

**City of Folly Beach,  
South Carolina**

***Report on Financial Statements***

***Year ended June 30, 2021***

# City of Folly Beach, South Carolina

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**CITY OF FOLLY BEACH,  
SOUTH CAROLINA**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**YEAR ENDED JUNE 30, 2021**

MAYOR

Tim Goodwin

CITY COUNCIL MEMBERS

Adam Barker  
William Farley  
Billy Grooms  
Katherine Houghton  
Amy Ray  
Donald Rich

APPOINTED OFFICIALS

|  |                   |
|--|-------------------|
| City Administrator                                       | Aaron Pope        |
| Director of Public Safety                                | Andrew Gilreath   |
| Director of Utilities                                    | Kyle Sullivan     |
| Environmental and Land Use Planner; Zoning Administrator | Katherine Gerling |
| Director of Building/Facilities/Public Works             | Eric Lutz         |
| Director of Human Resources                              | Kathryn Battey    |
| Accounts Payable   | Robin Brooks      |
| City Clerk   | Marlene Estridge  |
| Director of Finance                                      | Lee Gessner       |
| Municipal Clerk/Clerk of Council                         | Wesley Graham     |
| Clerk of Court   | Anita Praytor     |
| Animal Control   | Harry Mims        |
| IT Director  | Aaron Stransky    |
| Community Coordinator                                    | Colleen Jolley    |

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council  
City of Folly Beach  
Folly Beach, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Folly Beach, South Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information and combining non-major special revenue fund financial statements, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and combining non-major special revenue fund financial statements, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, and combining non-major special revenue fund financial statements, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 City's internal control over financial reporting and compliance.



Charleston, South Carolina  
January 11, 2022

## City of Folly Beach, South Carolina

### *Management's Discussion and Analysis (Unaudited)*

*For the year ended June 30, 2021*

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As management of the City of Folly Beach ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole (including its blended component units). We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

#### Financial Highlights:

Major financial highlights for fiscal year 2021 include:

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$23,817,000 (*net position*). Of this amount, approximately \$19,209,000 and \$4,608,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$3,560,000 and \$3,048,000 for its governmental activities and business-type activities, respectively.
- The government's total net position increased by approximately \$3,431,000 for its governmental activities and decreased by approximately \$77,000 for its business-type activities from the prior year net position. Total revenues of approximately \$13,896,000 exceeded total expenses of approximately \$10,542,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$16,583,000, an increase of approximately \$4,071,000 over the prior year's fund balance. Of this amount, approximately 20% or \$3,336,000 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$3,336,000, or 33% of total General Fund expenditures for the year ended June 30, 2021.
- The City's total capital assets increased by approximately \$1,939,000 during the current fiscal year primarily due to current year capital asset additions of approximately \$2,531,000 exceeding depreciation expense of approximately \$563,000.
- The City's total debt (excluding compensated absences) increased by approximately \$2,369,000 during the current year due to the issuance of \$2,700,000 in general obligation bonds in August 2020.

#### Overview of Financial Statements:

This annual report consists of two parts –The *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

#### **Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains required and other supplementary information that will enhance the reader's understanding of the financial condition of the City.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

Overview of Financial Statements, Continued:

**Financial Statements, continued**

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

| Figure A-1<br>Major Features of the City's Government-Wide and Fund Financial Statements |  |  |  |
|--|--|--|--|
|  | Government-Wide<br>Financial Statements  | Fund Financial Statements  |  |
|  |  | Governmental Funds   | Proprietary<br>Funds   |
| Scope  | Entire City government including the City's blended component units  | The activities of the City that are not proprietary  | Activities the City operates similar to private businesses, in the City's case, the water and sewer operations   |
| Required Financial Statements  | <ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Revenues, Expenses, and Changes in Net Position</li> <li>▪ Statement of Cash Flows</li> </ul> |
| Accounting basis and measurement focus   | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  |
| Type of balance sheet information  | All balance sheet types - both financial and capital, and short-term and long-term                               | Only assets and deferred outflows of resources (if any) expected to be used and liabilities and deferred inflows of resources (if any) that come due during the year or soon, thereafter; no capital assets included | All balance sheet types - both financial and capital, and short-term and long-term   |
| Type of inflow/outflow Information   | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter                           | All revenues and expenses during year, regardless of when cash is received or paid   |

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**City of Folly Beach, South Carolina**  
***Management's Discussion and Analysis (Unaudited)***  
***For the year ended June 30, 2021***

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*Overview of Financial Statements, Continued:*

***Government-Wide Financial Statements***

The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The financial statements include not only the City itself but also three blended component units. The blended component units of the City are the Folly Beach Nature Conservancy, Inc. (formed by the City to receive and protect natural resources that had been donated to or acquired by the City) and the Folly Beach Tourism and Visitor Promotion Committee, Inc. (formed by the City to provide recommendations on and establish guidelines for the advertisement and promotion of tourism for the City using the 30% accommodation tax funds received from the state), and the Folly Beach Historical Society, Inc. (formed by the City to research, promote, and preserve the history of Folly Beach).

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

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

The government-wide financial statements are divided into two categories: (1) governmental activities; and (2) business-type activities. The governmental activities include general government, public safety, and public works. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities are the City's water and sewer operations for which it charges its customers to provide.

The government-wide financial statements can be found as listed in the table of contents.

***Fund Financial Statements***

The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Overview of Financial Statements, Continued:

**Fund Financial Statements, continued**

- Governmental Funds - *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains two (2) major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Beach Preservation Fund, which are considered to be the major funds. Data for the other four (4) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report. The governmental fund financial statements can be found as listed in the table of contents.

- Proprietary Funds - The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City uses two enterprise funds to account for both its water and sewer operations. The proprietary fund financial statements can be found as listed in the table of contents.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

**Required Supplementary Information**

In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the City's major governmental funds, the City adopts an annual budget for its General Fund, as required by General Statutes. The City also presents required supplementary information related to its participation in the cost-sharing multiple-employer State pension plans. Required supplementary information can be found as listed in the table of contents.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

Overview of Financial Statements, Continued:

**Supplementary Information**

Supplementary information is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for 2021 compared to 2020:

|                                      | Governmental Activities |               | Business-Type Activities |              | Total         |               |
|--------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|                                      | 2021                    | 2020          | 2021                     | 2020         | 2021          | 2020          |
| Assets:                              |                         |               |                          |              |               |               |
| Current and other assets             | \$ 18,810,699           | \$ 13,031,302 | \$ 3,785,940             | \$ 3,701,430 | \$ 22,596,639 | \$ 16,732,732 |
| Capital assets, net                  | 10,284,518              | 8,335,934     | 1,498,349                | 1,507,525    | 11,782,867    | 9,843,459     |
| Total assets                         | 29,095,217              | 21,367,236    | 5,284,289                | 5,208,955    | 34,379,506    | 26,576,191    |
| Deferred outflows of resources:      |                         |               |                          |              |               |               |
| Deferred pension charges             | 1,410,103               | 984,387       | 108,126                  | 72,240       | 1,518,229     | 1,056,627     |
| Total deferred outflows of resources | 1,410,103               | 984,387       | 108,126                  | 72,240       | 1,518,229     | 1,056,627     |
| Liabilities:                         |                         |               |                          |              |               |               |
| Net pension liability                | 6,293,479               | 5,636,474     | 583,174                  | 336,786      | 6,876,653     | 5,973,260     |
| Long-term obligations                | 2,485,000               | 65,548        | 6,877                    | 12,776       | 2,491,877     | 78,324        |
| Other liabilities                    | 2,318,553               | 675,901       | 190,198                  | 241,912      | 2,508,751     | 917,813       |
| Total liabilities                    | 11,097,032              | 6,377,923     | 780,249                  | 591,474      | 11,877,281    | 6,969,397     |
| Deferred inflows of resources:       |                         |               |                          |              |               |               |
| Deferred pension credits             | 198,598                 | 194,660       | 4,483                    | 5,280        | 203,081       | 199,940       |
| Total deferred inflows of resources  | 198,598                 | 194,660       | 4,483                    | 5,280        | 203,081       | 199,940       |
| Net position:                        |                         |               |                          |              |               |               |
| Net investment in capital assets     | 6,187,898               | 8,219,934     | 1,498,349                | 1,507,525    | 7,686,247     | 9,727,459     |
| Restricted                           | 9,461,162               | 7,916,664     | 60,872                   | 60,872       | 9,522,034     | 7,977,536     |
| Unrestricted                         | 3,560,630               | (357,558)     | 3,048,462                | 3,116,044    | 6,609,092     | 2,758,486     |
| Total net position                   | \$ 19,209,690           | \$ 15,779,040 | \$ 4,607,683             | \$ 4,684,441 | \$ 23,817,373 | \$ 20,463,481 |

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Government-Wide Financial Analysis, Continued:

The City's total assets of approximately \$34,380,000 increased approximately \$7,803,000 from the prior year. The increase is primarily due to an increase of approximately \$1,049,000 in due from other governments, an increase in capital assets, net of depreciation, of approximately \$1,939,000, and an increase in cash and investments of approximately \$4,914,000. The increase in cash is primarily due to a \$3,354,000 change in net position (net income), as well as short-term borrowings of approximately \$1,612,000.

The City's total deferred outflows of resources of approximately \$1,518,000 increased approximately \$462,000 due to changes in the components of the City's proportionate share of the State's pension plans.

The City's total liabilities of approximately \$11,877,000 increased approximately \$4,908,000 primarily due to the issuance of \$2,700,000 of general obligation bonds in August 2020, short-term borrowings of approximately \$1,612,000, and an increase in the net pension liability of approximately \$903,000. The increase in net pension liability was due to changes in the components of the City's proportionate share of the State's pension plans.

The City's total deferred inflows of resources of approximately \$203,000 increased approximately \$3,000 due to changes in the components of the City's proportionate share of the State's pension plans.

The City's net position increased by approximately \$3,354,000 during the current fiscal year due to total revenues of approximately \$13,896,000 exceeding total expenses of approximately \$10,542,000.

The City's assets exceeded liabilities (net position) by approximately \$23,817,000 as of June 30, 2021. One of the largest portions of the City's net position of approximately \$7,686,000 (approximately 32% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$9,522,000 (approximately 40% of total net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the City's net position is unrestricted net position of approximately \$6,609,000 (approximately 28% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current and prior fiscal year, the City was able to report positive balances in all three categories of net position.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

Government-Wide Financial Analysis, Continued:

The following table shows the changes in the City's net position for fiscal year 2021 compared to 2020.

|                                    | Governmental Activities |               | Business-Type Activities |              | Totals        |               |
|------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|                                    | 2021                    | 2020          | 2021                     | 2020         | 2021          | 2020          |
| Revenues:                          |                         |               |                          |              |               |               |
| Program revenues:                  |                         |               |                          |              |               |               |
| Charges for services               | \$ 3,152,613            | \$ 1,841,779  | \$ 1,961,655             | \$ 2,023,027 | \$ 5,114,268  | \$ 3,864,806  |
| Operating grants and contributions | 435,472                 | 24,548        | -                        | -            | 435,472       | 24,548        |
| Capital grants and contributions   | 45,033                  | 142,926       | -                        | -            | 45,033        | 142,926       |
| General revenues:                  |                         |               |                          |              |               |               |
| Taxes                              | 7,990,748               | 6,529,530     | -                        | -            | 7,990,748     | 6,529,530     |
| Intergovernmental                  | 141,085                 | 229,304       | -                        | -            | 141,085       | 229,304       |
| Other                              | 169,731                 | 211,241       | -                        | -            | 169,731       | 211,241       |
| Total revenues                     | 11,934,682              | 8,979,328     | 1,961,655                | 2,023,027    | 13,896,337    | 11,002,355    |
| Expenses:                          |                         |               |                          |              |               |               |
| General government                 | 3,883,209               | 3,358,991     | -                        | -            | 3,883,209     | 3,358,991     |
| Public safety                      | 3,373,701               | 3,542,241     | -                        | -            | 3,373,701     | 3,542,241     |
| Public works                       | 1,215,388               | 1,272,595     | -                        | -            | 1,215,388     | 1,272,595     |
| Interest on long-term obligations  | 31,734                  | 1,513         | -                        | -            | 31,734        | 1,513         |
| Water and sewer                    | -                       | -             | 2,044,163                | 1,802,424    | 2,044,163     | 1,802,424     |
| Total expenses                     | 8,504,032               | 8,175,340     | 2,044,163                | 1,802,424    | 10,548,195    | 9,977,764     |
| Gain on sale of equipment          | -                       | -             | 5,750                    | -            | 5,750         | -             |
| Change in net position             | 3,430,650               | 803,988       | (76,758)                 | 220,603      | 3,353,892     | 1,024,591     |
| Net position - beginning of year   | 15,779,040              | 14,975,052    | 4,684,441                | 4,463,838    | 20,463,481    | 19,438,890    |
| Net position - end of year         | \$ 19,209,690           | \$ 15,779,040 | \$ 4,607,683             | \$ 4,684,441 | \$ 23,817,373 | \$ 20,463,481 |

**Governmental Activities**

Net position for governmental activities increased by approximately \$3,431,000 in the current year.

Total governmental activities revenues increased by approximately \$2,954,000 or 33% from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Charges for services increased approximately \$1,311,000 or 71% due to increases in business licenses, paid parking, and parking tickets.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Government-Wide Financial Analysis, Continued:

**Governmental Activities, continued**

- Tax revenues increased approximately \$1,461,000 or 22% primarily due to increases of approximately \$1,313,000 in accommodations taxes, \$168,000 of hospitality taxes, and \$59,000 in franchise. The increases in accommodations and hospitality tax revenues was due to the impacts of the COVID-19 pandemic that led to lockdowns on the island and decreased tourism activity beginning in March 2020 through the end of the prior fiscal year.

Total governmental activities expenses increased approximately \$329,000 or 4% from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- General Government expenses increased approximately \$524,000 or 16% primarily due to an increase in non-capitalizable repairs and furniture and fixtures purchased for the Facilities department.
- Public Safety expenses decreased approximately \$169,000 or 5% primarily due to a decrease in the allocation of net change in the net pension liability.
- Public Works expenses decreased approximately \$57,000 or 4% primarily due to improvements made to pedestrian paths in the prior year that were not relevant to the current year.

**Business-Type Activities**

Net position for business-type activities (water and sewer services) decreased by approximately \$77,000 in the current year. Key changes in business-type activities revenues and expenses compared to the prior year were as follows:

Total business-type activities revenues decreased by approximately \$61,000 or 3%. Key changes in business-type revenues as compared to the prior year were as follows:

- Water charges for services increased approximately \$34,000 or 3% primarily due to a 4% increase in rates from the prior year.
- Sewer charges for services decreased approximately \$96,000 or 12% primarily due to decreases in consumption during lockdowns and travel restrictions caused by the COVID-19 pandemic.

Total business-type activities expenses increased by approximately \$236,000 or 13%. Key changes in business-type expenses as compared to the prior year were as follows:

- Water Fund expenses increased approximately \$180,000 or 15% primarily due to an increase in pension expense that had been a pension benefit in the prior year.
- Sewer Fund expenses increased approximately \$56,000 or 9% primarily due to an increase in pension expense that had been a pension benefit in the prior year.

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**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Financial Analysis of the City's Funds:

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$16,583,000, an increase of approximately \$4,071,000 or 33% from the prior year fund balance. The increase in fund balance was the result of revenues and other financing sources of approximately \$14,598,000 exceeding expenditures and other financing uses of approximately \$10,526,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$3,336,000 or 20% of the total governmental fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending as it is legally restricted by an outside agency or has been committed or assigned by City Council as follows:

- Restricted for (1) Victims Services of approximately \$31,000 or less than 1% is legally restricted by the revenue source, and (2) for tourism related expenditures or operating expenditures incurred to serve tourists of approximately \$9,430,000 or 52% is legally restricted by the revenue source;
- Committed for (1) Future Capital Outlay of approximately \$3,396,000 or 19%, (2) Claims, Judgments and Contingencies of approximately \$39,000 or less than 1%, and (3) Other of approximately \$275,000 or 2% is committed by City Council through passage of the budget in current and prior years.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$7,153,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately \$3,336,000 represents approximately 33% of total General Fund expenditures.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$2,538,000 or 55% due to revenues and other financing sources of approximately \$12,646,000 exceeding expenditures and other financing uses of approximately \$10,108,000
- General Fund revenues increased approximately \$1,546,000 or 25% primarily due to increases in intergovernmental, fines and penalties, and parking program revenues. The increase in fines and penalties was primarily due to a new contract with a third party to issue parking tickets on City property.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Financial Analysis of the City's Funds, Continued:

**Governmental Funds, continued**

- General Fund expenditures increased approximately \$2,861,000 or 39% primarily due to an increase in general government expenditures as well as an increase in capital outlay expenditures. The increase in capital outlay was primarily due to the City Hall renovations that were completed during the current fiscal year.
- Total other financing sources increased approximately \$4,138,000 or 539% primarily due to the issuance of \$2,700,000 in general obligation bonds and transfers in to the general fund of approximately \$2,187,000.

