation on the Town to potentially pay the future cost of relocating the inlet if extensive southern migration occurs within 54 months of a major renourishment project on Pawleys Island.

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 – CHANGE IN ACCOUNTING PRINCIPLE

During the current year, the Town implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The Town now recognizes a compensated absence liability for all accumulated leave that is related to services already rendered and is more likely than not to be used or paid out. The implementation of GASB Statement No. 101 resulted in adjustments to the beginning net position as follows:

	December 31, 2023, As Previously Reported	Change in Accounting Principle	December 31, 2023, As Restated
Governmental Activities	\$ 1,923,601	\$ (28,824)	\$ 1,894,777
Totals	\$ 1,923,601	\$ (28,824)	\$ 1,894,777

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 102, *Certain Risk Disclosures*, to improve financial reporting by providing users of financial statements with timely information regarding certain concentrations or constraints or related events that have occurred or have begun to incur that make a government vulnerable to a substantial impact. This standard is effective for periods beginning after June 15, 2024.

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, to provide clarity and to improve the quality and comparability of financial information by enhancing key components of the financial reporting model. This standard is effective for periods beginning after June 15, 2025.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*, to improve financial reporting by providing users of the financial statements with essential information about certain types of assets in order to make informed decisions and assess accountability. This standard is effective for periods beginning after June 15, 2025.

NOTE 14 – NET POSITION RESTRICTED THROUGH ENABLING LEGISLATION

The Town has restricted total net position of governmental activities in the amount of \$538,485 through enabling legislation with a local accommodations and hospitality tax which requires 20% of collections to be used towards tourism and promotion expenditures.

NOTE 15 – COMMITMENTS

The Town has entered into the following contractual commitments as of year-end:

	<u>Completion Date</u>	<u>Commitment</u>	<u>Expenditures Incurred</u>	<u>Remaining Commitment December 31, 2024</u>
Master Drainage Project	December 2025	\$ <u>150,000</u>	\$ <u>57,469</u>	\$ <u>92,531</u>

NOTE 16 – SUBSEQUENT EVENTS

In April 2025, the Town entered into a contract for engineering services to design an elevated creek berm along Myrtle Avenue for \$44,500. Construction of the project is expected to take place in 2026.

