PALMETTO RAILWAYS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

June 5, 2024

Mr. Robert M. Hitt, III, Secretary of Commerce
South Carolina Department of Commerce
Columbia, South Carolina

This report on the audit of the financial statements of the Palmetto Railways for the year ended December 31, 2023, was issued by Greene Finney Cauley, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III

George L. Kennedy, III, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the South Carolina Department of Commerce – Division of Public Railways d/b/a Palmetto Railways (the "Division") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Division'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 financial position of the Division as of December 31, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility 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 Division 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 audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Division are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the State of South Carolina or the South Carolina Department of Commerce that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of South Carolina or the South Carolina Department of Commerce, as of December 31, 2023, the changes in their financial position, or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 opinion. 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 GAAS 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 GAAS 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 Division'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.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024 on our consideration of the Division'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 Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
June 5, 2024

Our discussion and analysis of South Carolina Department of Commerce – Division of Public Railways d/b/a Palmetto Railways (the "Division") financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2023. Please read these comments in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The *Statement of Net Position*; the *Statement of Revenues, Expenses and Changes in Fund Net Position*; and *Statement of Cash Flows* provide information regarding the activities of the Division's four operating subdivisions, a fund holding contributed land and land improvements, and as a whole.

The four operating subdivisions of the Division are:

Charleston Subdivision (CHS)
North Charleston Subdivision (NCS)
Charity Church Subdivision (CCS)
Salkehatchie Subdivision (SALKS)

All the subdivisions and the fund holding contributed land and land improvements (the "Economic Development Project Fund") are enterprise fund activities, and all are reported on the accrual basis. CHS and NCS are combined in the financial statements.

These statements provide information on the Division's net position, operations, and cash flows for the year ended December 31, 2023. This discussion and analysis is intended to serve as an introduction to the financial statements. The notes to the financial statements also contain details on some of the information presented in the financial statements.

REPORTING ON THE DIVISION AS A WHOLE

The subdivisions are enterprise funds for accounting and reporting purposes. Enterprise funds are used when governmental entities charge customers for services. Enterprise funds very closely resemble the financial statements of business entities. These statements offer short and long-term financial information about the Division's activities. The Statement of Net Position presents information on all of the Division's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Over time, increases and decreases in net position, specifically unrestricted net position, may serve as a useful indicator of whether the financial position of the Division is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Division's net position changed during the 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 recorded in this statement for some items that will only result in cash flows in future fiscal periods.

FINANCIAL HIGHLIGHTS

- Operating revenues decreased in 2023 by approximately $3.0 million or 12.2% due primarily to a $2.7 million decrease in freight charges.

- Capital contributions decreased approximately $34.3 million or 85.7% due to a capital contribution to purchase land for an economic development project related to Camp Hall in 2022. Capital contributions in 2023 consist of approximately $5.0 million appropriated to repay the intergovernmental loan, approximately $313 thousand contributed by the City of North Charleston, and approximately $415 thousand contributed by a local developer.

- Grant revenue increased approximately $151 thousand or 6.0% due to continued reimbursements related to the Camp Hall project in 2023.

FINANCIAL HIGHLIGHTS (CONTINUED)

- Earnings on investments increased approximately $2.2 million or 464.9% due to an increase in average balance and investment returns.

- Gain on the sale of fixed assets decreased approximately $4.1 million or 77.8% due to smaller property sales in 2023 compared to 2022.

- Other non-operating revenues decreased approximately $206 thousand or 14.7% due to a decrease in net rental income.

- Maintenance of way expenses increased approximately $119 thousand or 4.7%. This increase is primarily due to increases in depreciation expense and rail material and supplies.

- Maintenance of equipment expenses increased approximately $284 thousand or 12.3% due to increases in depreciation expense, labor costs and contract labor.

- Car repair expenses decreased approximately $149 thousand or 100.0% due to the car repair operations being suspended effective March 1, 2022.

- Transportation expenses decreased approximately $402 thousand or 6.2% due primarily to decreased fuel prices and fuel consumption.

- General expenses increased approximately $233 thousand or 6.5% primarily due to increases in labor costs, rent and furniture for the new administrative office.

- Other non-operating expenses increased approximately $84.2 million due to the write off of land and other capital costs related to the transfer of approximately 160 acres of the Navy Base Intermodal Facility ("NBIF") to the South Carolina Ports Authority ("SCPA") in February 2023.

- Current assets decreased approximately $3.0 million or 4.4% due to decreases of approximately $1.2 million in cash and cash equivalents and $1.8 million in accounts receivable.

- Other non-current assets decreased approximately $175 thousand or 54.5% due to continued annual amortization of the contract receivable.

- Net capital assets decreased by approximately $65.5 million or 18.2% due to the transfer of approximately $84.2 million in land and capital costs to SCPA as noted earlier partially offset by capital costs related to Camp Hall and other capital items.

- Deferred OPEB charges decreased approximately $479 thousand or 18.6% primarily due to changes in actuarial assumptions related to the state OPEB plan.

- Deferred pension charges increased approximately $36 thousand or 3.6% primarily due to an increase in deferred charges related to actuarial assumption changes.

- Current liabilities increased approximately $2.1 million or 46.2% due to an increase in accounts payable – other related to capital costs accrued for the Camp Hall project.

- The net OPEB liability decreased approximately $1.1 million or 13.1% due to changes in actuarial assumptions related to the state OPEB plan.

- The net pension liability increased approximately $206 thousand or 1.9% due to an increase in the Division's proportionate share of the State plan's net pension liability.

FINANCIAL HIGHLIGHTS (CONTINUED)

- Other liabilities decreased approximately $5.3 million or 8.5% primarily due to the $5.0 million appropriated to pay the intergovernmental loan.

- Deferred OPEB credits increased approximately $402 thousand or 9.2% primarily due to changes in actuarial assumptions related to the state OPEB plan.

- Deferred pension credits decreased approximately $368 thousand or 51.0% primarily due to a decrease in deferred credits related to actuarial assumption changes.

- Net position decreased approximately $65.1 million or 19.2% from the prior year net position. Net investment in capital assets decreased approximately $60.6 million or 20.4% and unrestricted net position decreased approximately $4.5 million or 10.5%.

FINANCIAL ANALYSIS

The following are the condensed financial statements of the Division for fiscal years 2023 and 2022, including information concerning the events and circumstances regarding the balances and changes:

Condensed Statement of Net Position

	2023	2022	Amount Change	% Change
Current assets	$ 64,623,044	67,626,393	$ (3,003,349)	-4.4%
Other non-current assets	146,062	321,337	(175,275)	-54.5%
Capital assets, net of depreciation	293,387,586	358,862,986	(65,475,400)	-18.2%
Total Assets	358,156,692	426,810,716	(68,654,024)	-16.1%
Deferred OPEB charges	2,096,700	2,575,996	(479,296)	-18.6%
Deferred pension charges	1,019,885	984,378	35,507	3.6%
Total Deferred Outflows of Resources	3,116,585	3,560,374	(443,789)	-12.5%
Total Assets & Deferred Outflows of Resources	$ 361,273,277	430,371,090	$ (69,097,813)	-16.1%
Current liabilities	$ 6,759,860	4,624,889	$ 2,134,971	46.2%
Net OPEB liability	7,391,322	8,500,681	(1,109,359)	-13.1%
Net pension liability	10,969,989	10,764,469	205,520	1.9%
Other liabilities	56,621,537	61,891,155	(5,269,618)	-8.5%
Total Liabilities	81,742,708	85,781,194	(4,038,486)	-4.7%
Deferred OPEB credits	4,757,645	4,355,240	402,405	9.2%
Deferred pension credits	353,819	722,293	(368,474)	-51.0%
Total Deferred Inflows of Resources	5,111,464	5,077,533	33,931	0.7%
Net Position:				
Net investment in capital assets	236,117,197	296,696,053	(60,578,856)	-20.4%
Unrestricted	38,301,908	42,816,310	(4,514,402)	-10.5%
Total Net Position	274,419,105	339,512,363	(65,093,258)	-19.2%
Total Liabilities, Deferred Inflows of Resources, & Net Position	$ 361,273,277	430,371,090	$ (69,097,813)	-16.1%

FINANCIAL ANALYSIS (CONTINUED)

Changes in assets, liabilities, and net position are discussed in the Financial Highlights section above.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2023	2022	Amount Change	% Change
Revenues:				
Operating revenues	$ 21,533,584	24,525,701	$ (2,992,117)	-12.2%
Capital contributions	5,728,618	40,057,759	(34,329,141)	-85.7%
Earnings on investments	2,672,875	473,131	2,199,744	464.9%
Gain on sale or disposal of capital assets	1,160,567	5,221,897	(4,061,330)	-77.8%
Grant revenue	2,642,484	2,491,980	150,504	6.0%
Other non-operating revenues	1,198,378	1,404,540	(206,162)	-14.7%
Total Revenues	34,936,506	74,175,008	(39,238,502)	-52.9%
Expenses:				
Maintenance of way	2,677,450	2,558,246	119,204	4.7%
Maintenance of equipment	2,585,616	2,301,764	283,852	12.3%
Car repair	-	148,989	(148,989)	-100.0%
Transportation	6,087,003	6,489,117	(402,114)	-6.2%
General	3,794,272	3,561,569	232,703	6.5%
Total Railroad	15,144,341	15,059,685	84,656	0.6%
Other non-operating expenses	84,885,423	679,995	84,205,428	12383.2%
Total Expenses	100,029,764	15,739,680	84,290,084	535.5%
Change in Net Position	(65,093,258)	58,435,328	(123,528,586)	-211.4%
Net Position, Beginning of Year	339,512,363	281,077,035	58,435,328	20.8%
Net Position, End of Year	$ 274,419,105	339,512,363	$ (65,093,258)	-19.2%

Changes in revenues and expenses are discussed in the Financial Highlights section above.