In addition, the fund balances of the remaining funds increased by approximately \$1,533,000 or 19% from the prior year. Highlights for these funds were as follows:

- The fund balance in the Beach Preservation Fund increased approximately \$900,000 or 14% primarily due to revenues of approximately \$80,000 and transfers in of approximately \$942,000 exceeding expenditures of approximately \$122,000.
- The fund balance in the State Accommodations Tax Fund increased approximately \$421,000 or 41% primarily due to revenues of approximately \$996,000 exceeding expenditures and transfers out of approximately \$575,000.
- The fund balance for the Tourism Fund increased approximately \$213,000 or 84% primarily due to expenditures and transfers out of approximately \$247,000 exceeding revenues of approximately \$460,000.
- The Local Accommodations Tax Fund reports no fund balance as the revenues are distributed to other funds annually according to City ordinance. Revenues increased approximately \$666,000 or 60%.
- The Local Hospitality Tax Fund reports no fund balance as the revenues are distributed to other funds annually according to City ordinance. Revenues increased approximately \$168,000 or 26%.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

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Financial Analysis of the City's Funds, Continued:

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Water and Sewer Enterprise Funds at the end of the fiscal year was approximately \$4,608,000, a decrease of approximately \$77,000. Details of the activity in the Water and Sewer Enterprise Funds are provided above.

**General Fund Budgetary Highlights**

If budget amendments are made, they generally fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. There were no budget amendments made during the year. Any excess of expenditures was authorized by the passage of a resolution or ordinance by City Council.

Overall, the City's revenues were approximately \$1,375,000 or 22% greater than the final budget, expenditures were approximately \$199,000 or 2% greater than the final budget, and other financing sources were approximately \$1,471,000 or 43% greater than the final budget. Revenues were greater than budgeted primarily due to licenses, permits and fees exceeding budget by approximately \$221,000, parking program revenues exceeding budget by approximately \$616,000, and fines and penalties exceeding budget by approximately \$419,000. Licenses, permits and fees exceeded budget primarily due to the continued economic growth on the island. Parking program revenues exceeded budget primarily due to the expansion of the paid parking area on the island, the addition of restrooms at beach access points, and improvements made to beach walkovers made in recent years. Fines and penalties exceeded budget primarily due to the entering of the City into a contract with a third party contractor during the current year to issue parking tickets on behalf of the City.

The City's expenditures were greater than the final budgeted amount by approximately \$199,000 or 2% primarily due to public safety expenditures being under budget by approximately \$331,000, public works expenditures being under budget by approximately \$957,000, and facilities expenditures being under budget by approximately \$666,000 partially offset by central government expenditures being over budget by approximately \$2,368,000.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

Capital Asset and Debt Administration:

**Capital Assets**

The City's investment in capital assets as of June 30, 2021 and 2020 amounted to approximately \$11,783,000 and \$9,843,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, ocean groins and beach walkovers, park improvements, motor vehicles, machinery and equipment, and water/sewer systems.

The City's capital assets (net of depreciation) as of June 30, 2021 and 2020 were as follows:

|                                  | Governmental Activities |                     | Business-Type Activities |                  | Total             |                     |
|----------------------------------|-------------------------|---------------------|--------------------------|------------------|-------------------|---------------------|
|                                  | 2021                    | 2020                | 2021                     | 2020             | 2021              | 2020                |
| Land                             | \$ 2,501,754            | \$ 2,501,554        | \$ 1,200                 | \$ 1,200         | \$ 2,502,954      | \$ 2,502,754        |
| Building and improvements        | 3,631,661               | 1,944,277           | 11,654                   | 13,479           | 3,643,315         | 1,957,756           |
| Ocean groins and beach walkovers | 2,798,156               | 2,877,772           | -                        | -                | 2,798,156         | 2,877,772           |
| Park improvements                | 437,977                 | 189,598             | -                        | -                | 437,977           | 189,598             |
| Motor vehicles                   | 485,869                 | 513,239             | 5,329                    | 9,896            | 491,198           | 523,135             |
| Machinery and equipment          | 429,101                 | 309,494             | 130,141                  | 50,682           | 559,242           | 360,176             |
| Water system                     | -                       | -                   | 771,699                  | 817,242          | 771,699           | 817,242             |
| Sewer system                     | -                       | -                   | 578,326                  | 615,017          | 578,326           | 615,017             |
| Total                            | <u>\$ 10,284,518</u>    | <u>\$ 8,335,934</u> | <u>1,498,349</u>         | <u>1,507,516</u> | <u>11,782,867</u> | <u>\$ 9,843,450</u> |

The total increase in the City's investment in capital assets for the current fiscal year was approximately \$1,939,000. Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$2,531,000 primarily related to City Hall renovations, as well as the purchase of motor vehicles, machinery and equipment, and capital improvements.
- Depreciation expense of approximately \$563,000.

Additional information on the City's capital assets can be found in Notes I and III of the notes to the financial statements.

**City of Folly Beach, South Carolina**  
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2021**

Capital Asset and Debt Administration, Continued:

**Debt and Lease Purchase**

As of June 30, 2021 and 2020, the City had total outstanding debt of approximately \$2,485,000 and \$116,000, respectively. All of the City's total debt, approximately \$2,485,000, was general obligation debt, which is backed by the full faith and credit of the City. The City's total debt and lease purchases as of June 30, 2021 and 2020 were as follows:

|                            | Governmental Activities |                   | Business-Type Activities |             | Total               |                   |
|----------------------------|-------------------------|-------------------|--------------------------|-------------|---------------------|-------------------|
|                            | 2021                    | 2020              | 2021                     | 2020        | 2021                | 2020              |
| Debt:                      |                         |                   |                          |             |                     |                   |
| GORB - July 2016 Refunding | \$ -                    | \$ 116,000        | \$ -                     | \$ -        | \$ -                | \$ 116,000        |
| GOB - August 2020          | 2,485,000               | -                 | -                        | -           | 2,485,000           | -                 |
| Total Debt                 | <u>\$ 2,485,000</u>     | <u>\$ 116,000</u> | <u>\$ -</u>              | <u>\$ -</u> | <u>\$ 2,485,000</u> | <u>\$ 116,000</u> |

The total increase in the City's debt and lease purchase obligations for the current fiscal year was approximately \$2,369,000 due to proceeds of \$2,700,000 from the issuance of general obligation bonds as well as scheduled principal payments of \$331,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The City's statutory debt limit at June 30, 2021 was approximately \$6,737,000. The City had approximately \$2,485,000 of bonded debt subject to the 8% limit and thus resulted in the City having an unused legal debt margin of approximately \$4,252,000.

Additional information regarding the City's long-term obligations can be found in Note III in the notes to the financial statements.

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**City of Folly Beach, South Carolina**  
***Management's Discussion and Analysis (Unaudited)***  
***For the year ended June 30, 2021***

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*Economic Factors and Next Year's Budgets and Rates for the City:*

The City's elected officials and staff considered many factors when setting the fiscal year 2022 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs, and the best interests of the City's residents were all taken into account in the creation of the budgets. Key budget highlights were as follows:

- During fiscal year 2021, the City completed a \$2,700,000 General Obligation Bond financing for the renovation of City Hall, the construction of pedestrian paths, and the continuance of stormwater drainage projects. Construction on the pedestrian paths and stormwater drainage projects will continue into fiscal year 2022.
- The City secured \$1,611,620 in a bank lease purchase agreement in fiscal year 2021 for the fiscal year 2022 purchase of a new ladder and a new pumper fire truck to replace the current vehicles.
- After the City adopted its Investment Policy in fiscal year 2021, \$5,000,000 in Beach Preservation funds were invested in accordance with the Policy and are being managed in anticipation of the next Federal beach renourishment project. Another \$450,000 of additional funds was subsequently invested after June 30, 2021, with another \$500,000 identified for future investment during fiscal year 2022.

*Requests for City Information*

This financial report is designed to provide a general overview of the finances of the City of Folly Beach for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Post Office Box 48, Folly Beach, South Carolina 29439.

## BASIC FINANCIAL STATEMENTS

# City of Folly Beach, South Carolina

## Statement of Net Position

June 30, 2021

|   | Primary Government      |                          | Total                |
|---|-------------------------|--------------------------|----------------------|
|   | Governmental Activities | Business-Type Activities |                      |
| <b>Assets</b>                                 |                         |                          |                      |
| <b>Current assets</b>                         |                         |                          |                      |
| Cash and cash equivalents                     | \$ 8,937,884            | \$ 3,354,284             | \$ 12,292,168        |
| Cash and cash equivalents, restricted         | 3,689,069               | 60,872                   | 3,749,941            |
| Investments, restricted                       | 3,982,883               | -                        | 3,982,883            |
| Taxes receivable, net                         | 65,780                  | -                        | 65,780               |
| Other receivables, net                        | 451,487                 | 368,648                  | 820,135              |
| Interest receivable                           | 6,525                   | -                        | 6,525                |
| Due from other governments                    | 1,601,571               | -                        | 1,601,571            |
| Deposit on equipment lease                    | 75,500                  | -                        | 75,500               |
| Prepaid expenses                              | -                       | 2,136                    | 2,136                |
| Total current assets                          | <u>18,810,699</u>       | <u>3,785,940</u>         | <u>22,596,639</u>    |
| <b>Noncurrent assets</b>                      |                         |                          |                      |
| Capital assets                                |                         |                          |                      |
| Nondepreciable                                | 2,501,754               | 1,200                    | 2,502,954            |
| Depreciable, net                              | <u>7,782,764</u>        | <u>1,497,149</u>         | <u>9,279,913</u>     |
| Total noncurrent assets                       | <u>10,284,518</u>       | <u>1,498,349</u>         | <u>11,782,867</u>    |
| <b>TOTAL ASSETS</b>                           | <u>29,095,217</u>       | <u>5,284,289</u>         | <u>34,379,506</u>    |
| <b>Deferred outflows of resources</b>         |                         |                          |                      |
| Deferred pension charges                      | <u>1,410,103</u>        | <u>108,126</u>           | <u>1,518,229</u>     |
| Total deferred outflows of resources          | <u>1,410,103</u>        | <u>108,126</u>           | <u>1,518,229</u>     |
| <b>Liabilities</b>                            |                         |                          |                      |
| <b>Current liabilities</b>                    |                         |                          |                      |
| Accounts payable                              | 329,580                 | 166,835                  | 496,415              |
| Other accrued liabilities                     | 151,039                 | 5,486                    | 156,525              |
| Short-term borrowings                         | 1,611,620               | -                        | 1,611,620            |
| Current portion of compensated absences       | 150,368                 | 17,877                   | 168,245              |
| General obligation bond                       | <u>211,000</u>          | <u>-</u>                 | <u>211,000</u>       |
| Total current liabilities                     | <u>2,453,607</u>        | <u>190,198</u>           | <u>2,643,805</u>     |
| <b>Noncurrent liabilities</b>                 |                         |                          |                      |
| Net pension liability                         | 6,293,479               | 583,174                  | 6,876,653            |
| Compensated absences, less current portion    | 75,946                  | 6,877                    | 82,823               |
| General obligation bond, less current portion | <u>2,274,000</u>        | <u>-</u>                 | <u>2,274,000</u>     |
| Total noncurrent liabilities                  | <u>8,643,425</u>        | <u>590,051</u>           | <u>9,233,476</u>     |
| <b>TOTAL LIABILITIES</b>                      | <u>11,097,032</u>       | <u>780,249</u>           | <u>11,877,281</u>    |
| <b>Deferred Inflows of Resources</b>          |                         |                          |                      |
| Deferred pension credits                      | <u>198,598</u>          | <u>4,483</u>             | <u>203,081</u>       |
| Total deferred inflows of resources           | <u>198,598</u>          | <u>4,483</u>             | <u>203,081</u>       |
| <b>Net position</b>                           |                         |                          |                      |
| Net investment in capital assets              | 6,187,898               | 1,498,349                | 7,686,247            |
| Restricted for:                               |                         |                          |                      |
| Tourism related expenses                      | 9,429,814               | -                        | 9,429,814            |
| Victims services                              | 31,348                  | -                        | 31,348               |
| Future economic development                   | -                       | 60,872                   | 60,872               |
| Unrestricted                                  | <u>3,560,630</u>        | <u>3,048,462</u>         | <u>6,609,092</u>     |
| <b>TOTAL NET POSITION</b>                     | <u>\$ 19,209,690</u>    | <u>\$ 4,607,683</u>      | <u>\$ 23,817,373</u> |

See Notes to Financial Statements

# City of Folly Beach, South Carolina

## Statement of Activities

For the year ended June 30, 2021

| Functions and Programs                      | Expenses      | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |               |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
|   |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          | Total         |
|   |               |                      |                                    |                                  | Governmental Activities                           | Business-type Activities |               |
| <b>Primary government</b>                   |               |                      |                                    |                                  |   |                          |               |
| Governmental activities:                    |               |                      |                                    |                                  |   |                          |               |
| General government                          | \$ 3,883,209  | \$ 2,526,627         | \$ 435,472                         | \$ 45,033                        | \$ (876,077)                                      | \$ -                     | \$ (876,077)  |
| Public safety                               | 3,373,701     | 625,986              | -                                  | -                                | (2,747,715)                                       | -                        | (2,747,715)   |
| Public works                                | 1,215,388     | -                    | -                                  | -                                | (1,215,388)                                       | -                        | (1,215,388)   |
| Interest expense                            | 31,734        | -                    | -                                  | -                                | (31,734)  | -                        | (31,734)      |
| Total governmental activities               | 8,504,032     | 3,152,613            | 435,472                            | 45,033                           | (4,870,914)                                       | -                        | (4,870,914)   |
| Business-type activities:                   |               |                      |                                    |                                  |   |                          |               |
| Water                                       | 1,382,005     | 1,260,272            | -                                  | -                                | -   | (121,733)                | (121,733)     |
| Sewer                                       | 662,158       | 701,383              | -                                  | -                                | -   | 39,225                   | 39,225        |
| Total business-type activities              | 2,044,163     | 1,961,655            | -                                  | -                                | -   | (82,508)                 | (82,508)      |
| Total primary government                    | \$ 10,548,195 | \$ 5,114,268         | \$ 435,472                         | \$ 45,033                        | (4,870,914)                                       | (82,508)                 | (4,953,422)   |
| General revenues:                           |               |                      |                                    |                                  |   |                          |               |
| Taxes:                                      |               |                      |                                    |                                  |   |                          |               |
| Property taxes, levied for general purposes |               |                      |                                    |                                  | 2,549,115   | -                        | 2,549,115     |
| Local option sales taxes                    |               |                      |                                    |                                  | 597,755   | -                        | 597,755       |
| Hospitality taxes                           |               |                      |                                    |                                  | 820,715   | -                        | 820,715       |
| Accommodation taxes                         |               |                      |                                    |                                  | 3,339,873   | -                        | 3,339,873     |
| Franchise taxes                             |               |                      |                                    |                                  | 451,758   | -                        | 451,758       |
| Brokers tax collections                     |               |                      |                                    |                                  | 199,264   | -                        | 199,264       |
| Other taxes                                 |               |                      |                                    |                                  | 32,268  | -                        | 32,268        |
| Intergovernmental                           |               |                      |                                    |                                  | 141,085   | -                        | 141,085       |
| Investment income                           |               |                      |                                    |                                  | 3,602   | -                        | 3,602         |
| Miscellaneous                               |               |                      |                                    |                                  | 166,129   | -                        | 166,129       |
| Special item - gain on sale of equipment    |               |                      |                                    |                                  | -   | 5,750                    | 5,750         |
| Total general revenues and special items    |               |                      |                                    |                                  | 8,301,564   | 5,750                    | 8,307,314     |
| Change in net position                      |               |                      |                                    |                                  | 3,430,650   | (76,758)                 | 3,353,892     |
| Net position, beginning of year             |               |                      |                                    |                                  | 15,779,040  | 4,684,441                | 20,463,481    |
| Net position, end of year                   |               |                      |                                    |                                  | \$ 19,209,690                                     | \$ 4,607,683             | \$ 23,817,373 |

