



TOWN OF PORT ROYAL, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

**TOWN OF PORT ROYAL, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024
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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Port Royal, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Port Royal, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Port Royal's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Port Royal, as of June 30, 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 Port Royal and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Port Royal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Port Royal'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, historical pension and budgetary comparison information on pages 4–10 and 38–40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Port Royal's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024, on our consideration of the Town of Port Royal's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Port Royal's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Port Royal's internal control over financial reporting and compliance.



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 30, 2024

Town of Port Royal, South Carolina Management's Discussion and Analysis

As management of the Town of Port Royal, South Carolina (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024.

Financial Highlights

- The assets and deferred outflows exceed the liabilities and deferred inflows by \$9,462,304 (net position) at the close of the most recent fiscal year. Of this amount, \$6,625,143 represents the net investment in capital assets less depreciation and debt on those assets. The restricted net position of \$2,307,578 is held for the capital projects fund and other governmental funds. The remaining balance of \$529,583 represents the unrestricted net position. The Town's total net position increased by \$1,550,290.
- At the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,311,977, a decrease of \$581,642 in comparison to the prior year. Of this amount, \$5,004,399 is available for spending at the Town's discretion (*unassigned fund balance*). The *unrestricted fund balance* (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) includes the general fund. The remaining fund balance of \$2,307,578, was restricted for specific purposes for the capital projects fund and other governmental funds (*restricted fund balance*).

Overview of the 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.

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.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental fees (*governmental activities*). The governmental activities of the Town include programs related to legislative, executive, court, police department, fire department, streets and sanitation, safety and building services, stormwater utility, recreation and tourism, and housing rehabilitation. The Town currently has no business type activities.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other public agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Town can be considered 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal 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. It may be useful to compare the two for similar activities and programs. By doing so, readers may better understand the long-term impact of the government'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 of *governmental programs* and *governmental activities*.

The Town maintains nine 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 and the capital projects fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplemental information section in this report.

The Town adopts an annual budget for the general fund. A schedule comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

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

Notes to the financial statements. The notes provide additional information that is necessary to acquire 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 through 37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's progress in funding its obligations to provide pension and other post-employment benefits to its employees. Additionally, the statement of revenues, expenditures and changes in fund balances – budget and actual – for the general fund is included in the required supplementary information. Required supplementary information can be found on pages 38 through 40 of this report.

The Town's financial report also includes *supplementary* information. This information is not required but is presented to provide additional insight into the Town's financial position. Included in this section is the combining statements for nonmajor funds and the schedule of fines, assessments and surcharges. Supplementary information can be found on pages 41 through 44 of this report.

Government-wide Overall Financial Analysis. As noted earlier, net position over time may serve as a useful indicator of government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$9,462,304 at the close of the most recent fiscal year. Comparative information has been presented for the prior year.

TOWN OF PORT ROYAL, SOUTH CAROLINA NET POSITION		
	Governmental Activities	
	2024	2023
Current and Other Assets	\$ 15,092,084	\$ 15,998,540
Capital Assets, net	9,123,154	7,154,894
Total Assets	<u>24,215,238</u>	<u>23,153,434</u>
Deferred Outflows of Resources	<u>1,043,315</u>	<u>951,010</u>
Current Liabilities	7,634,651	7,947,304
Non-current Liabilities	8,019,980	8,035,819
Total Liabilities	<u>15,654,631</u>	<u>15,983,123</u>
Deferred Inflows of Resources	<u>141,618</u>	<u>209,307</u>
Net Position		
Net Investment in Capital Assets	6,625,143	6,311,491
Restricted	2,307,578	4,444,953
Unrestricted (Deficit)	529,583	(2,844,430)
Total Net Position	<u>\$ 9,462,304</u>	<u>\$ 7,912,014</u>

Total assets increased in governmental activities by \$1,061,804 from the prior year. The increase is mainly attributable to the current year activity for capital assets. The Town acquired \$2,425,445 in capital assets during the year, including four vehicles for the police department, two trailers, sidewalk and asphalt construction, and various building improvements. Additionally, the Town acquired \$512,568 in new lease assets for six police department vehicles. These additions were offset by depreciation and amortization expense of \$793,151.

Total liabilities in governmental activities decreased by \$328,492 from the prior year. The decrease is due to the use of funds previously deemed unearned in the previous year. These funds included State and Local Fiscal Recovery Funds and a Department of Natural Resources grant.

The largest portion of the Town's net position, \$6,625,143, reflects its investment in capital investments, net of accumulated depreciation and any related outstanding debt used to acquire those assets. These capital assets are used to provide a variety of services to its citizens and therefore not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources used 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, \$2,307,578, represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the Town's unrestricted net position was a balance of \$529,583.

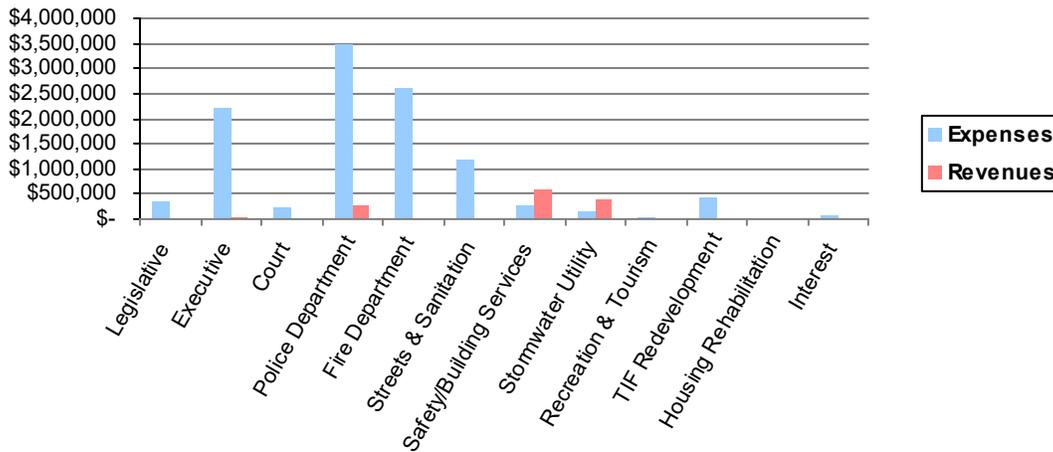
Governmental activities. The Town's overall net position increased by \$1,550,290. Key elements of this increase are as shown in the following table.