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Accommodations Tax	\$ 54,500	\$ 54,500	\$ 50,371	\$ (4,129)
Franchise Fees	65,468	65,468	63,054	(2,414)
Fines and Fees	16,000	16,000	24,705	8,705
Local Government State Aid	2,500	2,500	3,314	814
Interest Income	3,500	3,500	29,726	26,226
MASC Programs	350,000	350,000	419,975	69,975
Special Events	55,000	55,000	77,727	22,727
Donations - Underground Wire	25,000	25,000	7,350	(17,650)
Donations - Other	22,500	22,500	17,000	(5,500)
Building Permits and Fees	100,000	100,000	102,916	2,916
Golf Cart Permits	16,000	16,000	14,632	(1,368)
Grants	405,800	405,800	6,746	(399,054)
Miscellaneous	5,000	5,000	4,823	(177)
Total Revenues	\$ <u>1,121,268</u>	\$ <u>1,121,268</u>	\$ <u>822,339</u>	\$ <u>(298,929)</u>
EXPENDITURES				
Administration				
Advertising	\$ 1,000	\$ 1,000	\$ 622	\$ 378
Bank Charges	500	500	232	268
Capital Outlay	2,000	2,000	-	2,000
Communications	1,100	1,100	1,097	3
Computer and Software Costs	14,000	14,000	10,812	3,188
Dues and Subscriptions	4,000	4,000	2,813	1,187
Health Insurance	12,500	12,500	7,719	4,781
Insurance	14,000	14,000	18,136	(4,136)
Intern - Extra Help	3,000	3,000	2,500	500
Mileage Reimbursement	4,500	4,500	3,600	900
Miscellaneous	2,000	2,000	867	1,133
Ordinance Review/Revision	5,000	5,000	1,043	3,957
Postage	750	750	526	224
Printing	4,000	4,000	5,428	(1,428)
Professional Services	81,000	81,000	89,898	(8,898)
Rent	4,000	4,000	4,655	(655)
Repairs and Maintenance	500	500	-	500
Retirement	8,335	8,335	7,398	937
Salaries and Labor	78,190	78,190	66,724	11,466
Special Events	35,000	35,000	52,194	(17,194)
Supplies	2,500	2,500	669	1,831
Taxes and Licenses	6,241	6,241	5,312	929
Telephone	2,520	2,520	2,321	199
Training and Seminars	4,500	4,500	2,358	2,142
Total Administration	\$ <u>291,136</u>	\$ <u>291,136</u>	\$ <u>286,924</u>	\$ <u>4,212</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Law Enforcement				
Automotive	\$ 19,500	\$ 19,500	\$ 15,294	\$ 4,206
Beach Access Security	13,000	13,000	16,180	(3,180)
Capital Outlay	66,500	66,500	51,545	14,955
Communications	3,300	3,300	2,856	444
Computer	7,500	7,500	3,850	3,650
Dues and Subscriptions	800	800	17	783
Health Insurance	7,160	7,160	6,114	1,046
Insurance	8,000	8,000	9,625	(1,625)
Mileage Reimbursement	1,000	1,000	-	1,000
Miscellaneous	2,000	2,000	1,190	810
Printing	1,000	1,000	1,889	(889)
Repairs and Maintenance	2,000	2,000	2,115	(115)
Retirement	7,374	7,374	7,664	(290)
Salaries and Labor	103,932	103,932	97,582	6,350
Supplies	4,000	4,000	8,412	(4,412)
Tag Readers	7,000	7,000	6,338	662
Taxes and Licenses	8,314	8,314	7,933	381
Telephone	6,200	6,200	7,564	(1,364)
Training and Seminars	9,000	9,000	10,759	(1,759)
Uniforms	2,500	2,500	1,751	749
Total Law Enforcement	\$ 280,080	\$ 280,080	\$ 258,678	\$ 21,402
Judicial				
Court Expenses	\$ 1,200	\$ 1,200	\$ 5,955	\$ (4,755)
Magistrate	11,200	11,200	12,415	(1,215)
Total Judicial	\$ 12,400	\$ 12,400	\$ 18,370	\$ (5,970)
Public Works				
Animal Control	\$ 1,000	\$ 1,000	\$ 640	\$ 360
Annual Cleanup	900	900	331	569
Capital Outlay	-	-	11,028	(11,028)
Mowing	1,860	1,860	2,616	(756)
Park Maintenance	-	-	1,240	(1,240)
Professional Services - Stormwater	308,500	308,500	57,469	251,031
Repairs and Maintenance	4,000	4,000	3,960	40
Storm Drainage Pilot Program	135,400	135,400	-	135,400
Stormwater Maintenance	10,000	10,000	8,720	1,280
Street Sign Work	3,000	3,000	878	2,122
Supplies	6,000	6,000	3,976	2,024
Trash Removal	6,000	6,000	7,872	(1,872)
Total Public Works	\$ 476,660	\$ 476,660	\$ 98,730	\$ 377,930