See Notes to Financial Statements

# City of Folly Beach, South Carolina

## Balance Sheet - Governmental Funds

June 30, 2021

|  | General<br>Fund     | Beach<br>Preservation<br>Fund | Non-Major<br>Funds  | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|---------------------|--------------------------------|
| <b>Assets</b>  |                     |                               |                     |                                |
| Cash and cash equivalents  | \$ 8,937,884        | \$ -                          | \$ -                | \$ 8,937,884                   |
| Cash and cash equivalents, restricted                                | 31,348              | 2,648,304                     | 1,009,417           | 3,689,069                      |
| Investments, restricted  | -                   | 3,982,883                     | -                   | 3,982,883                      |
| Taxes receivable, net  | 65,780              | -                             | -                   | 65,780                         |
| Accounts receivable, net   | 451,487             | -                             | -                   | 451,487                        |
| Interest receivable  | -                   | 6,525                         | -                   | 6,525                          |
| Due From:  |                     |                               |                     |                                |
| Other governments  | -                   | -                             | 1,601,571           | 1,601,571                      |
| Other funds  | 237,608             | 891,576                       | 450,000             | 1,579,184                      |
| Prepaid items  | 75,500              | -                             | -                   | 75,500                         |
| <b>TOTAL ASSETS</b>  | <b>\$ 9,799,607</b> | <b>\$ 7,529,288</b>           | <b>\$ 3,060,988</b> | <b>\$ 20,389,883</b>           |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b> |                     |                               |                     |                                |
| <b>Liabilities</b>   |                     |                               |                     |                                |
| Accounts payable   | \$ 295,664          | \$ 10,498                     | \$ 20,780           | \$ 326,942                     |
| Short-term borrowings  | 1,611,620           | -                             | -                   | 1,611,620                      |
| Other accrued liabilities  | 151,039             | -                             | -                   | 151,039                        |
| Due to other funds, net  | 450,000             | -                             | 1,129,184           | 1,579,184                      |
| <b>TOTAL LIABILITIES</b>   | <b>2,508,323</b>    | <b>10,498</b>                 | <b>1,149,964</b>    | <b>3,668,785</b>               |
| <b>Deferred Inflows of Resources</b>                                 |                     |                               |                     |                                |
| Unavailable revenue  | 138,598             | -                             | -                   | 138,598                        |
| Total deferred inflows of resources                                  | 138,598             | -                             | -                   | 138,598                        |
| <b>Fund balances</b>   |                     |                               |                     |                                |
| Nonspendable   | 75,500              | -                             | -                   | 75,500                         |
| Restricted   | 31,348              | 7,518,790                     | 1,911,024           | 9,461,162                      |
| Committed:   |                     |                               |                     |                                |
| Future capital outlay  | 3,395,859           | -                             | -                   | 3,395,859                      |
| Claims, judgments and contingencies                                  | 38,716              | -                             | -                   | 38,716                         |
| Other  | 275,012             | -                             | -                   | 275,012                        |
| Unassigned   | 3,336,251           | -                             | -                   | 3,336,251                      |
| <b>TOTAL FUND BALANCES</b>   | <b>7,152,686</b>    | <b>7,518,790</b>              | <b>1,911,024</b>    | <b>16,582,500</b>              |
| Total liabilities, deferred inflows of resources, and fund balances  | <b>\$ 9,799,607</b> | <b>\$ 7,529,288</b>           | <b>\$ 3,060,988</b> | <b>\$ 20,389,883</b>           |

See Notes to Financial Statements

# City of Folly Beach, South Carolina

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2021

|   |                      |
|---|----------------------|
| <b>Total governmental fund balances</b>   | \$ 16,582,500        |
| Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:   |                      |
| Property taxes and delinquent fines receivable will be collected but are not available soon enough to pay for the current period's expenditures and, therefore, are considered unavailable in the governmental funds.   | 138,598              |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$16,097,616 and the accumulated depreciation was \$5,813,098.  | 10,284,518           |
| Accrued interest payable was recognized for governmental activities but is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.  | (2,638)              |
| The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. | (5,081,974)          |
| Long-term obligations, including debt, lease purchase obligations and compensated absences, are not due or payable in the current period and, therefore, are not reported in the governmental funds. Long-term obligations consisted of:  |                      |
| General Obligation Bond   | (2,485,000)          |
| Compensated Absences  | (226,314)            |
| <b>Total net position governmental activities</b>   | <u>\$ 19,209,690</u> |

See Notes to Financial Statements

# City of Folly Beach, South Carolina

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2021

|  | General<br>Fund     | Beach<br>Preservation<br>Fund | Non-Major<br>Funds  | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|---------------------|--------------------------------|
| <b>Revenues</b>  |                     |                               |                     |                                |
| Property taxes   | \$ 2,550,206        | \$ -                          | \$ -                | \$ 2,550,206                   |
| Accommodation taxes  | 101,586             | -                             | 3,238,286           | 3,339,872                      |
| Hospitality taxes  | -                   | -                             | 820,715             | 820,715                        |
| Intergovernmental  | 1,174,020           | 77,850                        | -                   | 1,251,870                      |
| Licenses, permits and fees   | 2,120,362           | -                             | -                   | 2,120,362                      |
| Fines and penalties  | 568,857             | -                             | -                   | 568,857                        |
| Rental revenues  | 76,250              | -                             | -                   | 76,250                         |
| Investment income  | 1,284               | 1,991                         | 328                 | 3,603                          |
| Parking program revenues   | 1,057,287           | -                             | -                   | 1,057,287                      |
| Other  | 89,422              | -                             | -                   | 89,422                         |
| Total revenues   | <u>7,739,274</u>    | <u>79,841</u>                 | <u>4,059,329</u>    | <u>11,878,444</u>              |
| <b>Expenditures</b>  |                     |                               |                     |                                |
| Current:   |                     |                               |                     |                                |
| General government   | 3,116,515           | 121,452                       | 296,960             | 3,534,927                      |
| Public safety  | 3,060,658           | -                             | -                   | 3,060,658                      |
| Public works   | 1,126,024           | -                             | -                   | 1,126,024                      |
| Capital outlay   | 2,443,231           | -                             | -                   | 2,443,231                      |
| Debt service:  |                     |                               |                     |                                |
| Principal  | 331,000             | -                             | -                   | 331,000                        |
| Interest   | 30,506              | -                             | -                   | 30,506                         |
| Total expenditures   | <u>10,107,934</u>   | <u>121,452</u>                | <u>296,960</u>      | <u>10,526,346</u>              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <u>(2,368,660)</u>  | <u>(41,611)</u>               | <u>3,762,369</u>    | <u>1,352,098</u>               |
| <b>Other financing sources (uses)</b>                                |                     |                               |                     |                                |
| Proceeds from bond issuance  | 2,700,000           | -                             | -                   | 2,700,000                      |
| Proceeds from the sale of capital assets                             | 19,089              | -                             | -                   | 19,089                         |
| Transfers in   | 2,187,291           | 941,576                       | -                   | 3,128,867                      |
| Transfers out  | -                   | -                             | (3,128,867)         | (3,128,867)                    |
| Total other financing sources (uses)                                 | <u>4,906,380</u>    | <u>941,576</u>                | <u>(3,128,867)</u>  | <u>2,719,089</u>               |
| <b>Net change in fund balances</b>                                   | <u>2,537,720</u>    | <u>899,965</u>                | <u>633,502</u>      | <u>4,071,187</u>               |
| <b>Fund balances, beginning of year</b>                              | <u>4,614,966</u>    | <u>6,618,825</u>              | <u>1,277,522</u>    | <u>12,511,313</u>              |
| <b>Fund balances, end of year</b>                                    | <u>\$ 7,152,686</u> | <u>\$ 7,518,790</u>           | <u>\$ 1,911,024</u> | <u>\$ 16,582,500</u>           |

See Notes to Financial Statements

## City of Folly Beach, South Carolina

### *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2021*

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|  |                     |
|--|---------------------|
| <b>Total net change in fund balances - governmental funds</b>  | \$ 4,071,187        |
| Amounts reported for the governmental activities in the Statement of Activities are different because of the following:  |                     |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenues related to property taxes and delinquent parking tickets for the year.  | 56,038              |
| Debt principal payments are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.  | 331,000             |
| Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position.  | (2,700,000)         |
| Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This amount represents the change in accrued interest from the prior year. | (1,228)             |
| Some expenses reported in the Statement of Activities (compensated absences) do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.   | (39,704)            |
| Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.   | (235,227)           |
| Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of the assets that were sold. The Statement of Activities reports gains and losses based on the proceeds and the net book value of the assets sold.  | (28,074)            |
| Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents the amount that current year capital asset additions of \$2,443,431 exceeded depreciation expense of \$466,773.  | 1,976,658           |
| <b>Total change in net position of governmental activities</b>   | <u>\$ 3,430,650</u> |

**See Notes to Financial Statements**

# City of Folly Beach, South Carolina

## Statement of Net Position - Proprietary Funds - Water and Sewer Funds

June 30, 2021

|  | Water               | Sewer               | Total               |
|--|---------------------|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |                     |
| <b>Current assets</b>  |                     |                     |                     |
| Cash and cash equivalents  | \$ 1,722,487        | \$ 1,631,797        | \$ 3,354,284        |
| Cash and cash equivalents, restricted                                    | -                   | 60,872              | 60,872              |
| Accounts receivable  | 271,743             | 96,905              | 368,648             |
| Prepaid expenses   | 2,136               | -                   | 2,136               |
| Total current assets   | <u>1,996,366</u>    | <u>1,789,574</u>    | <u>3,785,940</u>    |
| <b>Noncurrent assets</b>   |                     |                     |                     |
| Capital assets   |                     |                     |                     |
| Nondepreciable   | 1,200               | -                   | 1,200               |
| Depreciable, net   | 888,106             | 609,043             | 1,497,149           |
| Total noncurrent assets  | <u>889,306</u>      | <u>609,043</u>      | <u>1,498,349</u>    |
| <b>TOTAL ASSETS</b>  | <u>2,885,672</u>    | <u>2,398,617</u>    | <u>5,284,289</u>    |
| <b>Deferred outflows of resources</b>                                    |                     |                     |                     |
| Deferred pension charges   | 77,286              | 30,840              | 108,126             |
| Total deferred outflows of resources                                     | <u>77,286</u>       | <u>30,840</u>       | <u>108,126</u>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   | <u>\$ 2,962,958</u> | <u>\$ 2,429,457</u> | <u>\$ 5,392,415</u> |
| <b>Liabilities</b>   |                     |                     |                     |
| <b>Current liabilities</b>   |                     |                     |                     |
| Accounts payable   | \$ 119,248          | \$ 47,587           | \$ 166,835          |
| Accrued salaries and benefits  | 1,640               | 3,846               | 5,486               |
| Current portion of compensated absences                                  | 13,743              | 4,134               | 17,877              |
| Total current liabilities  | <u>134,631</u>      | <u>55,567</u>       | <u>190,198</u>      |
| <b>Noncurrent liabilities</b>  |                     |                     |                     |
| Net pension liability  | 416,403             | 166,771             | 583,174             |
| Compensated absences, less current portion                               | 5,287               | 1,590               | 6,877               |
| Total noncurrent liabilities   | <u>421,690</u>      | <u>168,361</u>      | <u>590,051</u>      |
| <b>TOTAL LIABILITIES</b>   | <u>556,321</u>      | <u>223,928</u>      | <u>780,249</u>      |
| <b>Deferred Inflows of Resources</b>                                     |                     |                     |                     |
| Deferred pension credits   | 3,201               | 1,282               | 4,483               |
| Total deferred inflows of resources                                      | <u>3,201</u>        | <u>1,282</u>        | <u>4,483</u>        |
| <b>Net position</b>  |                     |                     |                     |
| Net investment in capital assets   | 889,306             | 609,043             | 1,498,349           |
| Restricted for future economic development                               | -                   | 60,872              | 60,872              |
| Unrestricted   | 1,514,130           | 1,534,332           | 3,048,462           |
| <b>TOTAL NET POSITION</b>  | <u>2,403,436</u>    | <u>2,204,247</u>    | <u>4,607,683</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <u>\$ 2,962,958</u> | <u>\$ 2,429,457</u> | <u>\$ 5,392,415</u> |

See Notes to Financial Statements

## City of Folly Beach, South Carolina

### Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Water and Sewer Funds For the year ended June 30, 2021

|  | Water               | Sewer               | Total               |
|--|---------------------|---------------------|---------------------|
| <b>Operating revenues</b>              |                     |                     |                     |
| Charges for services                   | \$ 1,218,992        | \$ 689,551          | \$ 1,908,543        |
| Other fees                             | 41,280              | 11,832              | 53,112              |
| Penalties                              | -                   | -                   | -                   |
| Total operating revenues               | <u>1,260,272</u>    | <u>701,383</u>      | <u>1,961,655</u>    |
| <b>Operating expenses</b>              |                     |                     |                     |
| Water purchases                        | 650,112             | -                   | 650,112             |
| Sewer treatment charges                | -                   | 443,998             | 443,998             |
| Salaries                               | 176,757             | 69,783              | 246,540             |
| Repairs and maintenance                | 76,923              | 6,572               | 83,495              |
| Depreciation                           | 55,019              | 41,601              | 96,620              |
| Professional fees                      | 55,965              | 29,280              | 85,245              |
| Payment in lieu of taxes               | 60,000              | -                   | 60,000              |
| Capital outlay (not capitalizable)     | 2,345               | -                   | 2,345               |
| Health insurance                       | 30,906              | 9,216               | 40,122              |
| Retirement                             | 26,275              | 10,411              | 36,686              |
| Water meters                           | 21,810              | -                   | 21,810              |
| Payroll taxes                          | 12,831              | 5,242               | 18,073              |
| Utilities                              | 7,286               | 8,050               | 15,336              |
| General insurance                      | 5,750               | 5,750               | 11,500              |
| Fuel                                   | 5,318               | -                   | 5,318               |
| Fines and fees                         | 5,452               | -                   | 5,452               |
| Office supplies                        | 3,138               | -                   | 3,138               |
| Transportation                         | 2,537               | -                   | 2,537               |
| Workers compensation insurance         | 1,374               | 1,373               | 2,747               |
| Dues and subscriptions                 | 1,139               | 110                 | 1,249               |
| Operating supplies                     | 1,912               | 223                 | 2,135               |
| Pension expense (benefit)              | 179,156             | 30,549              | 209,705             |
| Total operating expenses               | <u>1,382,005</u>    | <u>662,158</u>      | <u>2,044,163</u>    |
| Operating income (loss)                | <u>(121,733)</u>    | <u>39,225</u>       | <u>(82,508)</u>     |
| <b>Nonoperating revenue</b>            |                     |                     |                     |
| Gain (loss) on disposal of assets      | <u>2,875</u>        | <u>2,875</u>        | <u>5,750</u>        |
| Total nonoperating revenue             | <u>2,875</u>        | <u>2,875</u>        | <u>5,750</u>        |
| <b>Change in net position</b>          | <b>(118,858)</b>    | <b>42,100</b>       | <b>(76,758)</b>     |
| <b>Net position, beginning of year</b> | <u>2,522,294</u>    | <u>2,162,147</u>    | <u>4,684,441</u>    |
| <b>Net position, end of year</b>       | <u>\$ 2,403,436</u> | <u>\$ 2,204,247</u> | <u>\$ 4,607,683</u> |

See Notes to Financial Statements

## City of Folly Beach, South Carolina

### Statement of Cash Flows - Proprietary Funds - Water and Sewer Funds

For the year ended June 30, 2021

|  | Water               | Sewer               | Total               |
|--|---------------------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>  |                     |                     |                     |
| Cash received from customers   | \$ 1,311,607        | \$ 774,928          | \$ 2,086,535        |
| Cash payments to suppliers for goods and services                                      | (887,510)           | (488,065)           | (1,375,575)         |
| Cash payments to employees for services  | (251,968)           | (99,436)            | (351,404)           |
| Payments in lieu of taxes  | (60,000)            | -                   | (60,000)            |
| Net cash provided (used) by operating activities                                       | <u>112,129</u>      | <u>187,427</u>      | <u>299,556</u>      |
| <b>Cash flows from capital and related financing activities</b>                        |                     |                     |                     |
| Purchase of capital assets   | (87,444)            | -                   | (87,444)            |
| Proceeds from sale of capital assets   | 2,875               | 2,875               | 5,750               |
| Net cash used in capital and related financing activities                              | <u>(84,569)</u>     | <u>2,875</u>        | <u>(81,694)</u>     |
| Net increase (decrease) in cash and cash equivalents                                   | 27,560              | 190,302             | 217,862             |
| <b>Cash and cash equivalents, beginning of year</b>                                    | <u>\$1,694,927</u>  | <u>\$1,502,367</u>  | <u>\$3,197,294</u>  |
| <b>Cash and cash equivalents, end of year</b>  | <u>\$ 1,722,487</u> | <u>\$ 1,692,669</u> | <u>\$ 3,415,156</u> |
| <b>Reconciliation of operating income to net cash from operating activities</b>        |                     |                     |                     |
| Operating income (loss)  | \$ (121,733)        | \$ 39,225           | \$ (82,508)         |
| Adjustments to reconcile operating income (loss) to net cash from operating activities |                     |                     |                     |
| Depreciation expense   | 55,019              | 41,601              | 96,620              |
| Non-cash pension expense   | 179,156             | 30,549              | 209,705             |
| Change due to increase in operating assets   |                     |                     |                     |
| Accounts receivable  | 59,126              | 73,545              | 132,671             |
| Prepaid expenses   | -                   | 681                 | 681                 |
| Change due to increase (decrease) in operating liabilities                             |                     |                     |                     |
| Accounts payable   | (47,823)            | 5,237               | (42,586)            |
| Accrued salaries and benefits  | (6,174)             | (2,715)             | (8,889)             |
| Unearned revenue   | (7,791)             | -                   | (7,791)             |
| Accrued compensated absences   | 2,349               | (696)               | 1,653               |
| Net cash provided (used) by operating activities                                       | <u>\$ 112,129</u>   | <u>\$ 187,427</u>   | <u>\$ 299,556</u>   |

See Notes to Financial Statements

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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The City of Folly Beach, South Carolina (the "City") encompasses an area of approximately six miles. Originally incorporated as a Town in 1951, the City has grown into a recreational center for the coastal area of South Carolina. The City operates under a Mayor-Council form of government. The mayor and six members of council (the "Council") establish policy for the City. The City's major operations, as provided by its charter, include public safety (police and fire), public works, sanitation, planning and zoning, recreation, and general administrative services.

#### I. Summary of Significant Accounting Policies

##### A. The Reporting Entity

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

As required by GAAP, the financial statements present the City's financial information with its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either (1) the City is able to impose its will on the entity or, (2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City.