TOWN OF PORT ROYAL, SOUTH CAROLINA CHANGE IN NET POSITION		
	Governmental Activities	
	2024	2023
Expenses		
Legislative	\$ 351,016	\$ 317,747
Executive	2,211,222	3,106,170
Court	230,442	188,310
Police Department	3,486,598	2,956,716
Fire Department	2,602,361	2,453,348
Streets and Sanitation	1,176,556	1,261,690
Safety/Building Services	263,862	297,408
Stormwater Utility	143,437	116,059
Recreation and Tourism	51,176	70,246
TIF Redevelopment	449,309	43,716
Interest	92,940	86,107
Total expenses	<u>11,058,919</u>	<u>10,897,517</u>
Program Revenues		
Charges for Services	1,002,942	1,149,923
Operating Grants and Contributions	356,460	1,196,392
Total program revenues	<u>1,359,402</u>	<u>2,346,315</u>
General Revenues		
Property Taxes	5,494,794	4,576,378
Business Licenses	2,575,952	2,103,510
Accommodation and Hospitality Taxes	837,147	786,125
Franchise Taxes	914,317	843,699
Grants and contributions not restricted to specific programs	1,073,624	684,716
Investment Earnings	300,109	179,131
SCRS Refund	18,707	18,707
Disposal of Capital Assets	35,157	3,276
Total general revenues and special items	<u>11,249,807</u>	<u>9,195,542</u>
Change in net position	1,550,290	644,340
Net position - beginning	7,912,014	7,267,674
Net position - ending	<u>\$ 9,462,304</u>	<u>\$ 7,912,014</u>

Total expenses increased \$161,402 from the prior year, which was attributable to the decrease in activity through the executive department in the current year of \$894,948. The decrease of executive department expenses is mainly due to reduction of activity on the sewer extension project in the current year. This decrease is offset by the increase in activity within the police and fire departments of \$529,882 and \$149,013, respectively. These departments experienced a cost-of-living adjustment that resulted in higher personnel costs. Additionally, the TIF Redevelopment fund has an increase in expenses of \$405,593 from the prior year.

Total revenues increased \$1,067,352 from the prior year, which was attributable to the following increases: property tax revenues of \$918,416; business licenses revenue of \$472,442; grants and contributions not restricted to specific programs of \$388,908; and investment income of \$120,978. Tax millage was 74 for operations for both of the years ended June 30, 2024 and 2023. The assessed valuations increased 24.6%. The Town has seen significant growth during the fiscal year, resulting in an increase of business licenses, permitting fees, and other charges for services. The Town had a decrease of \$839,932 in operating grants and contributions. This is attributable to the sewer extension project, funded by CDBG revenues, being completed in the prior year. Grants and revenues not restricted to specific programs were higher than the prior year due to increased use of State and Local Fiscal Recovery Funds.

Expenses and Revenues by Program - Governmental Activities



Financial Analysis of the Government’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 spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town.

At the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$7,311,977, a decrease of \$581,642. Of this amount, \$5,004,399, constitutes the *unassigned fund balance*, which is available for spending at the government’s discretion. The remaining fund balance of \$2,307,578 is restricted for particular purposes.

Analysis of individual funds. The Town’s governmental funds include the general fund, the capital projects fund, and other nonmajor governmental funds. The changes in the individual governmental funds are discussed in the following paragraphs.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund is \$5,004,399, which represented 53% of total general fund expenditures. The general fund balance increased \$1,260,127 during the current fiscal year. The increase is attributable to \$971,091 unbudgeted revenue collected for fines, fees and licenses.

The capital projects fund, a major fund, had a restricted fund balance of \$602,125 at the end of the current fiscal year. The capital projects fund had a decrease in fund balance of \$2,070,824. The decrease is related to the use of the general obligation bond of 2022 for the purpose of infrastructure improvements.

The Town has seven other governmental funds that are considered to be nonmajor. The other governmental funds include: the Stormwater Utility Fund, which increased \$127,828; the Local Hospitality fund, which increased \$147,867; the Local Accommodation Tax Fund, which increased \$4,432; the State Accommodation Tax Fund, which decreased \$49,927; the Housing Rehab Fund, which increased \$3,640; TIF Fund, which decreased \$4,785; and the Shrimp Dock Fund, which had no activity.

Budgetary Highlights. Budget to actual comparison is presented for the general fund on page 38. Overall revenues were more than budget revenues by \$1,313,253. This is due to unbudgeted activity from fines, fees and licenses revenues of \$971,091. This increase is due to growth within the Town, resulting in more revenues being generated from business licenses fees and building fees. Overall expenditures were over budget expenditures by \$53,126. The Executive Department exceeded budgeted expenditures by \$241,738, mainly attributable to excess spending on special contracts for legal and engineering. This was offset by the Police Department and Streets and Sanitation being underbudget by \$91,075 and \$120,322, respectively. The Police Department and Streets and Sanitation budgeted for capital expenditures that were subsequently paid by grant funds, not operating funds.

Capital Assets. The Town's investment in capital assets for its governmental type activities as of June 30, 2024 amounts to \$9,123,154 (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, construction in progress, infrastructure, buildings and improvements, furniture and equipment, vehicles, lease assets and subscription assets. The total increases of capital assets for the current fiscal year were \$2,761,411. These additions included construction at Cypress Wetlands (\$50,585), Town Hall roof (\$107,150), three HVAC systems (\$36,014), two trailers (\$25,790), asphalt and sidewalk renovations (\$2,034,041), four police department vehicles (\$164,040) and construction in progress for a new Town sign (\$7,825). Six new vehicles were acquired as lease assets (\$335,966). There were nine vehicles disposed of or sold during the fiscal year. Depreciation and amortization expense was \$793,151 for the year ended June 30, 2024.

TOWN OF PORT ROYAL, SOUTH CAROLINA CAPITAL ASSETS - NET OF DEPRECIATION		
	Governmental Activities	
	2024	2023
Land and Improvements	\$ 408,507	\$ 408,507
Construction in progress	7,825	-
Infrastructure	4,439,912	2,662,142
Buildings and Improvements	2,711,853	2,690,731
Furniture and Equipment	175,662	185,234
Vehicles	417,950	360,039
Lease Assets	928,599	803,808
Subscription Assets	32,846	44,433
Total	<u>\$ 9,123,154</u>	<u>\$ 7,154,894</u>

Additional information on the Town's capital assets can be found in Note 4 of this report.

Long-term obligations. At the end of the current fiscal year, the Town had total long-term obligations outstanding in the amount of \$8,019,980. The long-term obligations were attributable to bonds payable, compensated absences, net pension liability, other post-employment benefits liability, lease liability and subscription liability. New debt of \$335,966 acquired during the year included six vehicles. All other changes represented regularly scheduled principal reductions of the existing outstanding obligations. Additional information can be found in Note 5 of this report.

TOWN OF PORT ROYAL, SOUTH CAROLINA LONG-TERM DEBT OUTSTANDING		
	Governmental Activities	
	2024	2023
Bonds Payable	\$ 2,434,000	\$ 2,704,000
Lease Liability	631,958	517,862
Subscription Liability	34,158	45,323
Compensated Absences	220,093	216,323
Net Pension Liability	4,699,771	4,552,311
Total	<u>\$ 8,019,980</u>	<u>\$ 8,035,819</u>

Economic Factors and Next Year's Budgets

The Town approved an operating budget for fiscal year 2024-2025 of \$10,179,300. The millage rate remains at 74 mills.

Requests for Information

This financial report is designed to provide a general overview of the Town of Port Royal, South Carolina's finances, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Port Royal, South Carolina, Post Office Box 8, Port Royal, South Carolina, 29935.