Detailed Information on the Funds

The Economic Development Project Fund is used to account for land and land improvement contributions received from the South Carolina Department of Commerce to purchase land and fund land improvements for economic development projects. The fund received a capital contribution of approximately $40.1 million in the year ended December 31, 2022 to purchase land for an economic development project related to Camp Hall. There were no contributions received for the year ended December 31, 2023.

FINANCIAL ANALYSIS (CONTINUED)

Detailed Information on the Funds (Continued)

CHS and NCS had a combined decrease in net position of approximately $67.9 million or 43.8%. Net investment in capital assets decreased approximately $60.5 million or 48.8% and unrestricted net position decreased approximately $7.4 million or 23.8%. These changes in net position are primarily due to the transfer of approximately $84.2 million in land and capital costs to SCPA as noted earlier partially offset by approximately $4.7 million in net income from operations, approximately $5.7 million in capital contributions, approximately $1.2 million in gains on the sale of capital assets, approximately $2.5 million in grant revenue, and approximately $1.7 million in interest income. Major changes in assets include decreases of approximately $65.4 million in net capital assets, approximately $3.4 million in cash and cash equivalents, and approximately $1.8 million in accounts receivable. Major changes in liabilities include a decrease of approximately $5.0 million in notes payable partially offset by an increase of approximately $2.0 million in accounts payable - other. Revenues and expense variances were as previously discussed.

CCS had an increase in net position of approximately $2.6 million or 10.7% as a result of net income from operations of approximately $1.5 million and approximately $953 thousand in interest income. Net investment in capital assets decreased approximately $169 thousand or 1.4% while unrestricted net position increased by approximately $2.7 million or 22.4%. Major changes in assets and liabilities include an increase of approximately $2.3 million or 10.8% in cash and cash equivalents and a decrease of approximately $276 thousand or 55.5% in accounts payable to other divisions. Revenue and expense variances were as previously discussed.

SALKS had an increase in net position of approximately $250 thousand or 50.4% as a result of net income from operations of approximately $131 thousand, grant revenue of approximately $147 thousand and other income of approximately $98 thousand partially offset by interest expense of approximately $128 thousand. Net investment in capital assets increased approximately $124 thousand or 16.5% while the deficit in unrestricted net position decreased approximately $126 thousand or 49.8%. Major changes in assets include and increase of approximately $124 thousand or 48.7% in net capital assets. Major changes in liabilities include a decrease of approximately $125 thousand or 72.4% in accounts payable to other divisions.

FINANCING ACTIVITIES

The loan from the South Carolina Department of Commerce – SC Coordinating Council for Economic Development for the Navy Base Intermodal Facility ("NBIF") had an outstanding balance at December 31, 2023 of $46,000,000.

As part of the settlement agreement with the City of North Charleston, the Division assumed responsibility for payment of $6,360,000 in Tax Increment Financing ("TIF") Bonds. Principal and interest are payable in annual installments beginning September 2013 through September 2037 with variable interest (4.18% at September 27, 2023), as determined by the remarketing agent, paid by the City of North Charleston monthly, but reimbursed by the Division semi-annually. The balance outstanding at December 31, 2023 was $4,345,000.

The Division used a loan from the Colleton County Intermodal Corporation to purchase the Hampton & Branchville railroad, currently the Salkehatchie subdivision, in May 2017 in the amount of $6,500,000. The loan matures in May 2047 but may be extended in four increments of five years each if certain conditions are met.

More detailed information about the Division's financing activities is presented in the Notes to the Financial Statements.

CAPITAL ASSET ACTIVITIES

Capital assets consist of land, land improvements, buildings, machinery and equipment, depreciable roads, non-depreciable roads, leasehold improvements, and projects under construction. The Division had approximately $293.4 million invested in capital assets, net of accumulated depreciation, as of December 31, 2023, compared to approximately $358.9 million as of December 31, 2022. The table below provides a summary.

CAPITAL ASSET ACTIVITIES (CONTINUED)

	2023	2022
Land	$ 96,995,812	$ 102,748,047
Land improvements	83,140,837	82,301,368
Buildings	13,502,202	13,143,736
Machinery and equipment	10,321,889	9,272,953
Depreciable road	3,861,551	3,302,958
Non-depreciable road	46,819,849	42,396,135
Leasehold improvements	730,559	730,559
Projects under construction	52,059,026	117,782,911
Total Capital Assets	307,431,725	371,678,667
Less: Accumulated Depreciation	(14,044,139)	(12,815,681)
Capital Assets, Net	$ 293,387,586	$ 358,862,986

Major additions in 2023 include eight vehicles, wheel lathe, backhoe with accessories, crossing signal system, trailer and phase 1 construction costs for Camp Hall. Major disposals in 2023 include the transfer of land and capital costs to SCPA as noted earlier, the sale of property on the former naval base, and miscellaneous equipment sales.

More detailed information about the Division's capital asset activities is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

- Freight traffic is expected to remain fairly stable in 2024 compared to 2023 actuals with only slight growth for inflation.
- Switching and storage fees are expected to decrease due to the closure of the WestRock paper mill effective August 31, 2023.
- Capital expenditures will continue to be incurred as construction will continue on Phase 1 and begin on Phases 2 and 3 of the Camp Hall project.
- The limited remaining properties located on the Navy Base are expected to be sent to state surplus to be sold; however, the financial impact is expected to be minimal compared to sales in previous years.
- The Division was awarded a $25.0 million grant from the US Department of Transportation related to the Camp Hall rail project. The grant has been obligated and reimbursements could begin in 2024.
- The Division was also awarded $48.5 million in Strategic Economic Development Infrastructure funds and $18.0 million in LocateSC funds to be used towards the Camp Hall project.
- The NBIF is expected to open in mid to late 2025 with Camp Hall opening in 2026. Both of these projects are expected to increase revenue and provide diversity and stability for the Division.

BASIC FINANCIAL STATEMENTS

PALMETTO RAILWAYS
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2023

	ECONOMIC DEVELOPMENT PROJECT FUND	CHS-NCS	CCS	SALKS	INTERDIVISION ELIMINATIONS	TOTAL
ASSETS						
Current Assets:						
Cash and cash equivalents	$ -	36,253,013	23,170,590	48,152	-	$ 59,471,755
Restricted cash - security deposits	-	11,667	-	-	-	11,667
Accounts receivable	-	3,963,695	153,685	-	-	4,117,380
Accounts receivable from other divisions	-	269,335	-	-	(269,335)	-
Interest receivable	-	434	13,088	-	-	13,522
Contract receivable - current portion	-	175,275	-	-	-	175,275
Inventories	-	391,467	35,292	-	-	426,759
Prepayments	-	406,686	-	-	-	406,686
Total Current Assets	-	41,471,572	23,372,655	48,152	(269,335)	64,623,044
Non-current Assets:						
Contract receivable - non-current portion	-	146,062	-	-	-	146,062
Land and non-depreciable assets	160,057,759	97,239,753	10,158,405	6,995,699	-	274,451,616
Other depreciable assets, net of accumulated depreciation	-	17,149,150	1,407,615	379,205	-	18,935,970
Total Non-current Assets	160,057,759	114,534,965	11,566,020	7,374,904	-	293,533,648
TOTAL ASSETS	**160,057,759**	**156,006,537**	**34,938,675**	**7,423,056**	**(269,335)**	**358,156,692**
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OPEB charges	-	1,258,020	838,680	-	-	2,096,700
Deferred pension charges	-	611,931	407,954	-	-	1,019,885
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**-**	**1,869,951**	**1,246,634**	**-**	**-**	**3,116,585**
LIABILITIES						
Current Liabilities:						
Accounts payable to other divisions	-	-	221,399	47,936	(269,335)	-
Accounts payable - other	-	4,463,181	-	-	-	4,463,181
Retainage payable	-	425,389	-	-	-	425,389
Security deposits	-	11,667	-	-	-	11,667
Deposit in escrow	-	300,000	-	-	-	300,000
Interest payable	-	-	-	127,670	-	127,670
Accrued payroll, taxes, and employee benefits	-	900,420	-	-	-	900,420
Accrued annual leave and benefits, current portion	-	177,920	118,613	-	-	296,533
TIF bonds payable - short-term	-	235,000	-	-	-	235,000
Total Current Liabilities	-	6,513,577	340,012	175,606	(269,335)	6,759,860
Non-current Liabilities:						
Accrued annual leave and benefits, non-current portion	-	6,922	4,615	-	-	11,537
TIF bonds payable	-	4,110,000	-	-	-	4,110,000
Notes payable	-	46,000,000	-	-	-	46,000,000
Loan payable	-	-	-	6,500,000	-	6,500,000
Net OPEB liability	-	4,434,793	2,956,529	-	-	7,391,322
Net pension liability	-	6,581,993	4,387,996	-	-	10,969,989
Total Non-current Liabilities	-	61,133,708	7,349,140	6,500,000	-	74,982,848
TOTAL LIABILITIES	**-**	**67,647,285**	**7,689,152**	**6,675,606**	**(269,335)**	**81,742,708**
DEFERRED INFLOWS OF RESOURCES						
Deferred OPEB credits	-	2,854,587	1,903,058	-	-	4,757,645
Deferred pension credits	-	212,291	141,528	-	-	353,819
TOTAL DEFERRED INFLOWS OF RESOURCES	**-**	**3,066,878**	**2,044,586**	**-**	**-**	**5,111,464**
NET POSITION						
Net investment in capital assets	160,057,759	63,618,514	11,566,020	874,904	-	236,117,197
Unrestricted	-	23,543,811	14,885,551	(127,454)	-	38,301,908
TOTAL NET POSITION	**$ 160,057,759**	**87,162,325**	**26,451,571**	**747,450**	**-**	**$ 274,419,105**