Finally, an entity could be a component unit even if it did not meet all the conditions described above if excluding it would cause the City's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has two blended component units and no discretely presented component units.

##### ***Blended Component Units***

**Folly Beach Nature Conservancy, Inc.:** In 2001, the City formed the Folly Beach Nature Conservancy, Inc. (the "Conservancy") to receive and protect natural resources that had been donated to or acquired by the City. The Conservancy is a tax-exempt, 501(c)(3) not-for-profit organization. The board of the Conservancy is the same as the Council for the City. The only assets of the Conservancy are vacant lots donated to the City by individuals that are not subject to resale and are valued at \$0. There was one parcel of land donated to the Conservancy during the year ended June 30, 2019. The Conservancy's fiscal year end is December 31<sup>st</sup>, while the City's is June 30<sup>th</sup>. Separate financial statements for the Conservancy are not issued.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### A. The Reporting Entity, Continued

##### *Blended Component Units, Continued*

**Folly Beach Tourism and Visitor Promotion Committee, Inc.:** In 2005, the City formed the Folly Beach Tourism and Visitor Promotion Committee, Inc. (the "Committee"). The Committee is a tax-exempt, 501(c)(6) not-for-profit organization. The purpose of this Committee is to make recommendations to City Council on, and establish guidelines for, the advertisement and promotion of tourism for the City using 30% of the accommodations tax funds received from the state (as outlined in Title 6 Section 6-4-10 of the South Carolina Code of Laws) and any grant funds received for this purpose. The Committee does not own any assets, incur any liabilities, earn revenues or incur expenses as their sole purpose is to make recommendations to City Council related to the accommodations tax funding.

The Committee consists of seven members which are appointed by the City Council. The Committee prepares a tourism promotion plan and budget each fiscal year and presents it to City Council for approval by August 30<sup>th</sup> of each year. The Committee's fiscal year end is June 30<sup>th</sup>, which is the same as the City's. Separate financial statements for the Committee are not issued. The activities of the Committee are reported in the City's financial statements in the Tourism Fund as a non-major special revenue fund.

**Folly Beach Historical Society, Inc.:** In 2020, the City formed the Folly Beach Historical Society, Inc. (the "Society") to research, promote, and preserve the history of Folly Beach. The Society is a tax-exempt, 501(c)(3) not-for-profit organization. The board of the Conservancy is comprised of the Mayor as chairman, the Municipal Clerk as Secretary, the Finance Director as Treasurer, and two chairman-appointed directors. The Society's funds are held in a separate account and are only used to further the Society's mission to research, promote, and preserve the history of Folly Beach. The Society's fiscal year end is June 30<sup>th</sup>, which is the same as the City's. Separate financial statements for the Committee are not issued.

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "Primary Government"). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued

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

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

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. All revenues (including property taxes, franchise fees, intergovernmental revenues, licenses, etc.) are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except grant revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Grant revenues are considered to be available if they are collected within one (1) year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued

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

**Governmental fund types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The City's major governmental fund types are as follows:

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

**Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following Special Revenue Funds:

- i. The **State Accommodations Tax Fund, a non-major fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to a portion of the hotel/motel 2% fee levied by the State of South Carolina and remitted to the City that are legally restricted for advertising, promotion, and tourism related expenditures.
- ii. The **Local Accommodations Tax Fund, a non-major fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the 2% fee imposed on the rental of any accommodation within the City and the allocation of Charleston County Accommodations Fees received. The 2% fee includes a 1% fee that is legally restricted for advertising, promotion, and tourism related expenditures and a 1% fee imposed on the rental of any accommodation within the City restricted for the purpose of nourishment, renourishment, maintenance, erosion mitigation, and monitoring of the beach.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued

- iii. The **Local Hospitality Tax Fund, a non-major fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the 2% tax imposed on food and beverage sales within the City that is restricted for tourism related expenditures.
- iv. The **Beach Preservation Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the funds received annually from the Charleston County Parks and Recreation Commission and the City's annual contribution from tourism related revenues. A portion of these funds are restricted for tourism-related activities as they were transferred from restricted revenue sources. The remaining funds, if any, were committed by City Council for beach preservation expenditures by passage of resolution 25-14 from the August 12, 2014 City Council meeting and would require formal action by the City Council to overturn the use of these funds.
- v. The **Tourism Fund, a non-major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to a portion of the hotel/motel 2% fee levied by the State of South Carolina and remitted to the City that are legally restricted for tourism-related activities.

**Proprietary Fund Types** are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has two enterprise funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

Proprietary Fund types include the following funds:

**Enterprise Funds** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major Enterprise Funds:

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued

The **Water Enterprise Fund** is used to account for water services provided to the residents of the City, including some surrounding areas. This is a budgeted fund.

The **Sewer Enterprise Fund** is used to account for sewer services provided to the residents of the City, including some surrounding areas. This is a budgeted fund.

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

##### 1. Cash, cash equivalents, and investments

###### Cash and cash equivalents

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

###### Investments

The City's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

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## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### I. Summary of Significant Accounting Policies, Continued

##### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

###### 1. Cash, cash equivalents, and investments, continued

###### Investments, continued

- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value, which is discussed in Note I.C.11 below.

At June 30, 2021, the carrying value of all of the City's investments approximates fair value.

###### 2. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles (if any).

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# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

##### 3. Inventories and prepaid items

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as expenditures as they are used (consumed). Inventories (if any) are valued at cost (first-in, first-out). Inventories and prepaid items in the governmental funds are offset by non-spendable fund balance to reflect that portion of fund balance that is not spendable in form.

##### 4. Capital assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation. As allowed by GASB #34, the City has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded, except for those accounted for in the Enterprise Funds. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City maintains a minimum capitalization threshold of \$5,000 for all capital assets.

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

| Description             | Governmental and<br>Business-Type Activities |
|-------------------------|--|
| Buildings               | 40-50 years                                  |
| Building Improvements   | 5-25 years                                   |
| Park Improvements       | 15 years                                     |
| Machinery and Equipment | 5-10 years                                   |
| Ocean Groins            | 50 years                                     |
| Beach Walkovers         | 25 years                                     |
| Fire Trucks             | 20 years                                     |
| Vehicles                | 5-6 years                                    |
| Water and Sewer Systems | 25-50 years                                  |

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## City of Folly Beach, South Carolina

### *Notes to the Financial Statements*

*For the year ended June 30, 2021*

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#### **I. Summary of Significant Accounting Policies, Continued**

##### **C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued**

###### **5. *Compensated absences***

The City's general leave policy allows the accumulation of unused vacation leave up to a maximum of forty-five (45) days. An unlimited amount of sick leave may be carried over from year to year. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the City.

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

###### **6. *Accrued liabilities and long-term obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements for the Primary Government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are recorded as expenses in the period the debt is issued. Bonds payable are reported net of the applicable bond premiums or discounts, if applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### I. Summary of Significant Accounting Policies, Continued

##### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

###### 7. *Deferred outflows and inflows of resources*

As defined by GASB Concept Statement No. 4, “*Elements of Financial Statements*”, deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources: (1) The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax and parking ticket revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

##### 8. Fund balance

The City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54") in fiscal year 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarify the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City classifies governmental fund balances as follows:

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

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

**Committed** - includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the City consist of amounts approved by a majority vote of the City Council (a) in the annual budget or (b) in subsequent requests made throughout the year.

**Assigned** - includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The City Council is the only party that has the authority to assign fund balance.

**Unassigned** - includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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## City of Folly Beach, South Carolina

### *Notes to the Financial Statements*

*For the year ended June 30, 2021*

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#### **I. Summary of Significant Accounting Policies, Continued**

##### **C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued**

###### **8. Fund balance, continued**

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

The City's Council has formally adopted a minimum fund balance policy that requires \$2,000,000 to be available as unassigned fund balance for the purpose of securing and/or maintaining an excellent credit rating, meeting seasonal cash flow shortfalls, having funds available in the event of a disaster, and funding the needs of the City in the event of an emergency. The use of this fund balance, or any part thereof, requires a two-thirds vote of City Council.

###### **9. Net position**

Net position represents the difference between assets and deferred outflows of resources and 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.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### I. Summary of Significant Accounting Policies, Continued

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

##### **10. Pensions**

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

##### **11. Fair value**

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
  - Quoted prices for similar assets and liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted market prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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## City of Folly Beach, South Carolina

### *Notes to the Financial Statements*

*For the year ended June 30, 2021*

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#### I. Summary of Significant Accounting Policies, Continued

##### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

###### **11. Fair value, continued**

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

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

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

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

###### **12. Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

###### **13. Comparative data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### II. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are adopted on a GAAP basis. During the spring, the City's Administration, with other department input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in the local newspaper. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the City Council legally adopts the budget through the passage of the ordinance.

Budget accountability rests primarily with the operating departments of the City. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned function, a department is obligated to stay within budget for its area. The City Mayor has the authority to transfer funds across departments. Such transfers are entered on the City's records. All unused expenditure appropriations lapse at year-end. However, City Council must approve any revisions that alter the total expenditures of any fund.

The Tourism Fund budget is adopted annually through resolution by City Council.

Budgeted amounts are as originally adopted, or as amended by City Council.

### III. Detailed Notes on All Funds and Activities

#### A. Deposits and Investments

##### *Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's investment policy states that an independent third party with whom the entity has a current custodial agreement with will always hold collateral and that a clearly marked evidence of ownership must be supplied to the City and retained. As of June 30, 2021, none of the City's bank and investment cash balances of approximately \$16,318,468 (with a carrying value of approximately \$16,042,000) were subject to custodial credit risk.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### A. Deposits and Investments, Continued

##### Investments

As of June 30, 2021, the City had the following investments and maturities:

| Investment Type                     | Fair Value          | Investment Maturities |                        |                     |
|-------------------------------------|---------------------|-----------------------|------------------------|---------------------|
|                                     |                     | Three Months or Less  | Three to Twelve Months | More than one year  |
| Certificates of Deposit             | \$ 1,541,091        | \$ -                  | \$ 500,023             | \$ 1,041,068        |
| Municipal Bonds                     | 271,958             | -                     | -                      | 271,958             |
| U.S. Government Agencies Securities | 2,169,834           | -                     | -                      | 2,169,834           |
| Total Investments                   | <u>\$ 3,982,883</u> | <u>\$ -</u>           | <u>\$ 500,023</u>      | <u>\$ 3,482,860</u> |

As of June 30, 2021, the City's investments were categorized within the fair value hierarchy as defined in Note I.C.11 as follows:

| Investment Type                     | Fair Value          | Fair Value Measurement Using                                   |   |   |
|-------------------------------------|---------------------|--|---|---|
|                                     |                     | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Observable Inputs (Level 3) |
| Certificates of Deposit             | \$ 1,541,091        | \$ -   | \$ 1,541,091                                  | \$ -  |
| Municipal Bonds                     | 271,958             | -  | 271,958                                       | -   |
| U.S. Government Agencies Securities | 2,169,834           | 2,169,834  | -   | -   |
| Total Investments                   | <u>\$ 3,982,883</u> | <u>\$ 2,169,834</u>  | <u>\$ 1,813,049</u>                           | <u>\$ -</u>                                   |

**Interest Rate Risk:** The City's investment policy limits the weighted average maturity of investments to less than five years.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments policy states that an independent third party with whom the bank has a current custodial agreement with will always hold collateral and that a clearly marked evidence of ownership must be supplied to the City and retained.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy for credit risk states that the risk shall be mitigated by investing in safe institutions, but does not have strict guidelines regarding credit ratings. The City follows the investment policy statutes of the State of South Carolina related to credit risk for investments.

**Concentration of Credit Risk for Investments:** The City's investment policy states that no more than 50% of the City's investment portfolio will be invested in a single security type. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

**City of Folly Beach, South Carolina**

**Notes to the Financial Statements**

**For the year ended June 30, 2021**

**III. Detailed Notes on All Funds and Activities, Continued**

**A. Deposits and Investments, Continued**

***Reconciliation to financial statements***

A reconciliation of cash and investments, as shown in the Statement of Net Position follows:

| Description                           | Amount               |
|---------------------------------------|----------------------|
| Carrying amount of deposits           | \$ 16,042,109        |
| Fair Value of Investments             | 3,982,883            |
| Total deposits                        | <u>\$ 20,024,992</u> |
| Statement of net position:            |                      |
| Cash and cash equivalents             | \$ 12,292,168        |
| Cash and cash equivalents, restricted | 3,749,941            |
| Investments, restricted               | 3,982,883            |
| Total cash and cash equivalents       | <u>\$ 20,024,992</u> |

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2021 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, etc.).

**B. Property Taxes and Other Receivables**

The City's governmental fund net receivables at June 30, 2021, consisted of the following:

|                            | General<br>Fund   | Beach<br>Preservation<br>Fund | Non-Major<br>Funds  | Total<br>Governmental<br>Funds |
|----------------------------|-------------------|-------------------------------|---------------------|--------------------------------|
| Delinquent property taxes  | \$ 54,296         | \$ -                          | \$ -                | \$ 54,296                      |
| Current property taxes     | 11,484            | -                             | -                   | 11,484                         |
| Delinquent parking tickets | 88,342            | -                             | -                   | 88,342                         |
| Local options sales tax    | 64,416            | -                             | -                   | 64,416                         |
| Parking program fees       | 187,955           | -                             | -                   | 187,955                        |
| Brokers tax collections    | 25,803            | -                             | -                   | 25,803                         |
| Franchise fees             | 22,396            | -                             | -                   | 22,396                         |
| Insurance proceeds         | 1,671             | -                             | -                   | 1,671                          |
| Accommodations taxes       | 31,054            | -                             | 1,363,963           | 1,395,017                      |
| Hospitality taxes          | -                 | -                             | 237,608             | 237,608                        |
| State aid to subdivisions  | 16,701            | -                             | -                   | 16,701                         |
| Alcohol/liquor licenses    | 10,000            | -                             | -                   | 10,000                         |
| Other                      | 3,149             | -                             | -                   | 3,149                          |
| Net receivables            | <u>\$ 517,267</u> | <u>\$ -</u>                   | <u>\$ 1,601,571</u> | <u>\$ 2,118,838</u>            |

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### B. Property Taxes and Other Receivables, Continued

The receivables listed above include an allowance of approximately \$18,099 related to delinquent property taxes receivable as of June 30, 2021. No other significant amounts were deemed uncollectible.

The City's enterprise fund net receivables at June 30, 2021, consisted of the following:

|                  | Water<br>Fund     | Sewer<br>Fund    | Totals            |
|------------------|-------------------|------------------|-------------------|
| Water sales      | \$ 271,743        | \$ -             | \$ 271,743        |
| Sewer usage fees | -                 | 96,905           | 96,905            |
| Net receivables  | <u>\$ 271,743</u> | <u>\$ 96,905</u> | <u>\$ 368,648</u> |

The enterprise fund receivables had no allowance for doubtful accounts at June 30, 2021 as no significant amounts were deemed uncollectible.

#### C. Property Taxes

The City's 2020 property taxes were levied on October 1, 2020 and were due beginning on this date based on the assessed valuation as of January 1, 2020. Property taxes were considered late on January 16, 2021. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

|                               |  |
|-------------------------------|--|
| January 16 through February 1 | - 3% penalty for tax due   |
| February 2 through March 15   | - 10% penalty for tax due  |
| March 16 - Lien Date          | - 15% penalty for tax due plus \$15 for a delinquent execution charge  |
| Unpaid Taxes After One Year   | - Property is sold by the County Tax Collector at the annual tax sale held the first Monday in November each year. |

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The City's operating tax rate for the 2020 property tax year was 34.6 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

#### D. Unearned and Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available (not collected within 60 days of year-end) to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). At June 30, 2021, the General Fund had approximately \$139,000 in revenue related to property taxes and delinquent parking tickets that was not available (unavailable revenue).

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### E. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

| Fund                                 | Receivables         | Payables            |
|--------------------------------------|---------------------|---------------------|
| <b>Major governmental funds:</b>     |                     |                     |
| General fund                         | \$ 237,608          | \$ 450,000          |
| Beach preservation fund              | 891,576             | -                   |
| <b>Non-major governmental funds:</b> |                     |                     |
| State accommodations tax fund        | 450,000             | -                   |
| Local accommodations tax fund        | -                   | 891,576             |
| Hospitality tax fund                 | -                   | 237,608             |
| Total                                | <u>\$ 1,579,184</u> | <u>\$ 1,579,184</u> |

The receivables in the General Fund and Beach Preservation Fund primarily relate to the payables from the Local Accommodations Tax Fund and the Local Hospitality Tax Fund. The Local Accommodations and Hospitality Tax Funds' payables are a result of revenues not transferred to the General Fund and Beach Preservation Fund as of June 30, 2021 as final collections were not made until after June 30, 2021.