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Buildings and Grounds				
Decorations	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Improvements	2,500	2,500	193	2,307
Insurance	6,000	6,000	5,979	21
Nature Park	20,500	20,500	24,864	(4,364)
Old Town Hall	24,000	24,000	5,915	18,085
Repairs and Maintenance	10,500	10,500	8,504	1,996
Utilities	3,600	3,600	2,889	711
Total Buildings	<u>\$ 68,100</u>	<u>\$ 68,100</u>	<u>\$ 48,344</u>	<u>\$ 19,756</u>
Building and Zoning				
Fire Impact Fees	\$ 22,500	\$ 22,500	\$ 21,440	\$ 1,060
Professional Services	61,000	61,000	68,680	(7,680)
Total Building and Zoning	<u>\$ 83,500</u>	<u>\$ 83,500</u>	<u>\$ 90,120</u>	<u>\$ (6,620)</u>
Debt Service				
Principal	\$ 45,000	\$ 45,000	\$ 42,093	\$ 2,907
Interest and Other Charges	2,500	2,500	6,277	(3,777)
Total Debt Service	<u>\$ 47,500</u>	<u>\$ 47,500</u>	<u>\$ 48,370</u>	<u>\$ (870)</u>
Total Expenditures	<u>\$ 1,259,376</u>	<u>\$ 1,259,376</u>	<u>\$ 849,536</u>	<u>\$ 409,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (138,108)</u>	<u>\$ (138,108)</u>	<u>\$ (27,197)</u>	<u>\$ 110,911</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 2,500	\$ 2,500	\$ 2,275	\$ (225)
Total Other Financing Sources (Uses)	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,275</u>	<u>\$ (225)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (135,608)</u>	<u>\$ (135,608)</u>	<u>\$ (24,922)</u>	<u>\$ 110,686</u>
FUND BALANCE - BEGINNING	<u>1,007,096</u>	<u>1,007,096</u>	<u>1,007,096</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 871,488</u></u>	<u><u>\$ 871,488</u></u>	<u><u>\$ 982,174</u></u>	<u><u>\$ 110,686</u></u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ACCOMMODATIONS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Accommodations Tax	\$ 475,000	\$ 475,000	\$ 482,046	\$ 7,046
Grants	-	-	47,005	47,005
Total Revenues	<u>\$ 475,000</u>	<u>\$ 475,000</u>	<u>\$ 529,051</u>	<u>\$ 54,051</u>
EXPENDITURES				
Administration				
Salaries and Benefits	\$ 105,267	\$ 105,267	\$ 87,155	\$ 18,112
Telephone	5,880	5,880	5,415	465
Total Administration	<u>\$ 111,147</u>	<u>\$ 111,147</u>	<u>\$ 92,570</u>	<u>\$ 18,577</u>
Advertising and Promotion				
Advertising and Promotion Organization	\$ 135,000	\$ 135,000	\$ 199,230	\$ (64,230)
Brochure	1,000	1,000	-	1,000
Website	2,000	2,000	1,049	951
Total Advertising and Promotion	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 200,279</u>	<u>\$ (62,279)</u>
Law Enforcement				
Insurance	\$ 12,000	\$ 12,000	\$ 14,438	\$ (2,438)
Salaries and Benefits	190,168	190,168	178,942	11,226
Total Law Enforcement	<u>\$ 202,168</u>	<u>\$ 202,168</u>	<u>\$ 193,380</u>	<u>\$ 8,788</u>
Judicial				
Magistrate	\$ 16,800	\$ 16,800	\$ 18,622	\$ (1,822)
Total Judicial	<u>\$ 16,800</u>	<u>\$ 16,800</u>	<u>\$ 18,622</u>	<u>\$ (1,822)</u>
Public Works				
Annual Cleanup	\$ 2,100	\$ 2,100	\$ 773	\$ 1,327
Mowing	4,340	4,340	6,104	(1,764)
Trash Removal	14,000	14,000	18,368	(4,368)
Total Public Works	<u>\$ 20,440</u>	<u>\$ 20,440</u>	<u>\$ 25,245</u>	<u>\$ (4,805)</u>
Buildings				
Utilities	\$ 3,600	\$ 3,600	\$ 2,889	\$ 711
Total Buildings	<u>\$ 3,600</u>	<u>\$ 3,600</u>	<u>\$ 2,889</u>	<u>\$ 711</u>
Total Expenditures	<u>\$ 492,155</u>	<u>\$ 492,155</u>	<u>\$ 532,985</u>	<u>\$ (40,830)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (17,155)</u>	<u>\$ (17,155)</u>	<u>\$ (3,934)</u>	<u>\$ 13,221</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ACCOMMODATIONS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfer from Beach Renourishment	\$ 156,000	\$ 156,000	\$ 161,204	\$ 5,204
Total Other Financing Sources (Uses)	\$ 156,000	\$ 156,000	\$ 161,204	\$ 5,204
NET CHANGE IN FUND BALANCE	\$ 138,845	\$ 138,845	\$ 157,270	\$ 18,425
FUND BALANCE - BEGINNING	<u>381,215</u>	<u>381,215</u>	<u>381,215</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 520,060</u>	<u>\$ 520,060</u>	<u>\$ 538,485</u>	<u>\$ 18,425</u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BEACH RENOURISHMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Accommodations Tax	\$ 780,000	\$ 780,000	\$ 828,307	\$ 48,307
Grants	-	-	1,000	1,000
Interest Income	10,000	10,000	53,726	43,726
Total Revenues	<u>\$ 790,000</u>	<u>\$ 790,000</u>	<u>\$ 883,033</u>	<u>\$ 93,033</u>
EXPENDITURES				
Beach Renourishment Projects				
Beach Management	\$ 35,000	\$ 35,000	\$ 24,481	\$ 10,519
Beach Renourishment	35,000	35,000	28,531	6,469
Beach Sand Fence Project	-	-	1,000	(1,000)
Creek Dredging Study	46,000	46,000	-	46,000
North Jetty Study	-	-	5,148	(5,148)
Total Beach Renourishment	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 59,160</u>	<u>\$ 56,840</u>
Total Expenditures	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 59,160</u>	<u>\$ 56,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 674,000</u>	<u>\$ 674,000</u>	<u>\$ 823,873</u>	<u>\$ 149,873</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Accommodations Tax Fund	\$ (156,000)	\$ (156,000)	\$ (161,204)	\$ (5,204)
Transfer to Debt Service Fund	<u>(224,051)</u>	<u>(224,051)</u>	<u>(224,051)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (380,051)</u>	<u>\$ (380,051)</u>	<u>\$ (385,255)</u>	<u>\$ (5,204)</u>
NET CHANGE IN FUND BALANCE	\$ 293,949	\$ 293,949	\$ 438,618	\$ 144,669
FUND BALANCE - BEGINNING	<u>1,500,706</u>	<u>1,500,706</u>	<u>1,500,706</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 1,794,655</u></u>	<u><u>\$ 1,794,655</u></u>	<u><u>\$ 1,939,324</u></u>	<u><u>\$ 144,669</u></u>