BASIC
FINANCIAL STATEMENTS

TOWN OF PORT ROYAL, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash	\$ 1,947,176
Restricted Cash	6,848,153
Investments	5,163,585
Receivables	1,127,960
Notes Receivable	5,210
Capital Assets, not being depreciated/amortized	416,332
Capital Assets, being depreciated/amortized	8,706,822
Total Assets	24,215,238
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	1,043,315
Total Deferred Outflows of Resources	1,043,315
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 25,258,553
LIABILITIES	
Accounts Payable	\$ 1,227,416
Salaries and Benefits Payable	235,269
Interest Payable	23,795
Unearned Revenue	6,148,171
Non-current Liabilities	
Due within one year	533,576
Due in more than one year	2,786,633
Net Pension Liability	4,699,771
Total Liabilities	15,654,631
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	141,618
Total Deferred Inflows of Resources	141,618
NET POSITION	
Net Investment in Capital Assets	6,625,143
Restricted for:	
Grants and Projects	602,125
Tourism and Related Costs	660,999
TIF Project	672,491
Housing Rehabilitation	88,980
Stormwater Drainage	578,589
Shrimp Dock	(295,606)
Unrestricted (Deficit)	529,583
Total Net Position	9,462,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 25,258,553

The notes to the financial statements are an integral part of this statement.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities					
Legislative	\$ 351,016	\$ -	\$ -	\$ -	\$ (351,016)
Executive	2,211,222	-	26,228	-	(2,184,994)
Court	230,442	-	-	-	(230,442)
Police Department	3,486,598	103,462	191,642	-	(3,191,494)
Fire Department	2,602,361	-	-	-	(2,602,361)
Streets and Sanitation	1,176,556	1,320	-	-	(1,175,236)
Safety/Building Services	263,862	606,325	-	-	342,463
Stormwater Utility	143,437	274,320	134,950	-	265,833
Recreation and Tourism	51,176	17,515	-	-	(33,661)
TIF Redevelopment	449,309	-	-	-	(449,309)
Housing Rehabilitation	-	-	3,640	-	3,640
Interest Expense	92,940	-	-	-	(92,940)
Total Governmental Activities	<u>\$ 11,058,919</u>	<u>\$ 1,002,942</u>	<u>\$ 356,460</u>	<u>\$ -</u>	<u>(9,699,517)</u>
		General Revenues			
					5,494,794
					2,575,952
					837,147
					914,317
					1,073,624
					300,109
					18,707
					35,157
					<u>11,249,807</u>
					1,550,290
					7,912,014
					<u>\$ 9,462,304</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ -	\$ 720,124	\$ 1,249,124	\$ 1,969,248
Restricted Cash	59,080	5,687,277	1,079,724	6,826,081
Investments	5,163,585	-	-	5,163,585
Receivables	974,057	50,849	103,054	1,127,960
Notes Receivable	-	-	5,210	5,210
Due from Other Funds	295,606	-	-	295,606
Total Assets	<u><u>\$ 6,492,328</u></u>	<u><u>\$ 6,458,250</u></u>	<u><u>\$ 2,437,112</u></u>	<u><u>\$ 15,387,690</u></u>
LIABILITIES				
Accounts Payable	\$ 473,941	\$ 322,632	\$ 430,843	\$ 1,227,416
Salaries and Benefits Payable	235,269	-	-	235,269
Unearned Revenue	614,678	5,533,493	-	6,148,171
Due to General Fund	-	-	295,606	295,606
Total Liabilities	<u><u>1,323,888</u></u>	<u><u>5,856,125</u></u>	<u><u>726,449</u></u>	<u><u>7,906,462</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	164,041	-	-	164,041
Unavailable revenue - notes receivable	-	-	5,210	5,210
Total Deferred Inflows of Resources	<u><u>164,041</u></u>	<u><u>-</u></u>	<u><u>5,210</u></u>	<u><u>169,251</u></u>
FUND BALANCES				
Restricted	-	602,125	1,705,453	2,307,578
Unassigned	5,004,399	-	-	5,004,399
Total Fund Balances	<u><u>5,004,399</u></u>	<u><u>602,125</u></u>	<u><u>1,705,453</u></u>	<u><u>7,311,977</u></u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 6,492,328</u></u>	 <u><u>\$ 6,458,250</u></u>	 <u><u>\$ 2,437,112</u></u>	 <u><u>\$ 15,387,690</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds		\$ 7,311,977
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	408,507	
Construction in Progress	7,825	
Infrastructure, net of \$1,777,387 accumulated depreciation	4,439,912	
Buildings and Improvements, net of \$2,692,603 accumulated depreciation	2,711,853	
Furniture and Equipment, net of \$599,550 accumulated depreciation	175,662	
Vehicles, net of \$1,073,998 accumulated depreciation	417,950	
Lease Assets, net of \$814,539 accumulated amortization	928,599	
Subscription Assets, net of \$25,088 accumulated amortization	32,846	
Total Capital Assets		9,123,154

Some of the Town's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.		169,251
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(23,795)
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Deferred outflows and inflows of resources represents amounts applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:	1,043,315	
Related to pensions		
Deferred inflows of resources:		
Related to pensions	(141,618)	
Total deferred outflows and inflows of resources		901,697

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2024 are:

Net Pension Liability	(4,699,771)	
Bonds, Notes, Leases and Subscriptions Payable	(3,100,116)	
Accrued Compensated Absences	(220,093)	
Total Long-Term Liabilities		(8,019,980)

Total net position of governmental activities		\$ <u>9,462,304</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,104,507	\$ -	\$ 1,239,595	\$ 6,344,102
Fines, Fees and Licenses	4,218,891	-	274,320	4,493,211
Intergovernmental	374,864	-	-	374,864
Miscellaneous	380,291	1,025,262	3,640	1,409,193
Total Revenues	<u>10,078,553</u>	<u>1,025,262</u>	<u>1,517,555</u>	<u>12,621,370</u>
EXPENDITURES				
Current				
Legislative	326,080	-	21,523	347,603
Executive	1,624,113	382,873	-	2,006,986
Court	231,896	-	-	231,896
Police Department	2,904,517	331,178	-	3,235,695
Fire Department	2,547,156	5,500	-	2,552,656
Streets and Sanitation	938,591	9,500	-	948,091
Safety/Building Services	262,273	-	-	262,273
Stormwater Utility	-	-	95,907	95,907
Recreation and Tourism	-	-	51,176	51,176
TIF Redevelopment	-	-	449,309	449,309
Debt Service				
Principal and Interest	503,035	-	-	503,035
Interest	92,940	-	-	92,940
Capital Outlay				
Executive	7,825	244,659	-	252,484
Police Department	-	335,966	-	335,966
Streets and Sanitation	-	2,122,376	-	2,122,376
Stormwater Utility	-	-	50,585	50,585
Total Expenditures	<u>9,438,426</u>	<u>3,432,052</u>	<u>668,500</u>	<u>13,538,978</u>
Excess (Deficiency) of Revenues				
Over/Under Expenditures	<u>640,127</u>	<u>(2,406,790)</u>	<u>849,055</u>	<u>(917,608)</u>
OTHER FINANCING SOURCES (USES)				
Lease and Subscription Proceeds	-	335,966	-	335,966
Transfers In	620,000	-	-	620,000
Transfers Out	-	-	(620,000)	(620,000)
Total Other Financing Sources (Uses)	<u>620,000</u>	<u>335,966</u>	<u>(620,000)</u>	<u>335,966</u>
Change in Fund Balances	1,260,127	(2,070,824)	229,055	(581,642)
Fund Balances, Beginning	3,744,272	2,672,949	1,476,398	7,893,619
Fund Balances, Ending	<u>\$ 5,004,399</u>	<u>\$ 602,125</u>	<u>\$ 1,705,453</u>	<u>\$ 7,311,977</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$	(581,642)
<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 is the amount by which capital outlay (\$2,761,411) exceeded depreciation and amortization expense (\$793,151) in the current period.</p>		
		1,968,260
<p>Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Pension contributions	(591,072)	
Cost of benefits earned net of employee contributions	603,606	
Net change in pension contributions		12,534
<p>Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
		503,035
<p>Proceeds of debt are reported as revenue in governmental funds. However, in the government wide statements, proceeds of debt are treated as a liability</p>		
		(335,966)
<p>Revenues in the funds statement that are reported in current financial resources are not reported as revenues in the statement of activities.</p>		
		(12,161)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	(3,770)	(3,770)
Total change in net position of governmental activities	\$	1,550,290