Transfers between funds for the year ended June 30, 2021, consisted of the following:

| Fund                                 | Transfers In        | Transfers Out       |
|--------------------------------------|---------------------|---------------------|
| <b>Major governmental funds:</b>     |                     |                     |
| General fund                         | \$ 2,187,291        | \$ -                |
| Beach preservation fund              | 941,576             | -                   |
| <b>Non-major governmental funds:</b> |                     |                     |
| State accommodations tax fund        | -                   | 525,000             |
| Local accommodations tax fund        | -                   | 1,783,152           |
| Hospitality tax fund                 | -                   | 820,715             |
| Total                                | <u>\$ 3,128,867</u> | <u>\$ 3,128,867</u> |

The transfers into the General Fund and Beach Preservation Fund were from the State and Local Accommodations Tax Funds, Tourism Fund, and Hospitality tax fund to cover a portion of Public Safety expenditures in the General Fund and Beach Preservation project expenditures in the Beach Preservation fund per City ordinance.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### F. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2021 was as follows:

|  | Beginning<br>Balance | Increases    | Decreases | Transfers | Ending<br>Balance |
|--|----------------------|--------------|-----------|-----------|-------------------|
| <b>Governmental activities:</b>                |                      |              |           |           |                   |
| Capital assets, nondepreciable:                |                      |              |           |           |                   |
| Land   | \$ 2,501,554         | \$ 200       | \$ -      | \$ -      | \$ 2,501,754      |
| Total capital assets, nondepreciable           | 2,501,554            | 200          | -         | -         | 2,501,754         |
| Capital assets, depreciable:                   |                      |              |           |           |                   |
| Buildings and improvements                     | 3,500,334            | 1,800,625    | 23,533    | -         | 5,277,426         |
| Ocean groins and beach walkovers               | 3,999,988            | -            | -         | -         | 3,999,988         |
| Park improvements                              | 598,051              | 277,057      | -         | -         | 875,108           |
| Motor vehicles                                 | 2,416,045            | 147,362      | 70,821    | -         | 2,492,586         |
| Machinery and equipment                        | 836,326              | 218,187      | 103,759   | -         | 950,754           |
| Total capital assets, depreciable              | 11,350,744           | 2,443,231    | 198,113   | -         | 13,595,862        |
| Less: accumulated depreciation for:            |                      |              |           |           |                   |
| Buildings and improvements                     | 1,556,057            | 106,878      | 17,170    | -         | 1,645,765         |
| Ocean groins and beach walkovers               | 1,122,216            | 79,616       | -         | -         | 1,201,832         |
| Park improvements                              | 408,453              | 28,678       | -         | -         | 437,131           |
| Motor vehicles                                 | 1,902,806            | 174,732      | 70,821    | -         | 2,006,717         |
| Machinery and equipment                        | 526,832              | 76,869       | 82,048    | -         | 521,653           |
| Total accumulated depreciation                 | 5,516,364            | 466,773      | 170,039   | -         | 5,813,098         |
| Total capital assets, depreciable, net         | 5,834,380            | 1,976,458    | 28,074    | -         | 7,782,764         |
| Governmental activities<br>capital assets, net | \$ 8,335,934         | \$ 1,976,658 | \$ 28,074 | \$ -      | \$ 10,284,518     |

The cost of equipment recorded under lease purchase was approximately \$883,000 at June 30, 2020. Accumulated amortization on the equipment recorded under lease purchase was approximately \$754,000 at June 30, 2021. Amortization of assets recorded under lease purchase obligations has been included with depreciation expense.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### F. Capital Assets, Continued

Depreciation expense for the City's governmental activities was charged to functions/programs as follows:

| Functions/Programs              | Depreciation<br>Expense |
|---------------------------------|-------------------------|
| <b>Governmental activities:</b> |                         |
| General government              | \$ 253,945              |
| Public safety                   | 52,624                  |
| Public works                    | 160,204                 |
| Total - governmental activities | <u>\$ 466,773</u>       |

Capital asset activity for the City's business-type activities for the year ended June 30, 2021 was as follows:

|   | Beginning<br>Balance | Increases         | Decreases     | Ending<br>Balance   |
|---|----------------------|-------------------|---------------|---------------------|
| <b>Business-type activities:</b>                |                      |                   |               |                     |
| Capital assets, nondepreciable                  |                      |                   |               |                     |
| Land  | \$ 1,200             | \$ -              | \$ -          | \$ 1,200            |
| Total capital assets, nondepreciable            | <u>1,200</u>         | <u>-</u>          | <u>-</u>      | <u>1,200</u>        |
| Capital assets, depreciable                     |                      |                   |               |                     |
| Buildings and improvements                      | 101,093              | -                 | -             | 101,093             |
| Motor vehicles                                  | 55,268               | -                 | -             | 55,268              |
| Machinery and equipment                         | 138,508              | 87,444            | 25,697        | 200,255             |
| Water system                                    | 2,292,788            | -                 | -             | 2,292,788           |
| Sewer system                                    | 1,705,629            | -                 | -             | 1,705,629           |
| Total capital assets, depreciable               | <u>4,293,286</u>     | <u>87,444</u>     | <u>25,697</u> | <u>4,355,033</u>    |
| Less: accumulated depreciation for:             |                      |                   |               |                     |
| Buildings and improvements                      | 87,614               | 1,825             | -             | 89,439              |
| Motor vehicles                                  | 45,372               | 4,567             | -             | 49,939              |
| Machinery and equipment                         | 87,826               | 7,985             | 25,697        | 70,114              |
| Water system                                    | 1,475,546            | 45,543            | -             | 1,521,089           |
| Sewer system                                    | 1,090,603            | 36,700            | -             | 1,127,303           |
| Total accumulated depreciation                  | <u>2,786,961</u>     | <u>96,620</u>     | <u>25,697</u> | <u>2,857,884</u>    |
| Total capital assets, depreciable, net          | <u>1,506,325</u>     | <u>(9,176)</u>    | <u>-</u>      | <u>1,497,149</u>    |
| Business-type activities<br>capital assets, net | <u>\$ 1,507,525</u>  | <u>\$ (9,176)</u> | <u>\$ -</u>   | <u>\$ 1,498,349</u> |

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### F. Capital Assets, Continued

Depreciation expense for the City's business-type activities was charged to functions/programs as follows:

| Functions/Programs               | Depreciation<br>Expense |
|----------------------------------|-------------------------|
| <b>Business-type activities:</b> |                         |
| Water                            | \$ 55,019               |
| Sewer                            | 41,601                  |
| Total business-type activities   | <u>\$ 96,620</u>        |

#### G. Short-Term Borrowings

Short-term borrowings activity for the year ended June 30, 2021 was as follows:

| Short-Term Borrowings                    | Beginning<br>Balance | Additions    | Reductions | Ending<br>Balance |
|--|----------------------|--------------|------------|-------------------|
| <b>Governmental activities:</b>          |                      |              |            |                   |
| Cash advance for purchase of fire trucks | \$ -                 | \$ 1,611,620 | \$ -       | \$ 1,611,620      |

The City received a cash advance of \$1,611,620 to be used to purchase two fire trucks, which were not received as of June 30, 2021. The lease purchase and corresponding long-term debt will be recognized in the subsequent fiscal year.

#### H. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from a specific source. Lease Purchase ("LP") obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit and taxing powers of the City are not pledged for the payment of revenue bonds, bank loans, or lease purchase obligations nor the interest thereon.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### H. Long-Term Obligations, Continued

Details on the City's outstanding debt issues and lease purchase obligations as of June 30, 2021 are as follows:

|   | Outstanding at<br>Year End |
|---|----------------------------|
| <b><u>General Obligation Bonds</u></b>  |                            |
| \$2,700,000 General Obligation Refunding Bonds (August 2020) were issued to defray the costs incurred in connection with improvements and renovations to City Hall, public sidewalks and pedestrian paths to connect the City's business district to the residential district to enhance pedestrian safety, and drainage-related capital projects and enhancements for the City's island-wide drainage system and issuance costs thereof. Principal and interest is payable annually with interest at 1.34%. Debt service requirements range from \$243,760 to \$244,748, including principal and interest, per year through June 30, 2032 and are funded with resources from the General Fund. |                            |
|   | \$ 2,485,000               |

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2021 for the City's governmental and business-type activities:

| Long-Term Obligations           | Beginning<br>Balance | Additions    | Reductions | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------|----------------------|--------------|------------|-------------------|------------------------|
| <b>Governmental activities:</b> |                      |              |            |                   |                        |
| Debt:                           |                      |              |            |                   |                        |
| GORB - July 2016                | \$ 116,000           | \$ -         | \$ 116,000 | \$ -              | \$ -                   |
| GOB - August 2020               | -                    | 2,700,000    | 215,000    | 2,485,000         | 211,000                |
| Total debt                      | 116,000              | 2,700,000    | 331,000    | 2,485,000         | 211,000                |
| Accrued compensated absences    | 186,610              | 167,006      | 127,302    | 226,314           | 150,368                |
| Total governmental activities   | \$ 302,610           | \$ 2,867,006 | \$ 458,302 | \$ 2,711,314      | \$ 361,368             |

Interest paid on the debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2021.

Article X, Section 15 of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2021, the City had approximately \$2,485,000 of bonded debt subject to the 8% limit of approximately \$6,737,000 resulting in an unused legal debt margin of approximately \$4,252,000.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### III. Detailed Notes on All Funds and Activities, Continued

#### H. Long-Term Obligations, Continued

##### Debt Service Requirements to Maturity

Presented below are the debt service requirements to maturity for the governmental and business-type activities.

| Year Ending June 30,           | Debt                |                   | Totals              |
|--------------------------------|---------------------|-------------------|---------------------|
|                                | Principal           | Interest          |                     |
| <b>Governmental activities</b> |                     |                   |                     |
| 2022                           | \$ 211,000          | \$ 33,299         | \$ 244,299          |
| 2023                           | 214,000             | 30,472            | 244,472             |
| 2024                           | 217,000             | 27,604            | 244,604             |
| 2025                           | 220,000             | 24,696            | 244,696             |
| 2026                           | 223,000             | 21,748            | 244,748             |
| Thereafter                     | 1,400,000           | 66,397            | 1,466,397           |
| Total                          | <u>\$ 2,485,000</u> | <u>\$ 204,216</u> | <u>\$ 2,689,216</u> |

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2021, the City is in compliance with all significant restrictions and covenants.

#### I. Rental Income

The City received rental income of approximately \$76,250 during the fiscal year ended June 30, 2020 from a lease with Crown Castle South, LLC, an assignee of SCANA Communications ("SCANA"), for land. SCANA constructed a telecommunications monopole on the City's land and signed a five-year lease agreement in April 2005 stating that they would lease the City's land in exchange for \$17,500 to be paid quarterly. The original lease agreement had a provision for six automatically renewed five-year periods. The lease was amended in July 2010 to provide SCANA with an additional 625 square feet of real property. The amended lease agreement provides for nine automatically renewed five-year periods and capped the annual rent at approximately \$76,000. The second automatic renewal occurred in April 2020. Estimated future annual lease income is as follows:

| Year ending June 30, | Amount              |
|----------------------|---------------------|
| 2022                 | \$ 76,250           |
| 2023                 | 76,250              |
| 2024                 | 76,250              |
| 2025                 | 76,250              |
| 2026                 | 76,250              |
| Thereafter           | 2,573,437           |
| Total                | <u>\$ 2,954,687</u> |

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## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### III. Detailed Notes on All Funds and Activities, Continued

##### J. Parking Program Revenues

The City entered into an agreement with Lanier Parking Meter Services, LLC (“Lanier”) to manage the time-related parking in the City in February 2019. This agreement, which expires in January 2023, requires the City to reimburse 100% of Lanier’s out of pocket expenses incurred in providing the agreed-upon services as outlined in the executed contract. The City will pay Lanier a base monthly fee of \$2,500, in addition to an incentive management fee of up to 3% of monthly meter revenue. Parking program revenues, net of deductions for Lanier’s expenses, for the year ended June 30, 2020 was \$1,057,287.

#### IV. Other Information

##### A. Risk Management

###### *Participation in public entity risk pools for property and casualty insurance*

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City participates in the South Carolina Accountability Authority’s Insurance Reserve Fund (“IRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through the IRF. It pays an annual premium for this coverage. For the year ended June 30, 2021, the City made premium payments totaling approximately \$142,000. The IRF is self-sustaining through member premiums and reinsures through commercial companies. The IRF’s net position from its most recently issued audited financial statements at June 30, 2021, totaled approximately \$220,983,537. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

The City insured itself from losses related to worker’s compensation through the South Carolina Municipal Insurance Trust (“SCMIT”). SCMIT is a cooperative local government program provided “self-funded” worker’s compensation protection for municipal employees. In the year ended June 30, 2021, the City made premium payments to SCMIT totaling approximately \$57,000. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2020, totaled approximately \$60,286,153. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

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## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### IV. Other Information, Continued

##### A. Risk Management, Continued

###### *Participation in public entity risk pools for property and casualty insurance, continued*

The City is also subject to risks of loss from providing health, accident, and other medical benefits to employees and their dependents. The City offers health insurance coverage to its employees through the State of South Carolina's Employee Insurance Program ("Employee Insurance Program"), which is administered by the South Carolina Public Employee Benefit Authority. The City records contributions from employer funds and employees in the General and Enterprise Funds when it remits premiums to the insurance pool. The Public Employee Benefit Authority reinsures through commercial companies to minimize its risk. In the year ended June 30, 2021, the City made employer portion of the premium payments to the Employee Insurance Program totaling approximately \$456,000. The Employee Insurance Program's net position from its most recently issued audited financial statements at June 30, 2021, totaled approximately \$481,174,810. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial. The City does not provide any health benefits to retirees.

For each of the insurance programs and public entity risk pools in which it participates, the City has effectively transferred all risk with no liability for unfunded claims.

##### B. Retirement Plans

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

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### IV. Other Information, Continued

##### B. Retirement Plans, Continued

###### *State retirement plans, continued*

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.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

###### *Plan description*

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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 newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### IV. Other Information, Continued

##### B. Retirement Plans, Continued

###### *State retirement plans, continued*

###### *Plan membership, continued*

- 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; or to serve as 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 the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

###### *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.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

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### IV. Other Information, Continued

#### B. Retirement Plans, Continued

##### *State retirement plans, continued*

##### *Plan benefits, continued*

- 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*

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 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 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 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 85 percent.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### IV. Other Information, Continued

#### B. Retirement Plans, Continued

##### *State retirement plans, continued*

##### *Plan benefits, continued*

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

|  | SCRS Rates    |               |               | PORS Rates    |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2019          | 2020          | 2021          | 2019          | 2020          | 2021          |
| Employer contribution rate: <sup>^</sup> |               |               |               |               |               |               |
| Retirement                               | 14.41%        | 15.41%        | 15.41%        | 16.84%        | 17.84%        | 17.84%        |
| Incidental death benefit                 | 0.15%         | 0.15%         | 0.15%         | 0.20%         | 0.20%         | 0.20%         |
| Accidental death contributions           | 0.00%         | 0.00%         | 0.00%         | 0.20%         | 0.20%         | 0.20%         |
|  | <u>14.56%</u> | <u>15.56%</u> | <u>15.56%</u> | <u>17.24%</u> | <u>18.24%</u> | <u>18.24%</u> |
| Employee contribution rate               | <u>9.00%</u>  | <u>9.00%</u>  | <u>9.00%</u>  | <u>9.75%</u>  | <u>9.75%</u>  | <u>9.75%</u>  |

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

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

| Year Ended<br>June 30, | SCRS Contributions |               | PORS Contributions |               |
|------------------------|--------------------|---------------|--------------------|---------------|
|                        | Required           | % Contributed | Required           | % Contributed |
| 2021                   | \$ 294,598         | 100%          | \$ 218,640         | 100%          |
| 2020                   | 313,750            | 100%          | 187,972            | 100%          |
| 2019                   | 278,068            | 100%          | 160,892            | 100%          |

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

| Year Ended<br>June 30, | SCRS Payroll |              | PORS Payroll |  | Total<br>Payroll |
|------------------------|--------------|--------------|--------------|--|------------------|
|                        |              |              |              |  |                  |
| 2021                   | \$ 1,893,301 | \$ 1,198,682 | \$ 3,091,983 |  |                  |
| 2020                   | 2,016,387    | 1,030,550    | 3,046,937    |  |                  |
| 2019                   | 1,909,809    | 933,246      | 2,843,055    |  |                  |

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### IV. Other Information, Continued

#### B. Retirement Plans, Continued

##### *State retirement plans, continued*

##### *Actuarial assumptions and methods*

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2020, 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 an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, 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, 2021.

|                             | SCRS                              | PORS                             |
|-----------------------------|-----------------------------------|----------------------------------|
| Actuarial cost method       | Entry age normal                  | Entry age normal                 |
| Actuarial assumptions:      |                                   |                                  |
| Investment rate of return*  | 7.25%                             | 7.25%                            |
| Projected salary increases* | 3.0% to 12.5% (varies by service) | 3.5% to 9.5% (varies by service) |
| Benefit adjustments         | Lesser of 1% or \$500 annually    | Lesser of 1% or \$500 annually   |

\* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

#### IV. Other Information, Continued

##### B. Retirement Plans, Continued

###### *State retirement plans, continued*

###### *Actuarial assumptions and methods, continued*

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

| Former Job Class                                      | Males                              | Females                              |
|---|------------------------------------|--------------------------------------|
| Educators and Judges                                  | 2016 PRSC Males multiplied by 92%  | 2016 PRSC Females multiplied by 98%  |
| General Employees and Members of the General Assembly | 2016 PRSC Males multiplied by 100% | 2016 PRSC Females multiplied by 111% |
| Public Safety and Firefighters                        | 2016 PRSC Males multiplied by 125% | 2016 PRSC Females multiplied by 111% |

###### *Long-term expected rate of return*

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### IV. Other Information, Continued

#### B. Retirement Plans, Continued

##### *State retirement plans, continued*

##### *Long-term expected rate of return, continued*

| Allocation/Exposure              | Target Allocation | Expected Arithmetic Real<br>Rate of Return | Long Term Expected<br>Portfolio Real Rate of<br>Return |
|----------------------------------|-------------------|--|--|
| <b>Global Equity</b>             | <b>51.0%</b>      |  |  |
| Global Public Equity             | 35.0%             | 7.81%                                      | 2.73%  |
| Private Equity                   | 9.0%              | 8.91%                                      | 0.80%  |
| Equity Options Strategies        | 7.0%              | 5.09%                                      | 0.36%  |
| <b>Real Assets</b>               | <b>12.0%</b>      |  |  |
| Real Estate (Private)            | 8.0%              | 5.55%                                      | 0.44%  |
| Real Estate (REITs)              | 1.0%              | 7.78%                                      | 0.08%  |
| Infrastructure (Private)         | 2.0%              | 4.88%                                      | 0.10%  |
| Infrastructure (Public)          | 1.0%              | 7.05%                                      | 0.07%  |
| <b>Opportunistic</b>             | <b>8.0%</b>       |  |  |
| Global Tactical Asset Allocation | 7.0%              | 3.56%                                      | 0.25%  |
| Other Opportunistic Strategies   | 1.0%              | 4.41%                                      | 0.04%  |
| <b>Diversified Credit</b>        | <b>15.0%</b>      |  |  |
| High Yield Bonds/Bank Loans      | 4.0%              | 4.21%                                      | 0.17%  |
| Emerging Markets Debt            | 4.0%              | 3.44%                                      | 0.14%  |
| Private Debt                     | 7.0%              | 5.79%                                      | 0.40%  |
| <b>Conservative Fixed Income</b> | <b>14.0%</b>      |  |  |
| Core Fixed Income                | 13.0%             | 1.60%                                      | 0.21%  |
| Cash and Short Duration (Net)    | 1.0%              | 0.56%                                      | 0.01%  |
| Total Expected Return            | 100.0%            |  | 5.80%  |
| Inflation for Actuarial Purposes |                   |  | 2.25%  |
| Total Expected Nominal Return    |                   |  | 8.05%  |

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

#### IV. Other Information, Continued

##### B. Retirement Plans, Continued

###### *State retirement plans, continued*

###### *Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, 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   | \$ 51,844,188           | \$ 26,292,418               | \$ 25,551,770                            | 50.7%  |
| PORS   | \$ 8,046,387            | \$ 4,730,175                | \$ 3,316,212                             | 58.8%  |

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.