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

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, 2024 by \$40,830 in the Accommodations Tax Fund. The excess was primarily a result of unbudgeted pass-through grant expenditures.

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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest Income	\$ -	\$ -	\$ 8	\$ 8
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>
EXPENDITURES				
Debt Service				
Principal	\$ 173,000	\$ 173,000	\$ 173,000	\$ -
Interest and Other Charges	51,051	51,051	51,051	-
Total Debt Service	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (224,051)</u>	<u>\$ (224,051)</u>	<u>\$ (224,043)</u>	<u>\$ 8</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Beach Renourishment Fund	\$ 224,051	\$ 224,051	\$ 224,051	\$ -
Total Other Financing Sources (Uses)	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ 224,051</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 8	\$ 8
FUND BALANCE - BEGINNING	<u>2,012</u>	<u>2,012</u>	<u>2,012</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 2,012</u></u>	<u><u>\$ 2,012</u></u>	<u><u>\$ 2,020</u></u>	<u><u>\$ 8</u></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, 2024**

FOR THE STATE TREASURER'S OFFICE:

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines & Assessments:				
Court Fines and Assessments Collected	\$ -	\$ -	\$ 24,758	\$ 24,758
Court Fines and Assessments Remitted to State Treasurer	-	-	(5,598)	(5,598)
Total Court Fines & Assessments Retained	\$ -	\$ -	\$ 19,160	\$ 19,160
Surcharges & Assessments Retained for Victim Services				
Surcharges Collected and Retained	\$ -	\$ -	\$ 100	\$ 100
Assessments Retained	-	-	456	456
Total Surcharges & Assessments Retained for Victim Services	\$ -	\$ -	\$ 556	\$ 556

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year - Beginning Balance	\$ 533	\$ -	\$ 533
Victim Services Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	456	-	456
Victim Service Surcharges Retained by City/County Treasurer	100	-	100
Interest Earned	-	-	-
Grant Funds Received			
Grant From:			
General Funds Transferred To Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts:			
(1) Town of _____	-	-	-
(2) Town of _____	-	-	-
(3) City of _____	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 1,089	\$ -	\$ 1,089
Expenditures for Victim Service Program:			
Salaries and Benefits	\$ -	\$ -	\$ -
Operating Expenditures	-	-	-
Victim Service Contract(s):			
(1) Georgetown County	-	-	-
(2) Other Entity	-	-	-
Victim Service Donation(s)			
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) Other Local Direct Crime Victims Service Agency	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	\$ -	\$ -	\$ -
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 1,089	\$ -	\$ 1,089
Less: Prior Year Deficit Repayment	-	-	-
Carryforward Funds - End of Year	\$ 1,089	\$ -	\$ 1,089

POSTON,
MOREE & MOREE, P.A.

Certified Public Accountants

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, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 3, 2025.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified the deficiency, described in the accompanying schedule of findings and responses as item 2024-001 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.

Poston, Moree & Moree, P.A.

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

Pawleys Island, South Carolina
September 3, 2025

**TOWN OF PAWLEYS ISLAND, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

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, 2024; 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, 2024; 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, 2024; 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

2024-001 *Financial Statement Preparation*

Material Weakness: 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 2023-001.

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, 2024**

B. Findings - Financial Statement Audit (continued)

2024-001 *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.