The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Port Royal, South Carolina is a political subdivision of the State of South Carolina, operating under the Council-Administrator form of government to provide services authorized by its charter. It is governed by an elected board (Council) which is governed by state statutes and regulations. Its main services are general government, council, building and zoning, Town services, fire department, police department, courts, recreation, and tourism. The Town was organized on March 9, 1874.

Reporting Entity

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation 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 would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include imposition of will, and financial benefit or burden on a primary government and selection of governing authority. Based on the above criteria, the Town of Port Royal, South Carolina has no component units required to be reported in these financial statements.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the elected council and the town administrator.

The Town is primarily funded through taxation, fines, fees and licenses. The operating revenues and expenditures are included in the General Fund. The accounting policies of the Town conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town is currently not reporting any fiduciary funds.

The Town reports the following major governmental funds:

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

The *capital projects fund* accounts for the financial resources used for the acquisition or construction of capital projects.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property taxes, intergovernmental revenues, and other reimbursement type grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Budgetary Information

Prior to the start of each fiscal year, the various departments submit to the Town Administrator a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The Town Administrator reviews the budgets and submits them to the Town Council. Two public hearings are conducted to obtain taxpayer comments as required by Section 4-9-130 of the South Carolina statutes. Prior to June 30, the budget is legally enacted through passage of an ordinance. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. It is unlawful to expend or contract for an expenditure in any fiscal year more than the amount budgeted in each fund pursuant to Section 4-9-140 of the South Carolina statutes. Budgets are adopted for the general fund. The Town does not prepare a budget for its other funds; accordingly, a budget to actual schedule is omitted for these funds. There were no supplemental appropriations during the year.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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.

The Town is authorized by state statute to invest in the following:

- Obligations of the United States and its agencies;
- General obligations of the State of South Carolina and its political units;
- Savings and loan associations to the extent that the same are insured by an agency of the Federal Government; certificates of deposit where the certificates are collaterally secured by securities of the type described above and are held by a third party as escrow agent or custodian, at a market value not less than the amounts of the certificates of deposit plus interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Property tax receivables are shown net of an allowance for uncollectible.

The Town Ordinance provides for the taxation of all real and personal property located within the Town limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the Town in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for tax year 2023 is 74 mills.

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories and Prepaid Items

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	5-50
Vehicles	5-25
Infrastructure	5-50
Furniture and Equipment	5-15

Leases

The Town has entered into various leasing arrangements as the lessee. The Town follows GASB Statement No. 87, *Leases*, for accounting and reporting of its leases. The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more with a lease term greater than one year. The Town recognizes a lease liability and a right-to-use lease asset in the government-wide financial statements. At the commencement of the lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Key estimates and judgements related to leases include the discount rate, the lease terms and the lease payments. For the discount rate, the Town uses the interest rate charged by the lessor. If an interest rate is not provided by the lessor, the Town will use its estimated incremental borrowing rate as the discount rate. Lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Town monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that significantly affect the amount of the lease liabilities.

Subscriptions

The Town has entered into various IT software subscriptions arrangements. The Town follows GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), for accounting and reporting of its IT software subscriptions. The Town recognizes subscription liabilities with an initial, individual value of \$5,000 or more with a subscription term greater than one year. The Town recognizes a subscription liability and an intangible subscription asset in the government-wide financial statements. At the commencement of the agreement, the Town initially measures the subscription liability at the present value of payments expected to be made during the agreement term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Key estimates and judgements related to subscriptions include the discount rate, the agreement terms and the agreement payments. For the discount rate, the Town uses the interest rate charged by the software vendor. If an interest rate is not provided by the software vendor, the Town will use its estimated incremental borrowing rate as the discount rate. Agreement terms include the noncancellable period of the agreement. Agreement payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its agreements and will remeasure the subscription assets and liabilities if certain changes occur that significantly affect the amount of the subscription liabilities.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as issuance of debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reported deferred outflows in the statement of net position related to its pension liability.

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenues from property taxes and notes receivable on the governmental fund balance sheet. The Town reports deferred inflows in the statement of net position related to its pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the Town Administrator to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues and expenditures/expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Use of Estimates

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

NOTE 2 DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2024, the Town’s balance was \$8,795,329 of which \$250,000 was covered by FDIC insurance and the remaining balance was covered by assets pledged by the financial institution.

In addition, South Carolina statutes authorize the Town to invest in the SCLGIP. The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The LGIP is considered to be a 2a7-like pool that operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The pool is managed by the Treasurer’s Office of the State of South Carolina. The pool is not registered with the SEC as an investment company. The fair value of the balance in the LGIP represents the same value as the pool shares. The amount invested at June 30, 2024 was \$5,163,585.

NOTE 3 RECEIVABLES

Taxes receivable consist of delinquent taxes on hand at June 30, 2024. Taxes not collected within 60 days of year-end are treated as deferred revenues. An allowance for doubtful accounts of two percent in the amount of \$3,666 has been applied to the taxes receivable in the general fund.

The following details receivables - net by fund:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Receivables
Taxes Receivable, net	\$ 211,100	\$ -	\$ 100,175	\$ 311,275
Intergovernmental Revenues	96,604	-	-	96,604
Fines, Fees, and Licenses	658,828	-	2,879	661,707
Miscellaneous	7,525	50,849	-	58,374
Total	\$ 974,057	\$ 50,849	\$ 103,054	\$ 1,127,960

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 RECEIVABLES - CONTINUED

Government funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable	\$ 164,041	\$ -
Drug Funds	-	58,025
Victims Assistance	-	9,516
Insurance proceeds	-	488,057
Mascaro Road	-	59,080
Housing Loans	5,210	-
PRT Grant	-	554
SC Department of Veteran Affairs	-	5,369
South Carolina DNR Grant	-	765,050
American Rescue Plan Act (ARPA)	-	4,762,520
Total	<u>\$ 169,251</u>	<u>\$ 6,148,171</u>

Notes Receivables

	<u>Balance</u>
Revolving loan fund for rehabilitation of homes within the Town. These funds were originally loaned to rehabilitate or contract homes in the Town for economically disadvantaged individuals.	\$ 50,664
Allowance for Uncollectible of Rehab Loans	(45,454)
Total Notes Receivable - Net	<u>\$ 5,210</u>