The accompanying notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

PALMETTO RAILWAYS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2023

	ECONOMIC DEVELOPMENT PROJECT FUND	CHS-NCS	CCS	SALKS	TOTAL
Operating Revenues:					
Switching fees	$ -	10,111,573	261,475	143,559	$ 10,516,607
Freight charge	-	30,150	5,658,019	-	5,688,169
Rental revenue	-	181,046	5,000	30,959	217,005
Contractual services	-	284,479	16,238	3,300	304,017
Storage revenue	-	4,346,926	-	354,188	4,701,114
Dispatching service	-	-	67,432	-	67,432
Other revenue	-	26,740	2,500	10,000	39,240
Total Operating Revenues	-	14,980,914	6,010,664	542,006	21,533,584
Operating Expenses:					
Maintenance of Way:					
Depreciation	-	507,338	71,492	23,285	602,115
Other maintenance of way expenses	-	1,107,179	810,251	157,905	2,075,335
Total Maintenance of Way	-	1,614,517	881,743	181,190	2,677,450
Maintenance of Equipment:					
Depreciation	-	336,984	252,557	-	589,541
Other equipment expenses	-	1,305,593	671,894	18,588	1,996,075
Total Maintenance of Equipment	-	1,642,577	924,451	18,588	2,585,616
Transportation:					
Other transportation expenses	-	4,767,911	1,260,655	58,437	6,087,003
Total Transportation	-	4,767,911	1,260,655	58,437	6,087,003
General:					
Administration	-	1,948,966	1,161,414	86,913	3,197,293
Insurance	-	295,877	235,325	65,777	596,979
Total General	-	2,244,843	1,396,739	152,690	3,794,272
Total Operating Expenses	-	10,269,848	4,463,588	410,905	15,144,341
Operating Income	-	4,711,066	1,547,076	131,101	6,389,243
Non-operating Revenues (Expenses):					
Other rental income, net	-	960,046	-	-	960,046
Interest income and gain on investments	-	1,717,597	953,442	1,836	2,672,875
Interest expense	-	(172,914)	-	(127,670)	(300,584)
Gain (loss) on sale or disposal of capital assets	-	1,160,567	-	-	1,160,567
Transfer of assets to SC Ports Authority	-	(84,089,199)	-	-	(84,089,199)
Capital contributions	-	5,728,618	-	-	5,728,618
Grant revenue	-	2,495,084	-	147,400	2,642,484
Other income, net	-	82,975	57,557	97,800	238,332
Industrial development costs	-	(495,640)	-	-	(495,640)
Total Non-operating Revenues (Expenses)	-	(72,612,866)	1,010,999	119,366	(71,482,501)
Change in Net Position	-	(67,901,800)	2,558,075	250,467	(65,093,258)
Net Position, Beginning of Year	160,057,759	155,064,125	23,893,496	496,983	339,512,363
Net Position, End of Year	$ 160,057,759	87,162,325	26,451,571	747,450	$ 274,419,105

The accompanying notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

PALMETTO RAILWAYS
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
DECEMBER 31, 2023

	ECONOMIC DEVELOPMENT PROJECT FUND	CHS-NCS	CCS	SALKS	TOTAL
Cash Flows from Operating Activities:					
Cash received from customers	$ -	15,959,429	5,976,962	511,047	$ 22,447,438
Cash payments to suppliers and employees	-	(10,158,828)	(4,735,363)	(513,086)	(15,407,277)
Rents received	-	1,398,103	5,000	30,959	1,434,062
Other income received	-	82,975	57,557	97,800	238,332
Net Cash Provided By (Used In) Operating Activities	-	7,281,679	1,304,156	126,720	8,712,555
Cash Flows from Capital and Related Financing Activities:					
Cash received from sale of capital assets	-	2,100,765	-	-	2,100,765
Cash received from capital grants and contributions	-	8,980,802	-	147,400	9,128,202
Payments related to contract receivable	-	175,275	-	-	175,275
Interest paid on loan	-	(172,914)	-	(115,212)	(288,126)
Payments for TIF Bonds payable	-	(225,000)	-	-	(225,000)
Acquisition and construction of capital assets	-	(18,294,236)	-	(147,400)	(18,441,636)
Net Cash Provided By (Used In) Capital and Related Financing Activities	-	(12,435,308)	-	(115,212)	(12,550,520)
Cash Flows from Investing Activities:					
Investment income	-	1,719,686	949,115	1,836	2,670,637
Net Cash Provided By (Used In) Investing Activities	-	1,719,686	949,115	1,836	2,670,637
Net Increase (Decrease) in Cash and Cash Equivalents	-	(3,433,943)	2,253,271	13,344	(1,167,328)
Cash and Cash Equivalents, Beginning of Year	-	39,698,623	20,917,319	34,808	60,650,750
Cash and Cash Equivalents, End of Year	$ -	36,264,680	23,170,590	48,152	$ 59,483,422
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ -	4,711,066	1,547,076	131,101	$ 6,389,243
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	-	1,311,966	168,921	23,286	1,504,173
Non-Cash OPEB expense (contra-expense)	-	(136,595)	(91,063)	-	(227,658)
Non-Cash pension expense (contra-expense)	-	(119,077)	(79,384)	-	(198,461)
Non-operating revenues (expenses)	-	547,381	57,557	97,800	702,738
(Increase) decrease in assets:					
Accounts receivable	-	758,330	(12,675)	-	745,655
Accounts receivable from other division	-	401,231	-	-	401,231
Inventories	-	50,802	-	-	50,802
Prepayments	-	34,702	-	-	34,702
Increase (decrease) in liabilities:					
Accounts payable to other division	-	-	(275,764)	(125,467)	(401,231)
Accounts payable - other	-	(256,449)	-	-	(256,449)
Accrued payroll, taxes, and employee benefits	-	(29,951)	-	-	(29,951)
Accrued annual leave	-	8,273	5,515	-	13,788
Unearned revenue	-	-	(16,027)	-	(16,027)
Net Cash Provided By (Used In) Operating Activities	$ -	7,281,679	1,304,156	126,720	$ 8,712,555
Schedule of Non-cash Investing, Capital and Financing Activities:					
Change in capital acquisitions included in accounts payable and deposits	$ -	2,616,534	-	-	$ 2,616,534
Change in proceeds from grants included in accounts receivable	$ -	1,007,100	-	-	$ 1,007,100

The accompanying notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

NOTE 1 - REPORTING ENTITY

South Carolina Department of Commerce – Division of Public Railways d/b/a Palmetto Railways (the Division) is part of the State of South Carolina Primary Government. The Division is reported as an enterprise fund in the State's Annual Comprehensive Financial Report.

Effective July 1, 1993, as part of the Government Restructuring Act of 1993, Code Section 13-1-1310 created the Division of Public Railways within the Department of Commerce which is governed by the Secretary of the Department of Commerce.

The Department of Commerce is a cabinet agency operating under the governor and is subject to state laws and regulations. The Division, however, is not subject to the State Procurement Code or Appropriation Act. Also, the Division is not subject to State Human Resource Regulations. The Secretary of the Department of Commerce is responsible for oversight of the Division. The Division has powers of a body corporate including:

1. To sue or be sued and make contracts.
2. To acquire by purchase or donation and to own, rent, lease, mortgage and dispose of real or personal property.
3. To operate, acquire, construct, maintain and control the tracks and equipment of the Division and be governed by rules and regulations of the Interstate Commerce Commission and its successor, the Surface Transportation Board.
4. To employ and dismiss the employees of the Division and to fix and to pay the compensation thereof.
5. To issue revenue bonds and other obligations, subject to approval by the State Fiscal Accountability Authority (SFAA), to defray the cost of acquisition of other railroads.

The individual subdivisions of the Division are funds of the State of South Carolina established by various sections of the Code of Laws of South Carolina. The accompanying financial statements present the financial position, results of operations, and the cash flows solely of the Division and do not include any other funds of the State of South Carolina.

The Division consists of four separate operating subdivisions: 1) the Charleston Subdivision (CHS) and the North Charleston Subdivision (NCS), 2) the Charity Church Subdivision (CCS), 3) the Salkehatchie Subdivision (SALKS) and 4) the Economic Development Project Fund. The functions of each of the subdivisions are outlined as follows:

a. The Charleston Subdivision and the North Charleston Subdivision (CHS-NCS) have the responsibility of operations of the railroad yards at Charleston Harbor, North Charleston terminal, Cosgrove Yard and the former Navy Base. Switching activity between privately owned railroad lines, industry tracks and seagoing vessels is the primary operation and revenue source.

b. Operation and maintenance of the railroad line constructed in Berkeley County, South Carolina is the primary responsibility of the Charity Church Subdivision (CCS). The railroad was constructed with financing by INEOS Aromatics (formerly BP Amoco Chemicals Corporation), its major customer. This came after requests from the Division and the State of South Carolina to service the east side of the Cooper River north of Charleston, South Carolina were denied by the common carrier railroads operating in South Carolina. In addition, CCS owns track serving the Nucor facility in Huger, SC that is leased to another carrier.