At June 30, 2021, the City reported liabilities of approximately \$4,618,000 and \$2,258,000 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2020, 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 of July 1, 2019 that was projected forward to the measurement date. The City's proportion of the net pension liabilities were based on a projection of the City'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, 2020 measurement date, the City's SCRS proportion was 0.01807 percent, which was a decrease of 0.00001 percent from its proportion measured as of June 30, 2019. At the June 30, 2020 measurement date, the City's PORS proportion was 0.06810 percent, which was an increase of 0.00376 percent from its proportion measured as of June 30, 2019.

# City of Folly Beach, South Carolina

## Notes to the Financial Statements

For the year ended June 30, 2021

### IV. Other Information, Continued

#### B. Retirement Plans, Continued

##### *State retirement plans, continued*

*Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions, continued*

For the year ended June 30, 2020, the City recognized pension expense of approximately \$645,000 and \$311,000 for the SCRS and PORS, respectively. At June 30, 2021, the City 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 |
|---|--------------------------------|-------------------------------|
| <b>SCRS</b>   |                                |                               |
| Differences between expected and actual experience  | \$ 53,288                      | \$ 17,463                     |
| Change in assumptions   | 5,658                          | -                             |
| Net difference between projected and actual earnings on pension plan investments                                    | 389,167                        | 49,460                        |
| Changes in proportion and differences between the employer's contributions and proportionate share of contributions | 167,097                        | 18,036                        |
| Employer contributions subsequent to the measurement date   | 279,342                        | -                             |
| Total SCRS  | <u>894,552</u>                 | <u>84,959</u>                 |
| <b>PORS</b>   |                                |                               |
| Differences between expected and actual experience  | 47,997                         | 9,941                         |
| Change in assumptions   | 27,560                         | -                             |
| Net difference between projected and actual earnings on pension plan investments                                    | 260,305                        | 29,690                        |
| Changes in proportion and differences between the employer's contributions and proportionate share of contributions | 78,973                         | 78,491                        |
| Employer contributions subsequent to the measurement date   | 208,842                        | -                             |
| Total PORS  | <u>623,677</u>                 | <u>118,122</u>                |
| Total SCRS and PORS   | <u>\$ 1,518,229</u>            | <u>\$ 203,081</u>             |

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**City of Folly Beach, South Carolina****Notes to the Financial Statements****For the year ended June 30, 2021**

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**IV. Other Information, Continued****B. Retirement Plans, Continued*****State retirement plans, continued***

*Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions, continued*

Approximately \$279,000 and \$209,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2021. 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<br>June 30, | SCRS              | PORS              | Total             |
|------------------------|-------------------|-------------------|-------------------|
| 2022                   | \$ 138,198        | \$ 72,579         | \$ 210,777        |
| 2023                   | 185,630           | 67,282            | 252,912           |
| 2024                   | 119,738           | 93,521            | 213,259           |
| 2025                   | 86,685            | 63,331            | 150,016           |
| Total                  | <u>\$ 530,251</u> | <u>\$ 296,713</u> | <u>\$ 826,964</u> |

***Discount rate***

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all 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.

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

#### IV. Other Information, Continued

##### B. Retirement Plans, Continued

###### *State retirement plans, continued*

###### *Sensitivity analysis*

The following table presents the collective NPL of the City calculated using the discount rate of 7.25 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

| System | 1% Decrease<br>(6.25%) | Current Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|--------|------------------------|----------------------------------|------------------------|
| SCRS   | \$ 5,723,690           | \$ 4,618,207                     | \$ 3,695,098           |
| PORS   | 2,989,802              | 2,258,446                        | 1,671,214              |
| Total  | \$ 8,713,492           | \$ 6,876,653                     | \$ 5,366,312           |

###### *Plans fiduciary net position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://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 City reported a payable of approximately \$63,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the SCRS and PORS. This amount is included in other accrued liabilities on the financial statements and was paid in July 2021.

##### C. Commitments and Contingencies

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2021.

###### *Litigation*

The City is party to various legal proceedings that normally occur in governmental operations. City management believes the legal proceedings are not likely to have a material adverse effect on the City's financial position.

## City of Folly Beach, South Carolina

### Notes to the Financial Statements

For the year ended June 30, 2021

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#### IV. Other Information, Continued

##### C. Commitments and Contingencies, Continued

###### *Litigation, continued*

The City is currently a defendant in a lawsuit asserting the City's enforcement of the City's merger ordinance. The City lost summary judgment, but no damages have been set as of January 11, 2022, the date these financial statements were available to be issued. The City intends to appeal the judgment.

###### *Commitments*

The City has contracted with James Island Public Service District ("JIPSD") for maintenance of the City's six wastewater pump stations, transportation and treatment of wastewater, and maintenance of the City's municipal vehicles. The City executed a contract for the maintenance of the City's six wastewater pump stations in fiscal year 2017 for a period of five years. The contract requires the City to pay certain fees and charges, as outlined in the agreement, based on the number of visits to the pump stations and the work performed. The City also executed a contract for the transportation and treatment of the City's wastewater in fiscal year 2017 for a period of five years. The contract stipulates that JIPSD will transport and treat the wastewater of the City not to exceed 472,000 gallons per day at an instantaneous peak flow of 800 gallons per minute for a base charge and a volumetric charge per 1,000 gallons of wastewater transported. As a result of these contracts, the City is economically dependent on JIPSD for the operations of its sewer utility.

The City entered into a water supply contract with Charleston Water Systems (CWS) for the purchase of water at two delivery points near the Folly River Bridge in 1981 for a period of 40 years. The City renewed this contract with CWS on March 23, 2021 for an additional 40 years. Under this agreement, the City currently pays a base charge plus a volumetric rate for water purchased. As a result of this contract, the City is economically dependent on Charleston Water Systems for the operation of its water utility.

The City signed a Local Cooperation Agreement with the Department of the Army in September 1992. This agreement provides for monitoring and periodic renourishment of the beach for a period of 50 years. The Department of the Army provides 85 percent of the funding with the City being the local sponsor for the agreement and providing the 15 percent local match. The agreement states that the Department of the Army's participation is contingent upon the funds being appropriated by the Congress of the United States of America. Funding for the beach renourishment project was appropriated and began in fiscal year 2014. The City's local match for this project was approximately \$4,894,000. The City experienced more beach erosion than normal as a result of hurricanes in recent years, and the Department of the Army began another renourishment project in 2018 with no local funds required to be contributed by the City. Beach monitoring for future renourishment projects will continue, and it is unknown at this time when the next renourishment project will need to take place or how much the City's portion will be.

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## City of Folly Beach, South Carolina

### *Notes to the Financial Statements*

*For the year ended June 30, 2021*

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#### **V. Subsequent Events**

Management has evaluated all events and transactions occurring subsequent to the balance sheet date of June 30, 2021, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through January 11, 2022, the date these financial statements were available to be issued.

#### **VI. Uncertainties**

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the City and the U.S. economy. These conditions could adversely affect the City’s financial condition and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the City’s operations or other businesses within the City, which could significantly disrupt the City’s operations.

The City has been notified that approximately \$1,324,000 has been allocated to the City as part of the Coronavirus State and Local Fiscal Recovery Funds program that was established by the American Rescue Plan (ARP) Act. The purpose of the program is to provide support to the City in responding to the economic and public health impacts of COVID-19 and in its efforts to contain impacts on the community, residents, and businesses.

#### **VII. New Accounting Pronouncements**

During May 2020, the GASB issued GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Effective dates were postponed by one year for most pronouncements, and postponed by 18 months for Statement No. 87, *Leases and Implementation Guide No. 2019-3, Leases*.

## City of Folly Beach, South Carolina

### *Notes to the Financial Statements*

*For the year ended June 30, 2021*

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#### **VII. New Accounting Pronouncements, Continued**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The City is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

GASB Statement Number 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City adopted this statement effective July 1, 2020. GASB Statement Number 84 did not have a material effect on the City's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules
  - General Fund
  - Beach Preservation Fund
  
- Pension Schedules
  - Schedule of the City of Folly Beach's Proportionate Share of the Net Pension Liability – South Carolina Retirement System
  - Schedule of the City of Folly Beach's Contributions – South Carolina Retirement System
  - Schedule of the City of Folly Beach's Proportionate Share of the Net Pension Liability – Police Officers Retirement System
  - Schedule of the City of Folly Beach's Contributions – Police Officers Retirement System

## City of Folly Beach, South Carolina

*Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the year ended June 30, 2021*

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>Revenues</b>  |                     |                     |                     |                               |
| Property taxes   | \$ 2,476,389        | \$ 2,476,389        | \$ 2,550,206        | \$ (73,817)                   |
| Licenses, permits and fees   | 1,899,500           | 1,899,500           | 2,120,362           | (220,862)                     |
| Intergovernmental  | 1,280,228           | 1,280,228           | 1,275,606           | 4,622                         |
| Fines and penalties  | 150,000             | 150,000             | 568,857             | (418,857)                     |
| Rental Revenue   | 76,250              | 76,250              | 76,250              | -                             |
| Parking program revenues   | 441,000             | 441,000             | 1,057,287           | (616,287)                     |
| Other revenues   | 41,000              | 41,000              | 90,706              | (49,706)                      |
| Total revenues   | <u>6,364,367</u>    | <u>6,364,367</u>    | <u>7,739,274</u>    | <u>(1,374,907)</u>            |
| <b>Expenditures</b>  |                     |                     |                     |                               |
| General government   |                     |                     |                     |                               |
| Central government   | 825,143             | 825,143             | 3,192,868           | (2,367,725)                   |
| City Mayor   | 53,156              | 53,156              | 35,094              | 18,062                        |
| City council   | 212,588             | 212,588             | 165,477             | 47,111                        |
| Judicial   | 120,116             | 120,116             | 108,359             | 11,757                        |
| Elections  | 3,074               | 3,074               | 1,735               | 1,339                         |
| Administration   | 805,787             | 805,787             | 688,816             | 116,971                       |
| Information technology   | 474,548             | 474,548             | 455,833             | 18,715                        |
| Facilities   | 1,765,881           | 1,765,881           | 1,100,022           | 665,859                       |
| Public safety  | 3,564,860           | 3,564,860           | 3,233,706           | 331,154                       |
| Public works   | 2,083,387           | 2,083,387           | 1,126,024           | 957,363                       |
| Total expenditures   | <u>9,908,540</u>    | <u>9,908,540</u>    | <u>10,107,934</u>   | <u>(199,394)</u>              |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <u>(3,544,173)</u>  | <u>(3,544,173)</u>  | <u>(2,368,660)</u>  | <u>(1,175,513)</u>            |
| <b>Other financing sources</b>                                       |                     |                     |                     |                               |
| Proceeds from bonds issued   | 2,100,000           | 2,100,000           | 2,700,000           | (600,000)                     |
| Proceeds from the sale of assets                                     | 10,000              | 10,000              | 19,089              | (9,089)                       |
| Transfers in   | 1,325,823           | 1,325,823           | 2,187,291           | (861,468)                     |
| Total other financing sources  | <u>3,435,823</u>    | <u>3,435,823</u>    | <u>4,906,380</u>    | <u>(1,470,557)</u>            |
| <b>Net change in fund balance</b>                                    | <u>(108,350)</u>    | <u>(108,350)</u>    | <u>2,537,720</u>    | <u>(2,646,070)</u>            |
| <b>Fund balance, beginning of year</b>                               | <u>4,614,966</u>    | <u>4,614,966</u>    | <u>4,614,966</u>    | <u>-</u>                      |
| <b>Fund balance, end of year</b>                                     | <u>\$ 4,506,616</u> | <u>\$ 4,506,616</u> | <u>\$ 7,152,686</u> | <u>\$ (2,646,070)</u>         |

**Note:** This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

## City of Folly Beach, South Carolina

*Required Supplementary Information - Budgetary Comparison Schedule - Beach Preservation Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the year ended June 30, 2021*

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>Revenues</b>  |                     |                     |                     |                               |
| Intergovernmental  | \$ 77,850           | \$ 77,850           | \$ 77,850           | \$ -                          |
| Investment income  | 15,000              | 15,000              | 1,991               | 13,009                        |
| Total revenues   | 92,850              | 92,850              | 79,841              | 13,009                        |
| <b>Expenditures</b>  |                     |                     |                     |                               |
| Repairs and maintenance  | 10,000              | 10,000              | 6,810               | 3,190                         |
| Capital outlay   | 50,000              | 50,000              | -                   | 50,000                        |
| Professional services  | 115,000             | 115,000             | 114,642             | 358                           |
| Walkover retreats and relocations                                    | 100,000             | 100,000             | -                   | 100,000                       |
| Total expenditures   | 275,000             | 275,000             | 121,452             | 153,548                       |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>(182,150)</b>    | <b>(182,150)</b>    | <b>(41,611)</b>     | <b>(140,539)</b>              |
| <b>Other financing sources</b>                                       |                     |                     |                     |                               |
| Transfers in   | 853,088             | 853,088             | 941,576             | (88,488)                      |
| Total other financing sources  | 853,088             | 853,088             | 941,576             | (88,488)                      |
| <b>Net change in fund balance</b>                                    | <b>670,938</b>      | <b>670,938</b>      | <b>899,965</b>      | <b>(229,027)</b>              |
| <b>Fund balance, beginning of year</b>                               | <b>6,618,825</b>    | <b>6,618,825</b>    | <b>6,618,825</b>    | <b>-</b>                      |
| <b>Fund balance, end of year</b>                                     | <b>\$ 7,289,763</b> | <b>\$ 7,289,763</b> | <b>\$ 7,518,790</b> | <b>\$ (229,027)</b>           |

**Note:** This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

## City of Folly Beach, South Carolina

### Required Supplementary Information - Schedule of the City of Folly Beach's Proportionate Share of the Net

#### Pension Liability - South Carolina Retirement System

#### Last Eight Fiscal Years

|   | Year Ended June 30, |              |              |              |              |              |              |              |
|---|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2021                | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
| City of Folly Beach's proportion of the net pension liability   | 0.01807%            | 0.01808%     | 0.01657%     | 0.01687%     | 0.01544%     | 0.01614%     | 0.01665%     | 0.01665%     |
| City of Folly Beach's proportionate share of the net pension liability  | \$ 4,618,207        | \$ 4,129,274 | \$ 3,711,951 | \$ 3,797,033 | \$ 3,299,029 | \$ 3,061,408 | \$ 2,866,063 | \$ 2,985,878 |
| City of Folly Beach's covered payroll   | \$ 2,016,387        | \$ 1,909,809 | \$ 1,716,716 | \$ 1,604,784 | \$ 1,495,594 | \$ 1,513,478 | \$ 1,448,700 | \$ 1,477,479 |
| City of Folly Beach's proportionate share of the net pension liability as a percentage of its covered payroll | 229.03%             | 216.21%      | 216.22%      | 236.61%      | 220.58%      | 202.28%      | 197.84%      | 202.09%      |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 50.70%              | 54.40%       | 54.10%       | 53.34%       | 52.91%       | 56.99%       | 59.92%       | 56.39%       |