NOTE 4 PROPERTY AND EQUIPMENT

A summary of changes in the Town's property and equipment is as follows:

	<u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
<i>Capital assets not being depreciated/amortized</i>				
Land	\$ 408,507	\$ -	\$ -	\$ 408,507
Construction in progress	-	7,825	-	7,825
Total assets not being depreciated/amortized	<u>408,507</u>	<u>7,825</u>	<u>-</u>	<u>416,332</u>
<i>Capital assets being depreciated/amortized:</i>				
Building and improvements	5,210,707	193,749	-	5,404,456
Infrastructure	4,183,259	2,034,041	-	6,217,300
Furniture and equipment	749,422	25,790	-	775,212
Vehicles	1,840,476	164,040	512,568	1,491,948
Lease assets	1,407,171	335,966	-	1,743,137
Subscription assets	57,934	-	-	57,934
Total assets being depreciated/amortized	<u>13,448,969</u>	<u>2,753,586</u>	<u>512,568</u>	<u>15,689,987</u>
<i>Accumulated depreciation/amortization for:</i>				
Building and improvements	2,519,976	172,627	-	2,692,603
Infrastructure	1,521,117	256,270	-	1,777,387
Furniture and equipment	564,188	35,362	-	599,550
Vehicles	1,480,437	106,129	512,568	1,073,998
Lease assets	603,363	211,176	-	814,539
Subscription assets	13,501	11,587	-	25,088
Total accumulated depreciation/amortization	<u>6,702,582</u>	<u>793,151</u>	<u>512,568</u>	<u>6,983,165</u>
Total capital assets being depreciated/amortized, net	<u>6,746,387</u>	<u>1,960,435</u>	<u>-</u>	<u>8,706,822</u>
Governmental activities capital assets, net	<u>\$ 7,154,894</u>	<u>\$1,968,260</u>	<u>\$ -</u>	<u>\$ 9,123,154</u>

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 PROPERTY AND EQUIPMENT - CONTINUED

Depreciation and amortization expense was \$793,151 for the year ended June 30, 2024. This amount was allocated to the functional departments as follows:

Governmental activities	
Legislative	\$ 2,792
Executive	201,389
Fire Department	49,705
Streets and Sanitation	230,573
Safety and Building Services	2,120
Stormwater	47,530
Police Department	259,042
	\$ 793,151

NOTE 5 LONG-TERM OBLIGATIONS

A schedule of changes on long-term indebtedness follows:

	June 30, 2023	Increases	Decreases	June 30, 2024	Due Within One Year
Bonds Payable	\$ 2,704,000	\$ -	\$ 270,000	\$ 2,434,000	\$ 277,000
Lease Liability	517,862	335,966	221,870	631,958	189,900
Subscription Liability	45,323	-	11,165	34,158	11,653
Compensated Absences	216,323	3,770	-	220,093	55,023
	3,483,508	339,736	503,035	3,320,209	533,576
Net Pension Liability	4,552,331	147,440		4,699,771	-
	\$ 8,035,839	\$ 487,176	\$ 503,035	\$ 8,019,980	\$ 533,576

Compensated Absences

Vacation

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. As of June 30, 2024, the accrued vacation leave totaled \$220,093 including seventeen percent for employee benefits. This liability is payable from the general fund.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no monetary obligation exists.

General Bond Obligation Bonds

General Bond Obligations bonds payable at June 30, 2024 are comprised of the following:

Series 2022 General Obligations Bond in the amount of \$3,000,000 obtained August 2022, for the purpose of improving and repairing sidewalks and roadways in the Town. The bond is payable in 10 annual installments ranging from \$340,945 to \$341,818 and bears interest at 2.64%. As of June 30, 2024, the balance was \$2,434,000.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS - CONTINUED

As of June 30, 2024, the future debt service requirements for the general obligation bonds were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 277,000	\$ 64,258	\$ 341,258
2026	284,000	56,945	340,945
2027	292,000	49,447	341,447
2028	300,000	41,738	341,738
2029	308,000	33,818	341,818
2030-2032	973,000	51,823	1,024,823
Total	<u>\$ 2,434,000</u>	<u>\$ 298,029</u>	<u>\$ 2,732,029</u>

Debt Limitation

The Town's general obligation debt is limited by law to eight percent of the total assessed value of all taxable real and personal property of the district. The latest assessed value was \$70,714,850. The computation of legal debt limits is as follows:

Assessed value (\$70,714,850 x 8%)	\$ 5,657,188
General obligation debt at June 30, 2024	(2,434,000)
Excess of general obligation debt over debt limit	<u>\$ 3,223,188</u>

Leases

The Town has various agreements for the right to use equipment and vehicles that include multiple optional renewal periods and contain purchase options for fair market value. Generally, the Town does not consider the additional renewal periods or purchase options to be reasonably certain of being exercised. All the leases included fixed rental payments, but many of the leases also include variable rental payments. The variable rental payments are determined by usage, and therefore, are excluded from the lease liability. For operating leases, a lease liability and right-to-use asset were established for each of these agreements and are being amortized over the terms of the lease. For financing leases, the lease liability is amortized over the term of the lease while the right-to-use asset is amortized over the useful life of the asset. The terms of the leases vary and are outlined below:

<u>Leases</u>	<u>Balance</u>
\$505,937 leases for right to use vehicles with annual payments between \$2,710 and \$17,740 including interest ranging between 2.60% and 4.29%	\$ 559,646
\$93,668 lease for right to use equipment with annual payments ranging between \$3,091 and \$17,740 including interest of 4.29%.	72,312
Total Lease Liability	<u>\$ 631,958</u>

The annual requirements to amortize the lease liabilities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 189,900	\$ 18,943	\$ 208,843
2026	156,819	20,922	177,741
2027	140,679	14,702	155,381
2028	105,883	8,844	114,727
2029	38,677	3,825	42,502
Total	<u>\$ 631,958</u>	<u>\$ 67,236</u>	<u>\$ 699,194</u>

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Subscriptions

The Town has SBITAs for software programs. As of June 30, 2024, the value of the subscription liability was \$34,158. The value of the subscription asset at the end of the current fiscal year was \$71,020, net of accumulated amortization of \$22,906. The SBITAs are paid by the general fund. The terms of the subscriptions are outlined below:

<u>Subscriptions</u>	<u>Balance</u>
\$71,020 subscription for right to use software with annual payments of \$12,900 including interest of 4.29%.	\$ 34,158
Total Subscription Liability	<u>\$ 34,158</u>

The annual requirements to amortize the subscription liability are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 11,653	\$ 1,247	\$ 12,900
2026	12,163	737	12,900
2027	10,342	208	10,550
Total	<u>\$ 34,158</u>	<u>\$ 2,192</u>	<u>\$ 36,350</u>

Pension Plan

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

Membership

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

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

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Benefits

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

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

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

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

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

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2024¹</u>	<u>Fiscal Year 2023¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

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

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2024¹</u>	<u>Fiscal Year 2023¹</u>
SCRS		
Employer Class Two	18.41%	17.41%
Employer Class Three	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	20.84%	19.84%
Employer Class Three	20.84%	19.84%
Employer Accidental Death Program	0.20%	0.20%
Employer Incidental Death Benefit	0.20%	0.20%

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

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Actuarial Assumptions and Methods

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

The June 30, 2023, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2023, TPL are as follows.