NOTE 1 - REPORTING ENTITY (CONTINUED)

c. Operation and maintenance of a railroad line in both Hampton & Colleton County (the Counties) in South Carolina is the primary responsibility of the Salkehatchie Subdivision (SALKS). The railroad had lost its only customer when the Dominion Energy (formerly SCE&G) coal plant on the line ceased operations. The Division worked with the Counties to develop a plan to purchase the railroad and bring new industry to it and the Counties.

d. The Economic Development Project Fund is used to account for land, land improvement and/or cash contributions received from the South Carolina Department of Commerce related to economic development projects.

The core of the financial reporting entity is the primary government. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all its component units. Component units are legally separate organizations for which the elected officials or the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

1. Determine its budget without another government having the authority to approve and modify that budget.

2. Levy taxes or set rates or charges without approval by another government.

3. Issue bonded debt without approval by another government.

Based on the application of the above criteria, no component units are included in the reporting entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Division adheres to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

The Division maintains separate accounting of its four sub-divisions: 1) the Charleston Subdivision and the North Charleston Subdivision, 2) the Charity Church Subdivision, 3) the Salkehatchie Subdivision and 4) the Economic Development Project Fund. Presented here are the financial statements of the four funds of the South Carolina Department of Commerce - Division of Public Railways d/b/a Palmetto Railways.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The Division utilizes the accrual basis of accounting. Under the accrual basis of governmental accounting for enterprise funds, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable. Net position is reported in three components: (1) net investment in capital assets, (2) restricted and (3) unrestricted. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The accounting principles utilized by the Division are in conformity with the uniform system of accounts for railroad companies prescribed by the Surface Transportation Board and generally accepted accounting principles.

Operating income includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets.

Fund Accounting

The Division uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein which are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions or limitations. Separate accounts are maintained for each fund however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been reported by fund type.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." The Division reports activities of the enterprise "fund type" under the proprietary fund category. Enterprise funds account for activities that are self-sustaining, primarily through user charges or are used when management wants to control or measure costs of services.

Property, Plant, and Equipment

Except for land, some land improvements, and track and roadway, capital assets with a per unit acquisition cost exceeding $5,000 are capitalized and depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Estimated useful lives are as follows:

Land Improvements	5 - 25 years
Buildings	15 - 40 years
Depreciable Road	75 years
Machinery and Equipment	3 - 25 years
Leasehold Improvements	5 - 20 years

Land, some land improvements, and track and roadway are capitalized at cost and depreciation is not recognized. Replacements and repairs are expensed in the period that costs are incurred. Betterments to track and roadway are capitalized.

Inventories

Inventories consisting of materials and supplies are stated at the lower of cost or market using the weighted average method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy for Uncollectible Accounts

Management reviews past due accounts receivable and records an allowance for any amounts deemed to be uncollectible, if any. All receivables are shown net of any allowance for uncollectibles.

Intra-division Transactions and Balances

Transactions among the subdivisions of the Division have been eliminated for the combined financial statements presented herein. Administration overhead incurred is divided between CHS-NCS, CCS and SALKS. Overhead of the subdivisions is split, 40% to CCS and 60% to CHS-NCS. Of the 60% to CHS-NCS, $3,500 in overhead is allocated to the SALKS monthly. Overhead expenses include superintendence, depreciation, and general administrative expenses.

Statement of Cash Flows

For purposes of this statement, the Division considers deposits with State of South Carolina cash management pool to be cash equivalents because they are readily convertible to cash with an insignificant risk of loss in value.

Cash and Cash Equivalents

The amounts shown in the financial statements as "*cash and cash equivalents*" represent cash on deposit with the State Treasurer and cash invested in various investments by the State Treasurer as part of the State's internal cash management pool.

Because the State’s internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and invest in certain debt obligations of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Most State agencies participate in the State’s internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an original maturity of three months or less.

Cash equivalents: The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and the State's internal cash management pool. The State’s internal cash management pool is comprised of the general deposit account and several special deposit accounts. The State records each agency's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. Agencies record and report their deposits in the general deposit account at cost. However, agencies report their deposits in the special deposit accounts at fair value. Investments in the pool are recorded at fair value. Interest earned by the agencies' special deposit accounts is posted to the agency's account at the end of each month and is retained by the agency. Interest earnings are allocated based on the percentage of an agency's accumulated daily interest receivable to the total undistributed interest received by the pool. Reported interest income includes interest earnings, realized gains/losses and unrealized gains/losses on investments in the pool arising from changes in fair value.

The Division only has special deposit accounts. Realized gains and losses are allocated and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the agency’s percentage of ownership in the pool.

Although the State’s internal cash management pool includes some long-term investments, it operates as a demand deposit account. See the disclosures in Note 3 for credit risk information pertaining to the internal cash management pool.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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) until then. The Division currently has two types of deferred outflows of resources: (1) The Division reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The Division reports *deferred OPEB charges* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net position/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net 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 Division currently has two types of deferred inflows of resources: (1) The Division reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (2) The Division reports *deferred OPEB credits* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

Net Position

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions and Other Postemployment Benefits ("OPEB")

The Division recognizes net pension and net OPEB liabilities for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the Division's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Division's fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NOTE 3 - DEPOSITS

All deposits of the Division are under the control of the State Treasurer who, by law, has sole authority for investing state funds.

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At December 31, 2023, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's cash management pool, all the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Annual Comprehensive Financial Report of the State of South Carolina.

NOTE 4 - CONTRACT RECEIVABLE

On February 20, 2018, the Division entered into a development and rail service agreement requiring the Division to provide materials, equipment, and labor to construct rail tracks and switches (collectively "Improvements") as an incentive for warehouse construction. The Division will retain ownership of the Improvements until a certain number of railcars have been serviced through the Improvements. The Improvements were completed and placed in service in the last quarter of 2020 at a total cost of $876,373. The cost is being amortized over five years or the period for which the railcar volume service is expected to be reached. Accumulated amortization as of December 31, 2023 was $555,036. Expected annual amortization for 2024 is $175,275 with final amortization in 2025 of $146,062.

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at original cost except for certain assets received from the South Carolina State Ports Authority (SCPA), which are recorded at net book value at the time of receipt. Depreciation is computed on the straight-line method.

In February 2023, the Division transferred approximately 160 acres of the NBIF to the SCPA resulting in the transfer of $84,089,199 in land and other capital costs to the SCPA.

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

On December 5, 2012, the Division signed a Settlement Agreement and Release (the "Agreement") to settle and release six civil actions in which the Division was the defendant. As part of the agreement, the Division assumed $6,360,000 in Tax Increment Financing ("TIF") Bonds for the Navy Base Redevelopment Project. The Division also agreed to pay $8,000,000 to the City of North Charleston (the "City") to mitigate rail access impacts. The $6,360,000 and $8,000,000 are included as projects under construction for the proposed Navy Base Intermodal Facility. See Notes 14 and 15 for more information. These amounts are reduced as property is sold or transferred the SCPA.

A summary of property, plant, and equipment by subdivision is as follows:

Economic Development Project Fund

	Balance 12/31/2022	Transfers In (Out)	Additions	Deletions	Balance 12/31/2023
Non-depreciable capital assets:					
Land	$ 89,150,470	-	-	-	$ 89,150,470
Land Improvements	70,907,289	-	-	-	70,907,289
Total non-depreciable capital assets	160,057,759	-	-	-	160,057,759
Net capital assets	$ 160,057,759	-	-	-	$ 160,057,759

CHS-NCS

	Balance 12/31/2022	Transfers In (Out)	Additions	Deletions	Balance 12/31/2023
Non-depreciable capital assets:					
Land	$ 12,387,489	-	-	5,752,235	$ 6,635,254
Land improvements	1,642,091	-	-	-	1,642,091
Non-depreciable road	32,479,668	4,423,714	-	-	36,903,382
Projects under construction	117,782,911	(6,423,765)	19,904,333	79,204,453	52,059,026
Total non-depreciable capital assets	164,292,159	(2,000,051)	19,904,333	84,956,688	97,239,753
Depreciable capital assets:					
Land improvements	3,724,439	839,469	-	-	4,563,908
Buildings	11,676,086	454,223	-	95,757	12,034,552
Machinery and equipment	7,106,727	558,959	742,644	252,667	8,155,663
Depreciable road	2,172,903	-	411,193	-	2,584,096
Leasehold improvements	730,559	-	-	-	730,559
Total depreciable capital assets	25,410,714	1,852,651	1,153,837	348,424	28,068,778
Accumulated depreciation:					
Land improvements	547,541	-	238,019	-	785,560
Buildings	2,806,554	-	378,167	23,048	3,161,673
Machinery and equipment	5,868,244	-	519,066	252,667	6,134,643
Depreciable road	199,921	-	75,674	-	275,595
Leasehold improvements	461,117	-	101,040	-	562,157
Total accumulated depreciation	9,883,377	-	1,311,966	275,715	10,919,628
Net depreciable capital assets	15,527,337	1,852,651	(158,129)	72,709	17,149,150
Net capital assets	$ 179,819,496	(147,400)	19,746,204	85,029,397	$ 114,388,903