**Note:** Only eight years of information is presented as only eight years of data were available.

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

## City of Folly Beach, South Carolina

### Required Supplementary Information - Schedule of the City of Folly Beach's Contributions - South

#### Carolina Retirement System

#### Last Eight Fiscal Years

|   | Year Ended June 30, |              |              |              |              |              |              |              |
|---|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2021                | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
| Contractually required contributions                                  | \$ 294,598          | \$ 313,750   | \$ 278,068   | \$ 232,787   | \$ 185,513   | \$ 165,413   | \$ 164,970   | \$ 153,562   |
| Contributions in relation to the contractually required contributions | 294,598             | 313,750      | 278,068      | 232,787      | 185,513      | 165,413      | 164,970      | 153,562      |
| Contribution deficiency (excess)                                      | <u>\$ -</u>         | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| City of Folly Beach's covered payroll                                 | \$ 1,893,301        | \$ 2,016,387 | \$ 1,909,809 | \$ 1,716,716 | \$ 1,604,784 | \$ 1,495,594 | \$ 1,513,478 | \$ 1,448,700 |
| Contributions as a percentage of covered payroll                      | 15.56%              | 15.56%       | 14.56%       | 13.56%       | 11.56%       | 11.06%       | 10.90%       | 10.60%       |

**Note:** Only eight years of information is presented as only eight years of data were available.

## City of Folly Beach, South Carolina

### Required Supplementary Information - Schedule of the City of Folly Beach's Proportionate Share of the Net

#### Pension Liability - Police Officers Retirement System

#### Last Eight Fiscal Years

|   | Year Ended June 30, |              |              |              |              |              |              |              |
|---|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2021                | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
| City of Folly Beach's proportion of the net pension liability   | 0.06810%            | 0.06434%     | 0.06829%     | 0.07190%     | 0.07101%     | 0.07080%     | 0.07091%     | 0.07091%     |
| City of Folly Beach's proportionate share of the net pension liability  | \$ 2,258,446        | \$ 1,843,986 | \$ 1,935,140 | \$ 1,969,826 | \$ 1,801,100 | \$ 1,543,040 | \$ 1,357,520 | \$ 1,469,945 |
| City of Folly Beach's covered payroll   | \$ 1,030,550        | \$ 933,246   | \$ 945,292   | \$ 1,065,460 | \$ 905,254   | \$ 877,087   | \$ 844,245   | \$ 817,833   |
| City of Folly Beach's proportionate share of the net pension liability as a percentage of its covered payroll | 219.15%             | 197.59%      | 204.71%      | 184.88%      | 198.96%      | 175.93%      | 160.80%      | 179.74%      |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 58.80%              | 62.70%       | 61.70%       | 60.94%       | 60.44%       | 64.57%       | 67.55%       | 62.98%       |

**Note:** Only eight years of information is presented as only eight years of data were available.

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

## City of Folly Beach, South Carolina

### Required Supplementary Information - Schedule of the City of Folly Beach's Contributions - Police

#### Officers Retirement System

#### Last Eight Fiscal Years

|   | Year Ended June 30, |              |             |             |              |             |             |             |
|---|---------------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|
|   | 2021                | 2020         | 2019        | 2018        | 2017         | 2016        | 2015        | 2014        |
| Contractually required contributions                                  | \$ 218,640          | \$ 187,972   | \$ 160,892  | \$ 153,515  | \$ 151,722   | \$ 124,382  | \$ 117,617  | \$ 108,401  |
| Contributions in relation to the contractually required contributions | 218,640             | 187,972      | 160,892     | 153,515     | 151,722      | 124,382     | 117,617     | 108,401     |
| Contribution deficiency (excess)                                      | <u>\$ -</u>         | <u>\$ -</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Folly Beach's covered payroll                                 | \$ 1,198,682        | \$ 1,030,550 | \$ 933,246  | \$ 945,292  | \$ 1,065,460 | \$ 905,254  | \$ 877,087  | \$ 844,245  |
| Contributions as a percentage of covered payroll                      | 18.24%              | 18.24%       | 17.24%      | 16.24%      | 14.24%       | 13.74%      | 13.41%      | 12.84%      |

**Note:** Only eight years of information is presented as only eight years of data were available.

## SUPPLEMENTARY INFORMATION

# City of Folly Beach, South Carolina

## Schedule of Detailed Revenues and Expenditures - Budget and Actual - General Fund

For the year ended June 30, 2021

|  | Final<br>Budget | Actual       | Variance    |
|--|-----------------|--------------|-------------|
| <b>Revenues</b>                            |                 |              |             |
| Property taxes                             | \$ 2,476,389    | \$ 2,550,206 | \$ (73,817) |
| <b>Licenses, permits, and fees</b>         |                 |              |             |
| Business licenses                          | 835,000         | 1,059,743    | (224,743)   |
| Building permits                           | 400,000         | 399,237      | 763         |
| Franchise fees                             | 415,000         | 451,758      | (36,758)    |
| Telecommunications tax collection          | 4,500           | 5,181        | (681)       |
| Brokers tax collections                    | 230,000         | 199,264      | 30,736      |
| Other licenses, permits, and fees          | 15,000          | 5,179        | 9,821       |
| Total licenses, permits, and fees          | 1,899,500       | 2,120,362    | (220,862)   |
| <b>Intergovernmental</b>                   |                 |              |             |
| State aid to subdivisions                  | 70,000          | 63,235       | 6,765       |
| Alcohol/liquor tax                         | 50,000          | 29,500       | 20,500      |
| Merchant inventory tax                     | 2,768           | 2,768        | -           |
| State accommodations taxes                 | 75,000          | 101,586      | (26,586)    |
| LOST revenues                              | 517,460         | 597,755      | (80,295)    |
| Grants                                     | 565,000         | 480,762      | 84,238      |
| Total intergovernmental                    | 1,280,228       | 1,275,606    | 4,622       |
| <b>Fines and penalties</b>                 |                 |              |             |
|  | 150,000         | 568,857      | (418,857)   |
| <b>Rental revenue</b>                      |                 |              |             |
|  | 76,250          | 76,250       | -           |
| <b>Other revenue</b>                       |                 |              |             |
| Contributions                              | -               | 11,760       | (11,760)    |
| Parking program revenues                   | 441,000         | 1,057,287    | (616,287)   |
| Interest income                            | -               | 1,284        | (1,284)     |
| Miscellaneous                              | 41,000          | 77,662       | (36,662)    |
| Total other revenues                       | 482,000         | 1,147,993    | (665,993)   |
| Total revenues                             | 6,364,367       | 7,739,274    | (1,374,907) |
| <b>Other financing sources</b>             |                 |              |             |
| Bonds Issued                               | 2,100,000       | 2,700,000    | (600,000)   |
| Proceeds from the sale of assets           | 10,000          | 19,089       | (9,089)     |
| Net transfers in                           | 1,325,823       | 2,187,291    | (861,468)   |
| Total revenues and other financing sources | 9,800,190       | 12,645,654   | (2,845,464) |

# City of Folly Beach, South Carolina

## Schedule of Detailed Revenues and Expenditures - Budget and Actual - General Fund

For the year ended June 30, 2021

|                                | Final<br>Budget | Actual           | Variance           |
|--------------------------------|-----------------|------------------|--------------------|
| <b>Expenditures</b>            |                 |                  |                    |
| <b>Central government</b>      |                 |                  |                    |
| City Hall:                     |                 |                  |                    |
| Operating supplies             | 33,605          | 15,679           | 17,926             |
| Fees and permits               | 8,000           | 1,332            | 6,668              |
| Utilities                      | 125,000         | 113,147          | 11,853             |
| Advertising                    | 5,000           | 6,607            | (1,607)            |
| Contract services              | 136,285         | 130,231          | 6,054              |
| Employee relations             | 6,500           | 6,372            | 128                |
| SC environmental law project   | 5,000           | -                | 5,000              |
| Record digitization            | 5,000           | -                | 5,000              |
| Pet helpers                    | 6,500           | 6,500            | -                  |
| Total City Hall                | <u>330,890</u>  | <u>279,868</u>   | <u>51,022</u>      |
| Planning and development:      |                 |                  |                    |
| Celebrations                   | 14,700          | 4,110            | 10,590             |
| Community projects             | 12,900          | 10,750           | 2,150              |
| Total planning and development | <u>27,600</u>   | <u>14,860</u>    | <u>12,740</u>      |
| Insurance:                     |                 |                  |                    |
| General insurance              | 30,146          | 29,451           | 695                |
| Unemployment insurance         | -               | 3,250            | (3,250)            |
| Total insurance                | <u>30,146</u>   | <u>32,701</u>    | <u>(2,555)</u>     |
| Reserves:                      |                 |                  |                    |
| Beach management               | -               | 70,262           | (70,262)           |
| Claims and judgments           | -               | 226,245          | (226,245)          |
| Declared emergency             | -               | 12,298           | (12,298)           |
| Capital outlay                 | 5,000           | 2,195,128        | (2,190,128)        |
| Property improvements          | 60,000          | -                | 60,000             |
| Special project                | 10,000          | -                | 10,000             |
| Total Reserves                 | <u>75,000</u>   | <u>2,503,933</u> | <u>(2,428,933)</u> |
| Debt service:                  |                 |                  |                    |
| Principal                      | 331,000         | 331,000          | -                  |
| Interest                       | 30,507          | 30,506           | 1                  |
| Total debt service             | <u>361,507</u>  | <u>361,506</u>   | <u>1</u>           |
| Total central government       | <u>825,143</u>  | <u>3,192,868</u> | <u>(2,367,725)</u> |

# City of Folly Beach, South Carolina

## Schedule of Detailed Revenues and Expenditures - Budget and Actual - General Fund

For the year ended June 30, 2021

|                                     | Final<br>Budget  | Actual           | Variance       |
|-------------------------------------|------------------|------------------|----------------|
| <b>Expenditures, Continued</b>      |                  |                  |                |
| <b>Public safety</b>                |                  |                  |                |
| Full-time salaries                  | 1,448,159        | 1,401,224        | 46,935         |
| Salary allocation - victim's rights | 4,136            | 3,949            | 187            |
| Overtime                            | 136,677          | 79,691           | 56,986         |
| Part-time salaries                  | 324,887          | 294,770          | 30,117         |
| Housing allowance                   | 36,000           | 42,000           | (6,000)        |
| Certification bonus                 | 87,625           | 77,614           | 10,011         |
| Seasonal augmentation program       | 14,000           | 20,128           | (6,128)        |
| Employee insurance                  | 218,632          | 207,097          | 11,535         |
| Payroll taxes                       | 145,512          | 140,477          | 5,035          |
| Retirement                          | 323,860          | 295,576          | 28,284         |
| Workers compensation insurance      | 33,812           | 60,253           | (26,441)       |
| Repairs and maintenance             | 92,050           | 90,813           | 1,237          |
| Operating supplies                  | 80,181           | 63,909           | 16,272         |
| Victims' advocate operating         | 50               | 59               | (9)            |
| Dues and training                   | 44,165           | 44,821           | (656)          |
| Transportation                      | 58,000           | 50,115           | 7,885          |
| Uniforms                            | 25,500           | 27,180           | (1,680)        |
| Capital outlay                      | 188,350          | 173,048          | 15,302         |
| Professional services               | 97,684           | 70,485           | 27,199         |
| Utilities                           | 34,722           | 22,901           | 11,821         |
| Record management                   | 21,865           | -                | 21,865         |
| National night out                  | 819              | -                | 819            |
| Boat launch/trailer parking         | 80,000           | -                | 80,000         |
| Declared emergency                  | -                | 507              | (507)          |
| General insurance                   | 68,174           | 67,089           | 1,085          |
| Total public safety                 | <u>3,564,860</u> | <u>3,233,706</u> | <u>331,154</u> |
| <b>Public works</b>                 |                  |                  |                |
| Salaries                            | 437,901          | 411,207          | 26,694         |
| Overtime                            | 19,348           | 14,256           | 5,092          |
| Employee insurance                  | 81,583           | 92,005           | (10,422)       |
| Payroll taxes                       | 34,980           | 31,840           | 3,140          |
| Retirement                          | 70,736           | 55,822           | 14,914         |
| Workers compensation insurance      | 11,506           | 8,278            | 3,228          |
| Repairs and maintenance             | 484,000          | 235,611          | 248,389        |
| Operating supplies                  | 42,500           | 43,415           | (915)          |
| Dues and training                   | 4,975            | 1,342            | 3,633          |
| Capital outlay                      | 684,500          | -                | 684,500        |
| Transportation                      | 50,000           | 34,528           | 15,472         |
| Uniforms                            | 10,000           | 12,835           | (2,835)        |
| Professional services               | 132,800          | 163,914          | (31,114)       |
| Utilities                           | 1,820            | 1,710            | 110            |
| General insurance                   | 16,738           | 19,261           | (2,523)        |
| Total public works                  | <u>2,083,387</u> | <u>1,126,024</u> | <u>957,363</u> |

# City of Folly Beach, South Carolina

## Schedule of Detailed Revenues and Expenditures - Budget and Actual - General Fund

For the year ended June 30, 2021

|                                | Final<br>Budget | Actual  | Variance |
|--------------------------------|-----------------|---------|----------|
| <b>Expenditures, Continued</b> |                 |         |          |
| <b>City Mayor</b>              |                 |         |          |
| Salaries                       | 15,000          | 15,000  | -        |
| Employee insurance             | 6,299           | 6,307   | (8)      |
| Payroll taxes                  | 1,148           | 1,096   | 52       |
| Retirement                     | 2,334           | 2,334   | -        |
| Operating supplies             | 7,000           | 888     | 6,112    |
| Dues and training              | 8,375           | 1,242   | 7,133    |
| Miscellaneous                  | 11,500          | 6,924   | 4,576    |
| Declared emergency             | -               | 146     | (146)    |
| Utilities                      | 1,500           | 1,157   | 343      |
| Total City Mayor               | 53,156          | 35,094  | 18,062   |
| <b>City Council</b>            |                 |         |          |
| Salaries                       | 77,582          | 75,923  | 1,659    |
| Overtime                       | 1,500           | 956     | 544      |
| Employee insurance             | 44,628          | 44,436  | 192      |
| Payroll taxes                  | 6,050           | 5,526   | 524      |
| Retirement                     | 12,775          | 11,864  | 911      |
| Operating supplies             | 35,000          | 1,717   | 33,283   |
| Dues and training              | 14,952          | 10,437  | 4,515    |
| Discretionary                  | 5,230           | 1,200   | 4,030    |
| General insurance              | 9,611           | 8,611   | 1,000    |
| Utilities                      | 5,260           | 4,807   | 453      |
| Total City Council             | 212,588         | 165,477 | 47,111   |
| <b>Judicial</b>                |                 |         |          |
| Salaries                       | 61,114          | 60,918  | 196      |
| Overtime                       | -               | 3,301   | (3,301)  |
| Payroll taxes                  | 4,599           | 4,906   | (307)    |
| Health insurance               | -               | 161     | (161)    |
| Retirement                     | 9,473           | 9,963   | (490)    |
| Operating supplies             | 5,730           | 672     | 5,058    |
| Utilities                      | 970             | 474     | 496      |
| Dues and training              | 7,230           | 1,240   | 5,990    |
| Professional services          | 31,000          | 26,724  | 4,276    |
| Total judicial                 | 120,116         | 108,359 | 11,757   |
| <b>Elections</b>               |                 |         |          |
| Salaries                       | 2,500           | 1,402   | 1,098    |
| Payroll taxes                  | 574             | -       | 574      |
| Operating supplies             | -               | 333     | (333)    |
| Total elections                | 3,074           | 1,735   | 1,339    |