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

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2023, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
SCRS	\$ 4,319,350	\$ 2,533,235	\$ 1,786,115	58.6%
PORS	9,045,088	6,131,432	2,913,656	67.8%
Total	<u>\$ 13,364,438</u>	<u>\$ 8,664,667</u>	<u>\$ 4,699,771</u>	

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2023 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity¹	9.0%	10.91%	0.98%
Private Debt¹	7.0%	6.16%	0.43%
Real Assets	12.0%		
Real Estate ¹	9.0%	6.41%	0.58%
Infrastructure ¹	3.0%	6.62%	0.20%
Total Expected Return ²	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
			<u>7.56%</u>

¹ RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

² Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 15% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Discount Rate

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

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
SCRS	\$ 2,307,979	\$ 1,786,115	\$ 1,352,569
PORS	4,110,153	2,913,656	1,933,577
	<u>\$ 6,418,132</u>	<u>\$ 4,699,771</u>	<u>\$ 3,286,146</u>

Pension Expense

The aggregate amount of pension expense for SCRS and PORS is \$503,191. Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2023, are presented below.

Description	SCRS	PORS
Service cost (annual cost of current service)	\$ 82,756	\$ 219,074
Interest on the total pension liability	285,855	589,796
Plan administrative costs	1,271	3,018
Plan member contributions	(76,534)	(171,398)
Expected return on plan assets	(165,963)	(399,048)
Recognition of current year amortization - Difference between expected and actual experience & assumption changes	48,866	105,019
Recognition of current year amortization - Difference between projected and actual investment earnings	(31)	(1,571)
Other	(100)	(17,819)
Total	<u>\$ 176,120</u>	<u>\$ 327,071</u>

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NPL and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources

The schedules on the next two pages reflect the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding at June 30, 2023.

<u>SCRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 31,010	\$ 4,953
Assumption changes	27,366	-
Net difference between projected and actual investment earnings	-	2,445
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	103,983	4,719
Contributions subsequent to the measurement date	197,476	-
Total	<u>\$ 359,835</u>	<u>\$ 12,117</u>

<u>PORS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 137,119	\$ 35,919
Assumption changes	63,413	-
Net difference between projected and actual investment earnings	-	5,000
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	76,818	88,582
Contributions subsequent to the measurement date	406,130	-
Total	<u>\$ 683,480</u>	<u>\$ 129,501</u>
Total All Plans	<u>\$ 1,043,315</u>	<u>\$ 141,618</u>

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

The amounts of \$197,476 and \$406,130 reported as deferred outflows of resources relate to the contributions subsequent to the measurement date of the SCRS and PORS, respectively, and will be recognized as a reduction of the net pension liabilities for the year ended June 30, 2025.

Amortization of Deferred Outflows/(Inflows) of Resources			
Amortized period ending June 30,	SCRS	PORS	Total
2024	\$ 57,655	\$ 79,745	\$ 137,400
2025	(8,498)	(64,204)	(72,702)
2026	77,317	138,297	215,614
2027	23,768	(5,989)	17,779
Net Balance of Deferred Outflows/(Inflows) of Resources	\$ 150,242	\$ 147,849	\$ 298,091

Employer and Nonemployer Contributions

Employers' proportionate shares were calculated on the basis of employer and nonemployer contributions remitted to the plan. In an effort to help offset a portion of the increased contribution requirements for employers, the General Assembly again provided nonemployer contributions to PEBA. Based on the criteria provided by the General Assembly, PEBA issued credit invoices to certain SCRS and PORS employers for fiscal year 2023 who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2023 totaled \$88.7 million and \$12.5 million for SCRS and PORS, respectively.

Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service purchases and employer contributions paid by employees.

The following table provides a reconciliation of Employer and Nonemployer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the Employer and Nonemployer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer and Nonemployer Allocations.

	SCRS	PORS
Employer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2023	\$ 157,627	\$ 327,777
Nonemployer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2023	6,554	11,936
Employer Contributions Not Representative of Future Contribution Effort	(166)	(285)
Employer and Nonemployer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2023 Measurement Date	\$ 164,015	\$ 339,428

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2023, and the accounting valuation report as of June 30, 2023. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

Payables to the Pension Plan

At June 30, 2024, the amount reported for payables was \$98,803 which represented the amount due for June.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 295,606

The amount payable to the general fund is related to the operating funds utilized to pay for the activities of the Shrimp Dock.

The composition of interfund transfers as of June 30, 2024, is as follows:

	<u>General Fund</u>	<u>Local Hospitality Fund</u>	<u>Local Accommodations Fund</u>	<u>State Accommodations Fund</u>	<u>Total</u>
Transfers In	\$ 620,000	\$ -	\$ -	\$ -	\$ 620,000
Transfers Out	-	(500,000)	(70,000)	(50,000)	(620,000)

Transfers between funds included the budgeted revenues from local hospitality taxes of \$500,000 from local accommodations tax of \$70,000, and from state accommodations tax of \$50,000.

NOTE 7 RISK MANAGEMENT

The Town purchases insurance policies divided into coverage of workers' compensation, property and casualty, and employee health insurance from the State of South Carolina under various policies. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The State of South Carolina promises to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits.

The Town has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund. These expenditures do not include estimated claim losses and estimable premium adjustments. There have not been any significant reductions in insurance coverage from the prior year.

TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Town is subject to various claims and assessments, most of which would be covered by insurance.

The Town has been awarded several federal grants. These funds are subject to audit for federal awarding agencies and may be subject to repayment if conditions have not been met with the parties involved. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town started a sewer extension project at Royal Pines and Narcissus Lane. This project was partially funded with federal grants through the U.S. Department of Housing and Urban Development. As of June 30, 2024 all federal funds related to this project were utilized. This project was completed in during the fiscal year ended June 30, 2024 with grant closeout finalized subsequently.

The Town entered into a contract for an asphalt paving during fiscal year 2024. This project is funded by the Town's 2022 GO Bond. As of June 30, 2024, the unbilled construction costs to complete the contract are \$272,258, which were accrued in accounts payable.

The Town received Coronavirus State and Local Fiscal Recovery Funds (SLFRF) through the American Rescue Plan Act during the fiscal years ended June 30, 2021 and 2022. As part of the compliance requirements established by the U.S. Department of Treasury, all funds must be obligated by December 31, 2024 and expended by December 31, 2026. As of June 30, 2024, unspent SLFRF were \$4,762,520. As of the date this report was available to be issued, all remaining funds were fully obligated.

The Town is a participant in a tax increment financing (TIF) program, intending to subsidize funds for redevelopment, infrastructure and other community-improvement projects. During the current fiscal year, an obligation to return funds to the Beaufort County School District was calculated. As of June 30, 2024, a liability \$407,233 has been accrued in accounts payable. As of the date of these financial statements, that liability has increased to \$625,265.