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

CCS

	Balance 12/31/2022	Transfers In (Out)	Additions	Deletions	Balance 12/31/2023
Non-depreciable capital assets:					
Land	$ 627,419	-	-	-	$ 627,419
Land improvements	6,027,549	-	-	-	6,027,549
Non-depreciable road	3,503,437	-	-	-	3,503,437
Total non-depreciable capital assets	10,158,405	-	-	-	10,158,405
Depreciable capital assets:					
Buildings	1,302,607	-	-	-	1,302,607
Machinery and equipment	2,166,226	-	-	-	2,166,226
Depreciable road	945,851	-	-	-	945,851
Total depreciable capital assets	4,414,684	-	-	-	4,414,684
Accumulated depreciation:					
Buildings	996,873	-	15,722	-	1,012,595
Machinery and equipment	1,309,007	-	7,213	-	1,316,220
Depreciable road	532,268	-	145,986	-	678,254
Total accumulated depreciation	2,838,148	-	168,921	-	3,007,069
Net depreciable capital assets	1,576,536	-	(168,921)	-	1,407,615
Net capital assets	$ 11,734,941	-	(168,921)	-	$ 11,566,020

SALKS

	Balance 12/31/2022	Transfers In (Out)	Additions	Deletions	Balance 12/31/2023
Non-depreciable capital assets:					
Land	$ 582,669	-	-	-	$ 582,669
Non-depreciable road	6,413,030	-	-	-	6,413,030
Total non-depreciable capital assets	6,995,699	-	-	-	6,995,699
Depreciable capital assets:					
Buildings	165,043	-	-	-	165,043
Depreciable road	184,204	147,400	-	-	331,604
Total depreciable capital assets	349,247	147,400	-	-	496,647
Accumulated depreciation:					
Buildings	61,432	-	11,003	-	72,435
Depreciable road	32,724	-	12,283	-	45,007
Total accumulated depreciation	94,156	-	23,286	-	117,442
Net depreciable capital assets	255,091	147,400	(23,286)	-	379,205
Net capital assets	$ 7,250,790	147,400	(23,286)	-	$ 7,374,904

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

COMBINED

	Balance 12/31/2022	Transfers In (Out)	Additions	Deletions	Balance 12/31/2023
Non-depreciable capital assets:					
Land	$ 102,748,047	-	-	5,752,235	$ 96,995,812
Land improvements	78,576,929	-	-	-	78,576,929
Non-depreciable road	42,396,135	4,423,714	-	-	46,819,849
Projects under construction	117,782,911	(6,423,765)	19,904,333	79,204,453	52,059,026
Total non-depreciable capital assets	341,504,022	(2,000,051)	19,904,333	84,956,688	274,451,616
Depreciable capital assets:					
Land improvements	3,724,439	839,469	-	-	4,563,908
Buildings	13,143,736	454,223	-	95,757	13,502,202
Machinery and equipment	9,272,953	558,959	742,644	252,667	10,321,889
Depreciable road	3,302,958	147,400	411,193	-	3,861,551
Leasehold improvements	730,559	-	-	-	730,559
Total depreciable capital assets	30,174,645	2,000,051	1,153,837	348,424	32,980,109
Accumulated depreciation:					
Land improvements	547,541	-	238,019	-	785,560
Buildings	3,864,859	-	404,892	23,048	4,246,703
Machinery and equipment	7,177,251	-	526,279	252,667	7,450,863
Depreciable road	764,913	-	233,943	-	998,856
Leasehold improvements	461,117	-	101,040	-	562,157
Total accumulated depreciation	12,815,681	-	1,504,173	275,715	14,044,139
Net depreciable capital assets	17,358,964	2,000,051	(350,336)	72,709	18,935,970
Net capital assets	$ 358,862,986	-	19,553,997	85,029,397	$ 293,387,586

Depreciation expense for the period by subdivision and in total was as follows: CHS-NCS approximately $1,312,000, CCS approximately $169,000, and SALKS approximately $23,000, Total - approximately $1,504,000. Depreciation on assets used across multiple divisions is allocated as discussed in Note 2. Included in other rental income-net and other transportation expenses is approximately $211,000 of depreciation on buildings that are held for rent and approximately $101,000 in amortization of leased track, respectively. The cost of the leased buildings is approximately $8,161,000 and net book value is approximately $6,885,000. See Note 10 for more information.

As of December 31, 2023, the Division had remaining commitments of approximately $6,040,000 related to various ongoing construction or capital projects.

NOTE 6 – ACCRUED ANNUAL LEAVE

Non-union employees are entitled to accrue and carry forward at calendar year end a maximum of 195 days sick leave and 45 days annual vacation leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days but are not entitled to any payment for unused sick leave. Employees do not accrue or carry forward holiday leave, compensatory time, or overtime.

NOTE 6 – ACCRUED ANNUAL LEAVE (CONTINUED)

Union employees can earn up to 29 days annual vacation leave per year, but do not earn any sick leave. Union employees do not carry forward any unused vacation leave; however, unused vacation leave is paid out at year-end. Upon termination of employment, union employees are entitled to be paid for accumulated unused annual vacation leave up to 29 days. Union employees do not accrue or carry forward holiday leave, compensatory time, or overtime.

The Division calculates the gross compensated absences liability based on recorded balances of unused vacation leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related tax payments is recorded as a liability. The net change in the liability is recorded in the current year in the applicable operating department.

NOTE 7 – OPERATING RENTAL REVENUE

On December 15, 2010 the Division was deeded over approximately 240 acres of property and approximately 65 buildings at the former Navy Base and on October 9, 2013 the Division purchased additional property and buildings. The property has a few remaining commercial leases that are month-to-month. See Note 10 for total revenue and expenses related to the property.

In December 2013, the Division entered into agreements with the Boeing Company for the development of a total of approximately 468 acres of land through December 31, 2027 with one six-year and six five-year options to renew. In consideration for the exclusive use of the leased property, the Boeing Company agreed to pay $1.00 per year for each year of the initial lease term. Additional rent provisions will be applicable for the extension terms. In consideration of the Boeing Company's planned improvements to and use of the property, the Boeing Company will have the option of purchasing the property, including any improvements, for a purchase price equal to the price paid on behalf of the Division to acquire the property. The option to purchase may be exercised at the end of the initial lease term or during any extension term.

Minimum rentals on non-cancelable leases based on current year rates are as follows:

Year Ended December 31,	Future Minimum Rentals
2024	$ 162,880
2025	132,190
2026	132,955
2027	125,538
2028	129,304
2029	11,099
Total	$ 693,966

In June 2018, the Division acquired a federal building through a property transfer with the City of North Charleston as discussed in Note 14. The lease was originally executed in January 2002 by the Charleston Redevelopment Authority ("RDA") for a period of 50 years and was assumed by the Division through the property transfer discussed previously. The rent due under the lease is $1.00 annually; however, the Division receives a portion of South Carolina income tax withholdings from federal employees working in the building under SC Code of Laws Section 12-10-88 passed through the RDA. The funding authorization for the RDA expires in December 2027 but may be extended. As a result of the variability of payments, the future minimum rentals for this lease are not included in the future minimum rentals above. Revenues in the years ended December 31, 2021, 2022, and 2023 were approximately $1,003,000, $1,056,000, and $963,000, respectively, and are included in other rental income, net.

The long-term receivable and related deferred inflow related to this agreement is not considered material for recording in the Statement of Net Position or for disclosure in the notes to the financial statements.

NOTE 8 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligation activity for the year ended December 31, 2023:

	January 1, 2023	Increases	Decreases	December 31, 2023	Due Within One Year
Compensated absences:					
CHS-NCS	$ 176,569	178,230	169,957	184,842	$ 177,920
CCS	117,713	118,820	113,305	123,228	118,613
	294,282	297,050	283,262	308,070	296,533
Note Payable	51,000,000	-	5,000,000	46,000,000	-
TIF Bonds Payable	4,570,000	-	225,000	4,345,000	235,000
Salkehatchie Loan	6,500,000	-	-	6,500,000	-
Total long-term obligations	$ 62,364,282	297,050	5,508,262	57,153,070	$ 531,533

The note payable represents an interest free loan agreement with the South Carolina Department of Commerce – SC Coordinating Council for Economic Development ("Coordinating Council") in an amount not to exceed $55 million. The loan was amended for the sixth time in August 2021 to establish semi-annual payments for 25 years from the beginning of the first year of operation of the Navy Base Intermodal Facility. Payments will be generated from $2.50 to be included in the transaction fee paid by SCPA to the Division for services rendered. Repayment shall be reduced by any amount of funds approved by the General Assembly to Commerce and/or the Coordinating Council for the direct or indirect purpose of restoring Coordinating Council funds expended in support of the Navy Base Intermodal Facility or any other funds made available for the same purpose. The General Assembly approved a proviso in the fiscal year 2024 budget authorizing the State Treasurer to disburse $5,000,000 by September 30, 2023 for partial repayment of the note payable. The loan proceeds were used to fund costs related to the Navy Base Intermodal Facility until the project is fully funded.

See Notes 14 and 15 for a detailed description of the TIF bonds payable and the Salkehatchie loan payable.

NOTE 9 – OTHER REVENUE

The category under "Operating Revenues" entitled "Other Revenue," is used to report miscellaneous income. For the year ended December 31, 2023 it consists of approximately $9,000 from contract repairs or inspection of equipment, approximately $10,000 from the sale of scrap materials, and approximately $8,000 related to encroachment permits from operations for CHS-NCS. CCS and SALKS also recorded approximately $3,000 and $10,000, respectively, related to encroachment permits from operations.

NOTE 10 – OTHER RENTAL INCOME, NET, NON-OPERATING REVENUES

The Division leases several buildings and parking spaces. The revenue and expenses for 2023 were as follows:

Rental revenue	$ 1,217,057
Less: expenses	
Depreciation	211,476
Utilities	1,155
Maintenance	4,912
Property tax and disposal fees	11,831
Insurance	27,637
Total expenses	257,011
Net Income	$ 960,046

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS

South Carolina Retirement Systems ("Systems")

The Division participates in the State of South Carolina's retirement plans. 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 plans. PEBA has an 11-member Board of Directors ("PEBA Board"), 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 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.

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

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (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 first-term individuals elected to the South Carolina General Assembly.

The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to the SCRS to newly hired state, public higher education institution and public school districts employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

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.

Plan 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.

- State ORP - As an alternative to membership in the SCRS, newly hired state, public higher education institution and public school district employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as the SCRS. A direct remittance is required from the employers to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to the SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by the SCRS.

- 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.

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan 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 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.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in the statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase the employer contribution rate as necessary.

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Contributions (Continued)

After June 30, 2027, if the most recent actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2023. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule.

Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates				PORS Rates			
	Effective Date				Effective Date			
	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2020	7/1/2021	7/1/2022	7/1/2023
Employer Contribution Rate:^								
Retirement*	15.41%	16.41%	17.41%	18.41%	17.84%	18.84%	19.84%	20.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%	0.20%
	15.56%	16.56%	17.56%	18.56%	18.24%	19.24%	20.24%	21.24%
Employee Contribution Rate^	9.00%	9.00%	9.00%	9.00%	9.75%	9.75%	9.75%	9.75%

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

* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

The required contributions and percentages of amounts contributed by the Division to the Plans for the past three years were as follows:

Year Ended	SCRS Contributions		State ORP Contributions		PORS Contributions	
December 31,	Required	% Contributed	Required	% Contributed	Required	% Contributed
2023	$ 905,991	100%	101,749	100%	$ -	100%
2022	872,002	100%	121,526	100%	-	100%
2021	$ 787,651	100%	100,200	100%	$ -	100%

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Contributions (Continued)

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2024. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2023 (measurement date) to the Division were approximately $47,000 and $1,000 for the SCRS and PORS, respectively. The Division recognized contributions from the State of approximately $47,000 for the year ended December 31, 2023; however, the Division was unable to recognize the $1,000 appropriated for the PORS as the Division no longer participates in the PORS.

Eligible payrolls of the Division covered under the Plans for the past three years were as follows:

Year Ended December 31,	SCRS Payroll	State ORP Payroll	PORS Payroll	Total Payroll
2023	$ 5,017,533	564,869	-	$ 5,582,402
2022	5,100,061	713,285	-	5,813,346
2021	$ 4,904,731	623,669	-	$ 5,528,400

Actuarial Assumptions and Methods

Actuarial valuations 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 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 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2023 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel Roeder Smith and Company ("GRS") and are based on the July 1, 2022 actuarial valuations as adopted by the PEBA Board and the SFAA. The total pension liability was rolled-forward from the valuation date to the Plan's fiscal year ended June 30, 2023 using generally accepted actuarial principles.

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

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or $500 annually	Lesser of 1% or $500 annually

* Includes inflation at 2.25%.

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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.

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2023 measurement date, for the SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 58,464,402,454	34,286,961,942	$ 24,177,440,512	58.6%
PORS	$ 9,450,021,576	6,405,925,370	$ 3,044,096,206	67.8%

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 No. 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 Nos. 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 the 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.

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the revised 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 below. For actuarial purposes, the 7.00 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.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	**46.0%**	6.62%	3.04%
Bonds	**26.0%**	0.31%	0.08%
Private Equity	**9.0%**	10.91%	0.98%
Private Debt	**7.0%**	6.16%	0.43%
Real Assets	**12.0%**		
Real Estate	9.0%	6.61%	0.58%
Infrastructure	3.0%	6.62%	0.20%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the 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, each System's fiduciary net position was projected to be available to make all 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 sensitivity of the Division's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The Division's proportionate share of the net pension liability of the SCRS	$ 14,168,218	10,965,304	$ 8,303,152
The Division's proportionate share of the net pension liability of the PORS	6,609	4,685	3,109
Total Pension Liability	$ 14,174,827	10,969,989	$ 8,306,261

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2023, the Division reported liabilities of approximately $10,965,000 and $5,000 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2023, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2022 that was projected forward to the measurement date. The Division's proportion of the net pension liabilities were based on a projection of the Division's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2023 measurement date, the Division's SCRS proportion was 0.045353 percent, which was an increase of 0.000971 percent from its proportion measured as of June 30, 2022. At the June 30, 2023 measurement date, the Division's PORS proportion was 0.000154 percent, which was a decrease of 0.000025 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Division recognized pension contra-expense of approximately $197,000 and approximately $1,000 for the SCRS and PORS, respectively. At December 31, 2023, the Division reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 190,377	$ 30,408
Changes in Assumptions	168,004	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	15,010
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	164,314	307,503
Division Contributions Subsequent to the Measurement Date	497,059	-
Total SCRS	1,019,754	352,921
PORS		
Differences Between Expected and Actual Experience	22	58
Changes in Assumptions	102	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	7	832
Total PORS	131	898
Total SCRS and PORS	$ 1,019,885	$ 353,819

NOTE 11 – PENSION PLANS AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately $497,000 that was reported as deferred outflows of resources related to the Division's contributions subsequent to the measurement date to the SCRS will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended December 31,	SCRS	PORS	Total
2024	$ 72,440	(422)	$ 72,018
2025	(260,114)	(417)	(260,531)
2026	363,879	77	363,956
2027	(6,431)	(5)	(6,436)
Total	$ 169,774	(767)	$ 169,007

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Report containing financial statements and required supplementary information. The Annual Report is publicly available through the Retirement Benefits' link on the 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.

Payable to Plans

The Division reported a payable of approximately $161,000 to the PEBA as of December 31, 2023, representing required employer and employee contributions for the month of December 2023 for the SCRS. This amount is included in Accounts Payable - Other on the financial statements and was paid in January 2024.

Railroad Retirement System

The Division contributed approximately $1,171,000 in the year ended December 31, 2023 to the U.S. Railroad Retirement System, which covers all employees. CHS-NCS contributed approximately $844,000, CCS approximately $312,000, and SALKS approximately $15,000. Participation is mandatory. This program is a two-tier system, which is funded, based on each employee's gross annual wages. Effective January 1, 2023, wages up to $160,200 were funded at 6.2 percent by the Division and 6.2 percent by the employee to meet Tier I funding requirements and all wages were funded at 1.45 percent by the Division and 1.45 percent by the employee to meet Tier I Medicare funding requirements. The Division funded wages up to $118,800 at 13.1 percent to meet Tier II funding requirements. Employees paid 4.9 percent on wages up to $118,800.

The U. S. Railroad Retirement Board, in accordance with the Railroad Retirement Acts, administers this plan.

Data concerning the actuarial status of the U.S. Railroad Retirement System as related to the Division is not available. The Division is not liable for any unfunded costs associated with the plan and recognized no contingent liability for such cost.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

The PEBA is the state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts, and retirement systems. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of the PEBA. By law, the SFAA also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits ("OPEB"). See Note 11 for more details on the PEBA and the SFAA.

For purposes of measuring the net OPEB liability ("NOL"), deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts' fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

The PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB trust fund financial information is also included in the annual comprehensive financial report of the state.

Plan Descriptions

The Other Postemployment Benefits Trust Funds ("OPEB Trusts" or "OPEB Plans"), collectively refers to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), were established by the State of South Carolina as Act 195, which became effective May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability ("BLTD") Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The PEBA Board has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Plan Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability. Since the employer contribution/premium paid and the proportionate share of the net OPEB liability and related deferred outflows and inflows of resources related to the SCLTDITF are not material to the Division, no SCLTDITF OPEB amounts have been recorded in these financial statements and only limited note disclosures have been provided related to these benefits.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions consist of an annual appropriation budgeted by the General Assembly and the statutorily required transfer from PEBA - Insurance Benefits reserves. However, due to the COVID-19 pandemic and the impact it has had on the PEBA - Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

The covered payroll surcharge rates for the past three years were as follows:

	Effective Date			
	7/1/2020	7/1/2021	7/1/2022	7/1/2023
Employer Contribution Rate^	6.25%	6.25%	6.25%	6.35%

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

The required payroll surcharge, percentages of amounts contributed, and eligible payroll by the Division covered by the SCRHITF for the past three years were as follows:

Year Ended	Contributions		
December 31,	Required	% Contributed	Eligible Payroll
2023	$ 351,647	100%	$ 5,582,402
2022	363,334	100%	5,813,346
2021	$ 345,525	100%	$ 5,528,400

The State (via state appropriations) and the PEBA-Insurance Benefits (via state statute to transfer amounts above 140% of incurred but not reported claims) contributed to the SCRHITF on behalf of the Division approximately $1,000 for the year ended June 30, 2023 (measurement period). The contributions from these nonemployer contributing entities were not considered material to the Division and have not been recorded in these financial statements.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about the Division's NOL, funded status of the OPEB Plan, and contributions to the OPEB Plan.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2022 actuarial valuation. The total OPEB liability was rolled-forward from the valuation date to the OPEB plan's fiscal year ended June 30, 2023 using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used in the latest valuation for the SCRHITF:

Valuation Date:	June 30, 2022
Actuarial Cost Method:	Individual Entry - Age Normal
Actuarial Assumptions:	
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB plan investment expense, including inflation
Single Discount Rate:	3.86% as of June 30, 2023
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 13 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums; 59% for retirees who are eligible for partial funded premiums; 20% for retirees who are eligible for non-funded premiums
Notes:	The discount rate changed from 3.69% as of June 30, 2022 to 3.86% as of June 30, 2023

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 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. For actuarial purposes, the 2.75 percent assumed annual investment rate of return includes a 0.50 percent real rate of return and a 2.25 percent inflation component. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return	Allocation -Weighted Portfolio Real Rate of Return
Conservative Fixed Income			
US Domestic Fixed Income	80.00%	0.95%	0.76%
Cash equivalents	20.00%	0.35%	0.07%
Total Expected Real Return	100.00%		0.83%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			3.08%
Investment Return Assumption			2.75%

Single Discount Rate

The Single Discount Rate of 3.86% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the SCRHITF's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability ("NOL") is calculated separately for each system and represents that particular system's total OPEB liability determined in accordance with GASB No. 74 less its fiduciary net position. NOL totals, as of the June 30, 2023 measurement date for the SCRHITF, are presented in the following table:

System	Total OPEB Liability	OPEB Plan Fiduciary Net Position	Employers' Net OPEB Liability (Asset)	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	$ 14,749,639,155	1,658,152,923	$ 13,091,486,232	11.24%

The total OPEB liability is calculated by PEBA's actuary, and the fiduciary net position is reported in the PEBA's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB No. 74 in the PEBA's 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 Nos. 74 and 75 are not applicable for other purposes, such as determining the OPEB Plans' funding requirements.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

At December 31, 2023, the Division reported a liability of approximately $7,391,000 for its proportionate share of the net OPEB liability for the SCRHITF. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability for the SCRHITF used to calculate the net OPEB liability was determined based on the most recent actuarial valuation report of June 30, 2022 that was projected forward to the measurement date. The Division's proportion of the net OPEB liability was based on a projection of the Division's long-term share of contributions to the SCRHITF relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2023 measurement date, the Division's proportion was 0.056459 percent, which was an increase of 0.000577 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Division recognized OPEB contra-expense of approximately $228,000 for the SCRHITF. At December 31, 2023, the Division reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,482,785	$ 1,684,314
Change in Assumptions	74,231	2,374,742
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	130,766	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	234,482	698,589
Employer Contributions Subsequent to the Measurement Date	174,436	-
Total	$ 2,096,700	$ 4,757,645

The Division reported approximately $174,000 of deferred outflows of resources related to its contributions subsequent to the measurement date to the SCRHITF, which will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the SCRHITF will increase (decrease) OPEB expense as follows:

Year Ended December 31,	Increase (Decrease) OPEB Expense
2024	$ (408,120)
2025	(381,534)
2026	(489,643)
2027	(635,017)
2028	(752,052)
Thereafter	(169,015)
Total	$ (2,835,381)

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following table presents the sensitivity of the Division's net OPEB liability for the SCRHITF to changes in the discount rate, calculated using the discount rate of 3.86%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.86%) or 1% point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Net OPEB Liability	$ 8,725,156	7,391,322	$ 6,315,574

The following table presents the sensitivity of the Division's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.00% decreasing to 4.00%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.00% decreasing to 3.00%) or 1% point higher (7.00% decreasing to 5.00%) than the current rate:

	1% Decrease (5.00% decreasing to 3.00%)	Current Healthcare Cost Trend Rate (6.00% decreasing to 4.00%)	1% Increase (7.00% decreasing to 5.00%)
Net OPEB Liability	$ 6,137,315	7,391,322	$ 9,002,451

OPEB Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the OPEB Plans administered by the PEBA is available in the separately issued financial statements and required supplementary information for the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds. This information is publicly available through the Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE 13 - TRANSACTIONS WITH STATE ENTITIES

During 2015, the Division entered into an interest free loan agreement with the South Carolina Department of Commerce – SC Coordinating Council for Economic Development in an amount not to exceed $55 million. See Note 8 regarding long-term obligations.

Services received at no cost from State agencies include banking and investment functions from the State Treasurer, property transaction assistance, and retirement and insurance plan administration from the PEBA. The Division had financial transactions with various State agencies during the year ended December 31, 2023 as listed below:

NOTE 13 - TRANSACTIONS WITH STATE ENTITIES (CONTINUED)

State Entity	Payments	Description
SC Deferred Compensation	$ 53,124	Employee Payroll Deductions
SC Department of Administration	326	Telephone
SC Department of Revenue	286,267	Employee Payroll Deductions and Sales Tax
SC Department of Social Services	29,380	Employee Payroll Deductions
SC Public Employee Benefit Authority	545,873	Health Insurance
SC Retirement Systems	1,832,277	Employee and Employer Match
SC State Fiscal Accountability Authority	139,856	Property, Casualty and Tort Insurance
SC State Ports Authority	314	Electric Reimbursement
	$ 2,887,417	

NOTE 14 – SETTLEMENT AGREEMENT AND RELEASE

The City of North Charleston ("North Charleston") and the North Charleston Sewer District ("Sewer District") signed a Settlement Agreement and Release (the "Agreement") to settle and release six civil actions in which North Charleston or the Sewer District were the plaintiff and the Division was the defendant in December 2012 with an effective date of March 2013. The Agreement was necessary to obtain land for the Division to plan and construct a Navy Base Intermodal Facility on the former Navy Base. The terms of the agreement included the following:

1. The Division paid North Charleston $8,000,000 to mitigate rail access impacts with the last of the 4 installments paid in March 2016.
2. The Division assumed $6,360,000 in TIF Bonds for the Navy Base Redevelopment Project. See Note 15 for more information.
3. The Division transferred to North Charleston certain buildings and land on the former Navy Yard as soon as practicable after the effective date.
4. North Charleston transferred to the Division certain buildings and land on the former Navy Yard as soon as practicable after the effective date.
5. Before December 31, 2017, the Division transferred to North Charleston additional buildings and land on the former Navy Yard.
6. Before December 31, 2017, North Charleston transferred to the Division additional buildings and land on the former Navy Base.

All terms of the agreement outlined above were met as of December 31, 2018 excluding the assumption of $6,400,000 in TIF bonds. A portion of the TIF Bonds assumed by the Division are still outstanding as of December 31, 2023 as discussed in Note 15.

NOTE 15 – NONCURRENT LIABILITIES

As part of the Settlement Agreement and Release, see Note 14, the Division assumed responsibility for payment of $6,360,000 in TIF Bonds from the City of North Charleston. Principal and interest are payable in annual installments beginning September 2013 through September 2037 with variable interest (4.18% at September 27, 2023), as determined by the remarketing agent, payable each month. The balance outstanding at December 31, 2023 was $4,345,000.

NOTE 15 – NONCURRENT LIABILITIES (CONTINUED)

Future principal payments of the TIF bonds are as follows:

Year Ending December 31,	Principal Payments
2024	$ 235,000
2025	245,000
2026	255,000
2027	265,000
2028	275,000
2029-2033	1,560,000
2034-2037	1,510,000
Total	$ 4,345,000

On May 5, 2017, the Division purchased the assets of the Hampton and Branchville Railroad Company, currently known as the Salkehatchie Subdivision ("SALKS") for $6,500,000. Financing for the acquisition was provided to the Division by the Colleton County Intermodal Corporation ("CCIC"), which obtained the funds from its issuance of taxable economic development revenue bonds.

CCIC loaned the Division $11,663,086, which is equal to the CCIC's payments for the taxable development revenue bonds. There were no principal and interest components stipulated in the loan; however, the principal amount is considered to be the exchange price of the property with the remaining payments relating to interest. These payments will allow CCIC to fulfill its obligations under its taxable economic development revenue bonds.

Payments on the loan are payable only from the revenues and net income generated from the operation of SALKS. Payments are limited to 10% of annual revenues of SALKS and 25% of net income generated by SALKS.

The loan matures on May 12, 2047 and may be extended in four increments of five years each, if certain conditions are met and the loan has not been paid in full by the maturity date. The loan has a put option beginning at the end of five years under which the Division may relinquish its rights to the SALKS railroad in exchange for the loan being considered paid in full. The loan also contains a call option exercisable after five years under which CCIC can demand payment in full or repossess the SALKS railroad if the loan payments in the preceding fiscal year are less than CCIC's payment obligations on its taxable economic development revenue bonds for that year.

As noted above, the loan requires total payments of $11,663,086, which includes $6,500,000 of principal that was borrowed to fund the acquisition of SALKS. This leaves the remaining $5,163,086 allocated to interest expense. Because of the variable nature of the payments (see above), the effective interest rate will vary depending on the timing and amount of the loan repayments. Assuming a level stream of payments over the life of the loan, the effective interest rate is calculated to be 4.2798%.

The loan is collateralized by SALKS assets.

The Division is obligated to operate SALKS and maintain the tracks even if revenues are insufficient. Operations of SALKS can only be ceased with written consent from CCIC.

Interest expense for the loan in 2023 was approximately $128,000. Interest payable at December 31, 2023 was approximately $128,000.

NOTE 16 - RISK MANAGEMENT

The Division is exposed to various risks of loss and maintains State or commercial insurance coverage for certain risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Division. Settled claims have not exceeded this coverage in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year. The Division pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered losses sustained during the policy period in accord with the insurance policy and benefit program limits. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of covered public employees for health and dental insurance benefits (PEBA – Insurance Benefits Division); and

2. Claims of covered public employees for long-term disability and group-life insurance benefits (PEBA – Insurance Benefits Division).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums which are remitted to commercial carriers.