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated subsequent events as of December 30, 2024, the date the financial statements were issued. No material subsequent events have occurred that require disclosure in the financial statements.

REQUIRED
SUPPLEMENTARY INFORMATION

TOWN OF PORT ROYAL, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 4,980,000	\$ 4,980,000	\$ 5,104,507	\$ 124,507
Fines, Fees and Licenses	3,247,800	3,247,800	4,218,891	971,091
Intergovernmental	372,500	372,500	374,864	2,364
Miscellaneous	165,000	165,000	380,291	215,291
Total Revenues	<u>8,765,300</u>	<u>8,765,300</u>	<u>10,078,553</u>	<u>1,313,253</u>
EXPENDITURES				
Legislative	286,513	286,513	326,080	(39,567)
Executive	1,406,191	1,406,191	1,647,929	(241,738)
Court	202,645	202,645	231,896	(29,251)
Police Department	3,183,400	3,183,400	3,092,325	91,075
Fire Department	2,599,992	2,599,992	2,598,359	1,633
Streets and Sanitation	1,399,886	1,399,886	1,279,564	120,322
Safety/Building Services	306,673	306,673	262,273	44,400
Total Expenditures	<u>9,385,300</u>	<u>9,385,300</u>	<u>9,438,426</u>	<u>(53,126)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(620,000)</u>	<u>(620,000)</u>	<u>640,127</u>	<u>1,260,127</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	620,000	620,000	620,000	-
Total Other Financing Sources (Uses)	<u>620,000</u>	<u>620,000</u>	<u>620,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	1,260,127	1,260,127
Fund Balances, Beginning	3,744,272	3,744,272	3,744,272	-
Fund Balances, Ending	<u>\$ 3,744,272</u>	<u>\$ 3,744,272</u>	<u>\$ 5,004,399</u>	<u>\$ 1,260,127</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL, SOUTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE PENSION PLAN
LAST TEN FISCAL YEARS

	SCRS									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proportion of the Net Pension Liability	0.007230%	0.006850%	0.006552%	0.006336%	0.006237%	0.006428%	0.006585%	0.006499%	0.007269%	0.738800%
Proportionate Share of the Net Pension Liability	\$ 1,244,766	\$ 1,299,136	\$ 1,399,498	\$ 1,426,335	\$ 1,397,423	\$ 1,467,665	\$ 1,682,476	\$ 1,406,456	\$ 1,762,232	\$ 1,786,115
Covered Payroll	\$ 656,406	\$ 642,255	\$ 634,479	\$ 639,249	\$ 646,285	\$ 678,727	\$ 734,599	\$ 734,646	\$ 865,601	\$ 1,002,964
Proportionate Share of the New Pension Liability as a Percentage of Its Covered Payroll	189.63%	202.28%	220.57%	223.13%	216.22%	216.24%	229.03%	191.45%	203.58%	178.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.90%	57.00%	52.90%	53.30%	54.10%	54.40%	50.70%	60.70%	57.10%	58.60%

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	PORS									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proportion of the Net Pension Liability (Asset)	0.094870%	0.095770%	0.093340%	0.095140%	0.091659%	0.093551%	0.097348%	0.099416%	0.093034%	0.095715%
Proportionate Share of the Net Pension Liability	\$ 1,816,161	\$ 2,087,282	\$ 2,367,647	\$ 2,606,528	\$ 2,597,192	\$ 2,681,113	\$ 3,228,280	\$ 2,557,901	\$ 2,790,079	\$ 2,913,656
Covered Payroll	\$ 1,141,002	\$ 1,186,445	\$ 1,190,011	\$ 1,281,279	\$ 1,269,887	\$ 1,244,685	\$ 1,470,591	\$ 1,494,916	\$ 1,472,357	\$ 1,615,962
Proportionate Share of the New Pension Liability as a Percentage of Its Covered Payroll	159.17%	175.93%	198.96%	203.43%	204.52%	215.40%	219.52%	171.11%	189.50%	180.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.50%	64.60%	60.40%	60.90%	61.70%	62.70%	58.80%	70.40%	66.40%	67.80%

**TOWN OF PORT ROYAL, SOUTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

SCRS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 70,007	\$ 70,173	\$ 73,897	\$ 87,636	\$ 98,823	\$ 114,304	\$ 114,311	\$ 143,344	\$ 176,120	\$ 197,476
Contributions in Relation to the Contractually Required Contribution	70,007	70,173	73,897	87,636	98,823	114,304	114,311	143,344	176,120	197,476
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 642,255	\$ 634,479	\$ 639,249	\$ 646,285	\$ 678,727	\$ 734,599	\$ 734,646	\$ 865,601	\$ 1,002,964	\$ 1,063,984
Contributions as a Percentage of Covered Payroll	10.90%	11.06%	11.56%	13.56%	14.56%	15.56%	15.56%	16.56%	17.56%	18.56%

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PORS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 159,101	\$ 163,507	\$ 182,454	\$ 206,230	\$ 233,933	\$ 268,236	\$ 272,673	\$ 283,281	\$ 327,071	\$ 406,130
Contributions in Relation to the Contractually Required Contribution	159,101	163,507	182,454	206,230	233,933	268,236	272,673	283,281	327,071	406,130
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,186,445	\$ 1,190,011	\$ 1,281,279	\$ 1,269,887	\$ 1,356,917	\$ 1,470,591	\$ 1,494,916	\$ 1,472,357	\$ 1,615,962	\$ 1,912,101
Contributions as a Percentage of Covered Payroll	13.41%	13.74%	14.24%	16.24%	17.24%	18.24%	18.24%	19.24%	20.24%	21.24%