The Division and other entities pay premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulate assets to cover the risks of loss and pays claims incurred for covered losses related to the following Division assets, activities, and/or events:

1. Real property, its contents and other equipment - Coverage per loss for real property is based on current valuation with a $10,000 deductible. Eighty percent of each loss is covered by the IRF.

2. Motor vehicles - Coverage is up to $1,000,000 per loss with a $500 deductible for comprehensive coverage and $500 for collision.

3. Torts

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF's rates are determined actuarially.

State agencies are the primary participants in the PEBA – Insurance Benefits Division and in the IRF.

The Division purchases insurance, which covers all subdivisions, through private carriers for liability and property loss on road and locomotive assets, and employee fidelity bond insurance coverage for all employees to cover losses of up to $100,000 arising from theft or misappropriations. Management believes based on exposure and likelihood of loss that this coverage is sufficient.

The Division has purchased insurance, which covers all subdivisions, from a private carrier for liability under the Federal Employers Liability Act (FELA), which is similar to workmen's' compensation insurance and covers all employees. The Division has elected to retain the risk of loss on this coverage for up to the first $200,000 of costs per claim. Management has elected to retain this amount of risk because it feels that it is more economical than paying additional premiums for increased coverage. The Division incurred $100,000 in expenses related to a claim under this policy in 2021. Also, a tax is paid to the U.S. Railroad Retirement System to cover all the Division employees for unemployment benefits. The Division has recorded insurance premium expenses in the applicable operating department corresponding to the employees for whom contributions are made or in insurance expense under administrative costs.

NOTE 16 - RISK MANAGEMENT (CONTINUED)

The Division's management believes risk of loss from business interruption is a remote likelihood, however the Division does have $250,000 coverage through their equipment liability coverage policy for this risk.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND LITIGATION

The Division is party to civil lawsuits and other legal proceedings periodically. At the current time management and legal counsel are unable to determine any ultimate outcome of existing and potential legal actions. There are no significant commitments or contingencies related to these actions.

NOTE 18 – INTERFUND BALANCES

Interfund balances at December 31, 2023 (which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
CHS-NCS	$ 269,335	$ -
CCS	-	221,399
SALKS	-	47,936
Totals	$ 269,335	$ 269,335

Receivables and payables are primarily the result of expenses for CCS and SALKS being paid using the CHS-NCS cash account. These interfund receivables and payables were relieved subsequent to December 31, 2023.

NOTE 19 – ENTERPRISE FUND INFORMATION

Charges for services	$ 22,493,630
Capital grants	8,371,102
Less: expenses	(15,940,565)
Net program revenue	14,924,167
Interest income and gain (loss) on sale of investments	2,672,875
Miscellaneous revenue	238,332
Gain on sale or disposal of capital assets	1,160,567
Net general revenue	4,071,774
Transfer of assets to SC Ports Authority	(84,089,199)
Change in net position	(65,093,258)
Net position, beginning of year	339,512,363
Net position, end of year	$ 274,419,105

This information is included only for the State of South Carolina GAAP reporting purposes and includes terminology and classifications which are not consistent with the financial statements.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Division entered into additional contracts related to construction totaling approximately $77,471,000.

In March 2024, the Division was awarded $48.5 million in Strategic Economic Development Infrastructure funds and $18.0 million in LocateSC funds to be used towards the Camp Hall project.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended December 31,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Palmetto Railways' Proportion of the Net Pension Liability	0.04535%	0.04438%	0.04685%	0.04754%	0.05066%	0.04744%	0.04668%	0.04501%	0.03567%	0.03140%
Palmetto Railways' Proportionate Share of the Net Pension Liability	$ 10,965,304	10,759,093	10,138,898	12,147,334	11,567,154	10,629,311	10,508,644	9,613,642	6,765,556	$ 5,406,556
Palmetto Railways' Covered Payroll	$ 5,919,173	5,492,659	5,493,962	5,484,211	5,556,201	5,181,225	5,026,978	4,600,952	3,482,403	$ 2,942,411
Palmetto Railways' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.3%	195.9%	184.5%	221.5%	208.2%	205.2%	209.0%	208.9%	194.3%	183.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the year presented.
The discount rate was lowered from 7.50% to 7.25% for the year ended December 31, 2018.
The discount rate was lowered from 7.25% to 7.00% for the year ended December 31, 2021.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended December 31,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 979,497	957,864	856,667	816,319	811,859	719,285	607,795	514,877	426,759	$ 330,236
Contributions in Relation to the Contractually Required Contribution	979,497	957,864	856,667	816,319	811,859	719,285	607,795	514,877	426,759	330,236
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-	$ -
Palmetto Railways' Covered Payroll	$ 5,582,402	5,813,346	5,528,400	5,442,759	5,575,041	5,337,176	5,152,091	4,817,603	4,098,528	$ 3,165,527
Contributions as a Percentage of Covered Payroll	17.55%	16.48%	15.50%	15.00%	14.56%	13.48%	11.80%	10.69%	10.41%	10.43%

Notes to Schedule:

The contractually required contribution rate was increased from 14.56% to 15.56% of eligible payroll as of July 1, 2019.
The contractually required contribution rate was increased from 15.56% to 16.56% of eligible payroll as of July 1, 2021.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended December 31,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Palmetto Railways' Proportion of the Net Pension Liability	0.00015%	0.00018%	0.00020%	0.00020%	0.00022%	0.00102%	0.00412%	0.00416%	0.00407%	0.00406%
Palmetto Railways' Proportionate Share of the Net Pension Liability	$ 4,685	5,376	5,120	6,569	6,255	28,993	112,870	105,619	88,706	$ 77,745
Palmetto Railways' Covered Payroll	$ -	-	-	-	-	14,163	55,481	53,086	50,425	$ 48,840
Palmetto Railways' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.0%	0.0%	0.0%	0.0%	0.0%	204.7%	203.44%	198.96%	175.92%	159.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.8%	66.4%	70.4%	58.8%	62.7%	61.7%	60.94%	60.44%	64.57%	67.55%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the year presented.
The discount rate was lowered from 7.50% to 7.25% for the year ended December 31, 2018.
The discount rate was lowered from 7.25% to 7.00% for the year ended December 31, 2021.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended December 31,									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ -	-	-	-	-	-	6,285	7,695	6,947	$ 6,521
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	6,285	7,695	6,947	6,521
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-	$ -
Palmetto Railways' Covered Payroll	$ -	-	-	-	-	-	42,144	55,000	51,171	$ 49,680
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.91%	13.99%	13.58%	13.13%

Notes to Schedule:

The contractually required contribution rate was increased from 17.24% to 18.24% of eligible payroll as of July 1, 2019.
The contractually required contribution rate was increased from 18.24% to 19.24% of eligible payroll as of July 1, 2021.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

LAST EIGHT FISCAL YEARS

	Year Ended December 31,							
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Palmetto Railways' Proportion of the Net OPEB Liability	0.05646%	0.05588%	0.05891%	0.05950%	0.06353%	0.06025%	0.06027%	0.06027%
Palmetto Railways' Proportionate Share of the Net OPEB Liability	$ 7,391,322	8,500,681	12,267,352	10,739,889	9,606,705	8,537,069	8,163,473	$ 8,720,244
Palmetto Railways' Covered Payroll	$ 5,919,173	5,492,659	5,493,962	5,484,211	5,556,201	5,195,387	5,082,459	$ 4,654,037
Palmetto Railways' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	124.87%	154.76%	223.29%	195.83%	172.90%	164.32%	160.62%	187.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.24%	9.64%	7.48%	8.44%	7.91%	7.60%	7.60%	6.62%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the year presented (measurement date).
Palmetto Railways adopted GASB #75 during the year ended December 31, 2018. Information prior to 2016 is not available.
The discount rate changed from 3.56% as of the June 30, 2017 measurement date to 3.62% for the June 30, 2018 measurement date.
The discount rate changed from 3.62% as of the June 30, 2018 measurement date to 3.13% for the June 30, 2019 measurement date.
The discount rate changed from 3.13% as of the June 30, 2019 measurement date to 2.45% for the June 30, 2020 measurement date.
The discount rate changed from 2.45% as of the June 30, 2020 measurement date to 1.92% for the June 30, 2021 measurement date.
The discount rate changed from 1.92% as of the June 30, 2021 measurement date to 3.69% for the June 30, 2022 measurement date.
The discount rate changed from 3.69% as of the June 30, 2022 measurement date to 3.86% for the June 30, 2023 measurement date.

PALMETTO RAILWAYS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF PALMETTO RAILWAYS' CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

LAST EIGHT FISCAL YEARS

	Year Ended December 31,							
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 351,647	363,334	345,525	340,172	342,830	308,677	281,289	$ 259,710
Contributions in Relation to the Contractually Required Contribution	351,647	363,334	345,525	340,172	342,830	308,677	281,289	259,710
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	$ -
Palmetto Railways' Covered Payroll	$ 5,582,402	5,813,346	5,528,400	5,442,759	5,575,042	5,337,176	5,194,235	$ 4,872,603
Contributions as a Percentage of Covered Payroll	6.30%	6.25%	6.25%	6.25%	6.15%	5.78%	5.42%	5.33%

Notes to Schedule:

Palmetto Railways adopted GASB #75 during the year ended December 31, 2018. Information prior to 2016 is not available.

Greene Finney Cauley, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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*

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
Columbia, 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 South Carolina Department of Commerce – Division of Public Railways d/b/a Palmetto Railways (the "Division") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
June 5, 2024