SUPPLEMENTARY INFORMATION

**TOWN OF PORT ROYAL, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024**

	Stormwater Utility Fund	Local Hospitality Fund	Local Accom Tax Fund	State Accom Tax Fund	Housing Rehab Fund	TIF Fund	Shrimp Dock Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash	\$ 582,142	\$ 517,234	\$ 24,962	\$ 35,806	\$ 88,980	\$ -	\$ -	\$ 1,249,124
Restricted Cash	-	-	-	-	-	1,079,724	-	1,079,724
Receivables	2,880	63,162	12,993	24,019	-	-	-	103,054
Notes Receivable	-	-	-	-	5,210	-	-	5,210
Total Assets	<u>\$ 585,022</u>	<u>\$ 580,396</u>	<u>\$ 37,955</u>	<u>\$ 59,825</u>	<u>\$ 94,190</u>	<u>\$ 1,079,724</u>	<u>\$ -</u>	<u>\$ 2,437,112</u>
LIABILITIES								
Accounts Payable	\$ 6,433	\$ 2,000	\$ 1,020	\$ 14,157	\$ -	\$ 407,233	\$ -	\$ 430,843
Due to Other Funds	-	-	-	-	-	-	295,606	295,606
Total Liabilities	<u>6,433</u>	<u>2,000</u>	<u>1,020</u>	<u>14,157</u>	<u>-</u>	<u>407,233</u>	<u>295,606</u>	<u>726,449</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - notes receivable	-	-	-	-	5,210	-	-	5,210
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,210</u>	<u>-</u>	<u>-</u>	<u>5,210</u>
FUND BALANCES								
Restricted	<u>578,589</u>	<u>578,396</u>	<u>36,935</u>	<u>45,668</u>	<u>88,980</u>	<u>672,491</u>	<u>(295,606)</u>	<u>1,705,453</u>
Total Fund Balances	<u>578,589</u>	<u>578,396</u>	<u>36,935</u>	<u>45,668</u>	<u>88,980</u>	<u>672,491</u>	<u>(295,606)</u>	<u>1,705,453</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 585,022</u>	<u>\$ 580,396</u>	<u>\$ 37,955</u>	<u>\$ 59,825</u>	<u>\$ 94,190</u>	<u>\$ 1,079,724</u>	<u>\$ -</u>	<u>\$ 2,437,112</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Stormwater Utility Fund	Local Hospitality Fund	Local Accom Tax Fund	State Accom Tax Fund	Housing Rehab Fund	TIF Fund	Shrimp Dock Fund	Total Nonmajor Governmental Funds
REVENUES								
Taxes	\$ -	\$ 682,095	\$ 91,380	\$ 63,672	\$ -	\$ 402,448	\$ -	\$ 1,239,595
Fines, Fees and Licenses	274,320	-	-	-	-	-	-	274,320
Miscellaneous	-	-	-	-	3,640	-	-	3,640
Total Revenues	<u>274,320</u>	<u>682,095</u>	<u>91,380</u>	<u>63,672</u>	<u>3,640</u>	<u>402,448</u>	<u>-</u>	<u>1,517,555</u>
EXPENDITURES								
Current								
Legislative	-	-	-	21,523	-	-	-	21,523
Stormwater Utility	95,907	-	-	-	-	-	-	95,907
Recreation and Tourism	-	34,228	16,948	-	-	-	-	51,176
TIF Redevelopment	-	-	-	42,076	-	407,233	-	449,309
Capital Outlay								
Stormwater Utility	50,585	-	-	-	-	-	-	50,585
Total Expenditures	<u>146,492</u>	<u>34,228</u>	<u>16,948</u>	<u>63,599</u>	<u>-</u>	<u>407,233</u>	<u>-</u>	<u>668,500</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>127,828</u>	<u>647,867</u>	<u>74,432</u>	<u>73</u>	<u>3,640</u>	<u>(4,785)</u>	<u>-</u>	<u>849,055</u>
OTHER FINANCING SOURCES (USES)								
Transfers Out	-	(500,000)	(70,000)	(50,000)	-	-	-	(620,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(500,000)</u>	<u>(70,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,000)</u>
Net Change in Fund Balances	127,828	147,867	4,432	(49,927)	3,640	(4,785)	-	229,055
Fund Balances, Beginning	<u>450,761</u>	<u>430,529</u>	<u>32,503</u>	<u>95,595</u>	<u>85,340</u>	<u>677,276</u>	<u>(295,606)</u>	<u>1,476,398</u>
Fund Balances, Ending	<u>\$ 578,589</u>	<u>\$ 578,396</u>	<u>\$ 36,935</u>	<u>\$ 45,668</u>	<u>\$ 88,980</u>	<u>\$ 672,491</u>	<u>\$ (295,606)</u>	<u>\$ 1,705,453</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PORT ROYAL
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES (per ACT 96)
For The Year Ended June 30, 2024

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court Fines and Assessments Collected	-	-	197,100	197,100
Court Fines and Assessments Remitted to State Treasurer	-	-	110,975	110,975
Total Court Fines and Assessments Retained	-	-	86,125	86,125
Surcharges and Assessments Retained for Victim Services:				
Surcharges Collected and Retained	-	-	2,994	2,994
Assessments Retained	-	-	9,301	9,301
Total Surcharges and Assessments Retained for Victim Services	-	-	12,295	12,295

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED		Municipal	County	Total
Carryforward from Previous Year – Beginning Balance		14,317	-	14,317
Victim Service Revenue:				
Victim Service Fines Retained by City/County Treasurer		-	-	-
Victim Service Assessments Retained by City/County Treasurer		9,301	-	9,301
Victim Service Surcharges Retained by City/County Treasurer		2,994	-	2,994
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)		26,612	-	26,612

TOWN OF PORT ROYAL
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES (per ACT 96)
For The Year Ended June 30, 2024

<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	17,096	-	17,096
Operating Expenditures	-	-	-
Victim Service Contract(s):			
(1) Entity's Name	-	-	-
(2) Entity's Name	-	-	-
Victim Service Donation(s):	-	-	-
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other Local Direct Crime Victims Service Agency:	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	17,096	-	17,096
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	9,516	-	9,516
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds – End of Year	9,516	-	9,516

COMPLIANCE SECTION

**TOWN OF PORT ROYAL, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Grant / Contract Number</u>	<u>Pass-Through to Sub-Recipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
<i>Passed through SC Department of Commerce</i>				
Community Development Block Grant				
Royal Palms/Narcissus Lane Sewer Extension	14.228	4-CI-20-019	\$ -	\$ 25,000
Total Community Development Block Grant			-	25,000
Total U.S. Department of Housing and Urban Development			-	25,000
U.S. Department of Transportation				
<i>Passed through SC Department of Public Safety</i>				
Highway Safety Grant				
Police Department Traffic Unit	20.600	PT-2023-HS-13-23	-	21,565
Police Department Traffic Unit	20.600	PT-2024-HS-13-24	-	42,452
Total Highway Safety Grant			-	64,017
Total U.S. Department of Transportation			-	64,017
U.S. Department of Treasury				
Coronavirus State and Local Fiscal Recovery Fund	21.027		-	672,442
Total U.S. Department of Treasury			-	672,442
Total Expenditures of Federal Awards			\$ -	\$ 761,459

**TOWN OF PORT ROYAL, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Port Royal under programs of the federal government for the year ended June 30, 2024. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Town has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



CERTIFIED PUBLIC ACCOUNTANTS

Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA, CFE
Raquel Biascochea, JD, CPA
Jordan Graham, CPA

Member:
American Institute of CPAs
South Carolina Association of CPAs

**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 Town Council
Town of Port Royal, South Carolina

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Port Royal’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 of Port Royal’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Port Royal’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Port Royal’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 30, 2024



CERTIFIED PUBLIC ACCOUNTANTS

Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA, CFE
Raquel Biascochea, JD, CPA
Jordan Graham, CPA

Member:
American Institute of CPAs
South Carolina Association of CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Council
Town of Port Royal, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Port Royal's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Port Royal's major federal programs for the year ended June 30, 2024. The Town of Port Royal's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Port Royal complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Port Royal and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Port Royal's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Port Royal's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Port Royal's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Port Royal's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Port Royal's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Port Royal's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Port Royal's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crowley Wechsler & Associates LLC
Beaufort, South Carolina
December 30, 2024

**TOWN OF PORT ROYAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X No

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?
 Yes X No

Identification of Major Programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**TOWN OF PORT ROYAL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Summary of Auditors' Results

1. The independent auditor's report expressed an unmodified opinion.
2. There was no financial statement finding in the audit of the financial statements.

Financial Statement Findings

None noted.

Compliance Findings

None noted.

**TOWN OF PORT ROYAL
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**

No findings were noted for the year ended June 30, 2024.