# City of Folly Beach, South Carolina

## Schedule of Detailed Revenues and Expenditures - Budget and Actual - General Fund

For the year ended June 30, 2021

|                                | Final<br>Budget     | Actual               | Variance            |
|--------------------------------|---------------------|----------------------|---------------------|
| <b>Expenditures, Continued</b> |                     |                      |                     |
| <b>Administration</b>          |                     |                      |                     |
| Salaries                       | 479,728             | 436,361              | 43,367              |
| Overtime                       | 974                 | 3,529                | (2,555)             |
| Employee insurance             | 73,379              | 54,610               | 18,769              |
| Payroll taxes                  | 36,805              | 32,919               | 3,886               |
| Retirement                     | 74,546              | 65,739               | 8,807               |
| Operating supplies             | 28,450              | 22,653               | 5,797               |
| Dues and training              | 22,824              | 4,452                | 18,372              |
| Workers compensation insurance | 2,674               | 5,134                | (2,460)             |
| Professional services          | 56,200              | 16,433               | 39,767              |
| Utilities                      | 6,830               | 8,150                | (1,320)             |
| Community coordination         | 21,600              | 21,945               | (345)               |
| Declared emergency             | -                   | 15,124               | (15,124)            |
| General insurance              | 1,777               | 1,767                | 10                  |
| Total administration           | <u>805,787</u>      | <u>688,816</u>       | <u>116,971</u>      |
| <b>Information Technology</b>  |                     |                      |                     |
| Salaries                       | 68,100              | 68,350               | (250)               |
| Payroll Taxes                  | 5,210               | 5,226                | (16)                |
| Retirement                     | 10,581              | 10,618               | (37)                |
| Repairs and maintenance        | 3,500               | 5,789                | (2,289)             |
| Operating supplies             | 60,200              | 48,051               | 12,149              |
| Dues and training              | 6,000               | 4,923                | 1,077               |
| Capital outlay                 | 15,000              | 15,835               | (835)               |
| Contracts                      | 245,837             | 238,058              | 7,779               |
| Utilities                      | 60,120              | 58,983               | 1,137               |
| Total information technology   | <u>474,548</u>      | <u>455,833</u>       | <u>18,715</u>       |
| <b>Facilities</b>              |                     |                      |                     |
| Salaries                       | 63,490              | 63,621               | (131)               |
| Overtime                       | -                   | 353                  | (353)               |
| Employee insurance             | 18,510              | 11,471               | 7,039               |
| Payroll taxes                  | 4,857               | 4,679                | 178                 |
| Retirement                     | 9,801               | 9,262                | 539                 |
| Repairs and maintenance        | 141,500             | 451,598              | (310,098)           |
| Operating supplies             | 62,164              | 53,331               | 8,833               |
| Uniforms                       | -                   | 162                  | (162)               |
| Dues and training              | 3,231               | 2,849                | 382                 |
| Transportation                 | 4,500               | 4,931                | (431)               |
| Capital outlay                 | 1,250,000           | 59,220               | 1,190,780           |
| Declared emergency             | -                   | 4,657                | (4,657)             |
| Professional services          | 191,850             | 416,278              | (224,428)           |
| Utilities                      | 2,474               | 1,252                | 1,222               |
| General insurance              | 4,854               | 4,768                | 86                  |
| Parks and recreation committee | 8,650               | 11,590               | (2,940)             |
| Total facilities               | <u>1,765,881</u>    | <u>1,100,022</u>     | <u>665,859</u>      |
| Total expenditures             | <u>\$ 9,908,540</u> | <u>\$ 10,107,934</u> | <u>\$ (199,394)</u> |

**City of Folly Beach, South Carolina**

*Schedule of Expenditures by Type - Actual - General Fund*

*For the year ended June 30, 2021*

|  | General Government  |                  |                   |                   |                 |                   |                        |                     |                     |                     |                      |
|--|---------------------|------------------|-------------------|-------------------|-----------------|-------------------|------------------------|---------------------|---------------------|---------------------|----------------------|
|  | Central Government  | City Mayor       | City Council      | Judicial          | Elections       | Administration    | Information Technology | Facilities          | Public Safety       | Public Works        | Total                |
| Salaries                               | \$ -                | \$ 15,000        | \$ 75,923         | \$ 60,918         | \$ 1,402        | \$ 436,361        | \$ 68,350              | \$ 63,621           | \$ 1,401,224        | \$ 411,207          | \$ 2,534,006         |
| Reserves                               | 2,503,933           | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 2,503,933            |
| Professional/contract services         | 130,231             | -                | -                 | 26,724            | -               | 16,433            | 238,058                | 416,278             | 70,485              | 163,914             | 1,062,123            |
| Repairs and maintenance                | -                   | -                | -                 | -                 | -               | -                 | 5,789                  | 451,598             | 90,813              | 235,611             | 783,811              |
| Retirement                             | -                   | 2,334            | 11,864            | 9,963             | -               | 65,739            | 10,618                 | 9,262               | 295,576             | 55,822              | 461,178              |
| Employee insurance                     | -                   | 6,307            | 44,436            | 161               | -               | 54,610            | -                      | 11,471              | 207,097             | 92,005              | 416,087              |
| Debt service - principal               | 331,000             | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 331,000              |
| Beach patrol                           | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 294,770             | -                   | 294,770              |
| Operating supplies                     | 15,679              | 888              | 1,717             | 672               | 333             | 22,653            | 48,051                 | 53,331              | 63,909              | 43,415              | 250,648              |
| Capital outlay                         | -                   | -                | -                 | -                 | -               | -                 | 15,835                 | 59,220              | 173,048             | -                   | 248,103              |
| Payroll taxes                          | -                   | 1,096            | 5,526             | 4,906             | -               | 32,919            | 5,226                  | 4,679               | 140,477             | 31,840              | 226,669              |
| Utilities                              | 113,147             | 1,157            | 4,807             | 474               | -               | 8,150             | 58,983                 | 1,252               | 22,901              | 1,710               | 212,581              |
| General insurance                      | 29,451              | -                | 8,611             | -                 | -               | 1,767             | -                      | 4,768               | 67,089              | 19,261              | 130,947              |
| Salaries - overtime                    | -                   | -                | 956               | 3,301             | -               | 3,529             | -                      | 353                 | 79,691              | 14,256              | 102,086              |
| Transportation                         | -                   | -                | -                 | -                 | -               | -                 | -                      | 4,931               | 50,115              | 34,528              | 89,574               |
| Certification bonus                    | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 77,614              | -                   | 77,614               |
| Workers compensation insurance         | -                   | -                | -                 | -                 | -               | 5,134             | -                      | -                   | 60,253              | 8,278               | 73,665               |
| Dues and training                      | -                   | 1,242            | 10,437            | 1,240             | -               | 4,452             | 4,923                  | 2,849               | 44,821              | 1,342               | 71,306               |
| Housing allowance                      | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 42,000              | -                   | 42,000               |
| Uniforms                               | -                   | -                | -                 | -                 | -               | -                 | -                      | 162                 | 27,180              | 12,835              | 40,177               |
| Community projects                     | 10,750              | -                | -                 | -                 | -               | 21,945            | -                      | -                   | -                   | -                   | 32,695               |
| Debt service - interest                | 30,506              | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 30,506               |
| Declared emergency                     | -                   | 146              | -                 | -                 | -               | 15,124            | -                      | 4,657               | 507                 | -                   | 20,434               |
| Seasonal augmentation program          | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 20,128              | -                   | 20,128               |
| Parks and recreation committee         | -                   | -                | -                 | -                 | -               | -                 | -                      | 11,590              | -                   | -                   | 11,590               |
| Miscellaneous                          | -                   | 6,924            | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 6,924                |
| Advertising                            | 6,607               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 6,607                |
| Pet helpers                            | 6,500               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 6,500                |
| Employee relations                     | 6,372               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 6,372                |
| Celebrations                           | 4,110               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 4,110                |
| Salaries allocation - victim's rights  | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 3,949               | -                   | 3,949                |
| Unemployment Insurance                 | 3,250               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 3,250                |
| Fees and permits                       | 1,332               | -                | -                 | -                 | -               | -                 | -                      | -                   | -                   | -                   | 1,332                |
| Discretionary                          | -                   | -                | 1,200             | -                 | -               | -                 | -                      | -                   | -                   | -                   | 1,200                |
| Victims' advocate operating            | -                   | -                | -                 | -                 | -               | -                 | -                      | -                   | 59                  | -                   | 59                   |
| <b>Total departmental expenditures</b> | <b>\$ 3,192,868</b> | <b>\$ 35,094</b> | <b>\$ 165,477</b> | <b>\$ 108,359</b> | <b>\$ 1,735</b> | <b>\$ 688,816</b> | <b>\$ 455,833</b>      | <b>\$ 1,100,022</b> | <b>\$ 3,233,706</b> | <b>\$ 1,126,024</b> | <b>\$ 10,107,934</b> |

**City of Folly Beach, South Carolina**

**Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)**

**For the year ended June 30, 2021**

FOR THE STATE TREASURER'S OFFICE:

| COUNTY / MUNICIPAL FUNDS COLLECTED<br>BY CLERK OF COURT              | General Sessions | Magistrate Court | Municipal Court | Total            |
|--|------------------|------------------|-----------------|------------------|
| <b>Court Fines and Assessments:</b>                                  |                  |                  |                 |                  |
| Court fines and assessments collected                                | \$ -             | -                | 623,027         | \$ 623,027       |
| Court fines and assessments remitted to State Treasurer              | -                | -                | (76,111)        | (76,111)         |
| <b>Total Court Fines and Assessments retained</b>                    | <b>-</b>         | <b>-</b>         | <b>546,916</b>  | <b>546,916</b>   |
| <b>Surcharges and Assessments retained for victim services:</b>      |                  |                  |                 |                  |
| Surcharges collected and retained                                    | -                | -                | 7,659           | 7,659            |
| Assessments retained   | -                | -                | 7,133           | 7,133            |
| <b>Total Surcharges and Assessments retained for victim services</b> | <b>\$ -</b>      | <b>-</b>         | <b>14,792</b>   | <b>\$ 14,792</b> |

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

| VICTIM SERVICE FUNDS COLLECTED  | Municipal        | County        | Total            |
|---|------------------|---------------|------------------|
| <b>Carryforward from Previous Year – Beginning Balance</b>                  | <b>\$ 20,317</b> | <b>-</b>      | <b>\$ 20,317</b> |
| <b>Victim Service Revenue:</b>  |                  |               |                  |
| Victim Service Fines Retained by City/County Treasurer                      | -                | -             | -                |
| Victim Service Assessments Retained by City/County Treasurer                | 7,133            | -             | 7,133            |
| Victim Service Surcharges Retained by City/County Treasurer                 | 7,659            | -             | 7,659            |
| Interest Earned   | -                | -             | -                |
| Grant Funds Received  |                  |               |                  |
| Grant from:   | -                | -             | -                |
| General Funds Transferred to Victim Service Fund                            | -                | -             | -                |
| <b>Contribution Received from Victim Service Contracts:</b>                 |                  |               |                  |
| (1) Town of   | -                | -             | -                |
| (2) Town of   | -                | -             | -                |
| (3) City of   | -                | -             | -                |
| <b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b> | <b>\$ 35,109</b> | <b>-</b>      | <b>\$ 35,109</b> |
| <b>Expenditures for Victim Service Program:</b>                             | <b>Municipal</b> | <b>County</b> | <b>Total</b>     |
| Salaries and Benefits   | \$ 3,761         | -             | \$ 3,761         |
| Operating Expenditures  | -                | -             | -                |
| <b>Victim Service Contract(s):</b>  |                  |               |                  |
| (1) Entity's Name   | -                | -             | -                |
| (2) Entity's Name   | -                | -             | -                |
| <b>Victim Service Donation(s):</b>  |                  |               |                  |
| (1) Domestic Violence Shelter:  | -                | -             | -                |
| (2) Rape Crisis Center:   | -                | -             | -                |
| (3) Other local direct crime victims service agency:                        | -                | -             | -                |
| Transferred to General Fund   | -                | -             | -                |
| <b>Total Expenditures from Victim Service Fund/Program (B)</b>              | <b>3,761</b>     | <b>-</b>      | <b>3,761</b>     |
| Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)     | 31,348           | -             | 31,348           |
| Less: Prior Year Fund Deficit Repayment                                     | -                | -             | -                |
| <b>Carryforward Funds – End of Year</b>                                     | <b>\$ 31,348</b> | <b>-</b>      | <b>\$ 31,348</b> |

COMBINING NON-MAJOR SPECIAL REVENUE  
FUND FINANCIAL STATEMENTS

# City of Folly Beach, South Carolina

## Combining Balance Sheet - Non-Major Special Revenue Funds

For the year ended June 30, 2021

|   | State<br>Accommodations<br>Tax Fund | Local<br>Accommodations<br>Tax Fund | Hospitality<br>Tax Fund | Tourism<br>Fund   | Total<br>Non-Major<br>Special Revenue<br>Funds |
|---|-------------------------------------|-------------------------------------|-------------------------|-------------------|--|
| <b>ASSETS</b>   |                                     |                                     |                         |                   |  |
| Cash and cash equivalents, restricted   | \$ 592,098                          | \$ 117,641                          | \$ -                    | \$ 299,678        | \$ 1,009,417                                   |
| Due From:   |                                     |                                     |                         |                   |  |
| Other governments   | 403,703                             | 773,935                             | 237,608                 | 186,325           | 1,601,571                                      |
| Other funds   | 450,000                             | -                                   | -                       | -                 | 450,000  |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,445,801</b>                 | <b>\$ 891,576</b>                   | <b>\$ 237,608</b>       | <b>\$ 486,003</b> | <b>\$ 3,060,988</b>                            |
| <b>LIABILITIES</b>  |                                     |                                     |                         |                   |  |
| Accounts payable  | \$ -                                | \$ -                                | \$ -                    | \$ 20,780         | \$ 20,780                                      |
| Due to other funds  | -                                   | 891,576                             | 237,608                 | -                 | 1,129,184                                      |
| <b>TOTAL LIABILITIES</b>  | <b>-</b>                            | <b>891,576</b>                      | <b>237,608</b>          | <b>20,780</b>     | <b>1,149,964</b>                               |
| <b>FUND BALANCES</b>  |                                     |                                     |                         |                   |  |
| Restricted for tourism related expenditures                                   | 1,445,801                           | -                                   | -                       | 465,223           | 1,911,024                                      |
| <b>TOTAL FUND BALANCES</b>  | <b>1,445,801</b>                    | <b>-</b>                            | <b>-</b>                | <b>465,223</b>    | <b>1,911,024</b>                               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCES</b> | <b>\$ 1,445,801</b>                 | <b>\$ 891,576</b>                   | <b>\$ 237,608</b>       | <b>\$ 486,003</b> | <b>\$ 3,060,988</b>                            |

## City of Folly Beach, South Carolina

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Special Revenue Funds For the year ended June 30, 2021

|   | State<br>Accommodations<br>Tax Fund | Local<br>Accommodations<br>Tax Fund | Hospitality<br>Tax Fund | Tourism<br>Fund   | Total<br>Non-Major<br>Special Revenue<br>Funds |
|---|-------------------------------------|-------------------------------------|-------------------------|-------------------|--|
| <b>REVENUES</b>                                 |                                     |                                     |                         |                   |  |
| Accommodation taxes                             | \$ 995,618                          | \$ 1,783,152                        | \$ -                    | \$ 459,516        | \$ 3,238,286                                   |
| Hospitality taxes                               | -                                   | -                                   | 820,715                 | -                 | 820,715  |
| Investment income                               | 183                                 | -                                   | -                       | 145               | 328  |
| <b>TOTAL REVENUES ALL SOURCES</b>               | <b>995,801</b>                      | <b>1,783,152</b>                    | <b>820,715</b>          | <b>459,661</b>    | <b>4,059,329</b>                               |
| <b>EXPENDITURES</b>                             |                                     |                                     |                         |                   |  |
| Current:  |                                     |                                     |                         |                   |  |
| General government                              | 50,256                              | -                                   | -                       | 246,704           | 296,960  |
| Capital outlay                                  | -                                   | -                                   | -                       | -                 | -  |
| <b>TOTAL EXPENDITURES</b>                       | <b>50,256</b>                       | <b>-</b>                            | <b>-</b>                | <b>246,704</b>    | <b>296,960</b>                                 |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>945,545</b>                      | <b>1,783,152</b>                    | <b>820,715</b>          | <b>212,957</b>    | <b>3,762,369</b>                               |
| <b>OTHER FINANCING USES</b>                     |                                     |                                     |                         |                   |  |
| Transfers out                                   | (525,000)                           | (1,783,152)                         | (820,715)               | -                 | (3,128,867)                                    |
| <b>TOTAL OTHER FINANCING USES</b>               | <b>(525,000)</b>                    | <b>(1,783,152)</b>                  | <b>(820,715)</b>        | <b>-</b>          | <b>(3,128,867)</b>                             |
| <b>NET CHANGES IN FUND BALANCES</b>             | <b>420,545</b>                      | <b>-</b>                            | <b>-</b>                | <b>212,957</b>    | <b>633,502</b>                                 |
| FUND BALANCES, Beginning of Year                | 1,025,256                           | -                                   | -                       | 252,266           | 1,277,522                                      |
| <b>FUND BALANCES, End of Year</b>               | <b>\$ 1,445,801</b>                 | <b>\$ -</b>                         | <b>\$ -</b>             | <b>\$ 465,223</b> | <b>\$ 1,911,024</b>                            |

## COMPLIANCE SECTION



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

To the Honorable Mayor and Members of City Council  
City of Folly Beach  
Folly Beach, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Folly Beach, South Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 11, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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*.

## **City of Folly Beach, South Carolina's Response to Findings**

The City of Folly Beach, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Folly Beach, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 City'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina  
January 11, 2022

**City of Folly Beach, South Carolina**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**I. Summary of Auditor's Results**

**Financial Statements**

- |   |            |
|---|------------|
| (a.) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| (b.) Internal control over financial reporting:   |            |
| 1) Material weakness(es) identified:  | No         |
| 2) Significant deficiency(ies) identified:  | Yes        |
| (c.) Noncompliance material to financial statements noted:  | No         |

**II. Financial Statement Findings**

**Significant Deficiencies**

**Finding 2021-001**

**Year-end Accrual Procedures**

*Criteria:* During the year ended June 30, 2021, the City did not correctly classify year-end accruals, nor were all necessary accruals made prior to the beginning of the audit.

*Condition:* During the year ended June 30, 2021, the City incorrectly classified accruals made for receivable and payables. Additionally, not all accruals that should have been made were properly recorded prior to the beginning of the audit. Controls were insufficient and did not include defined controls to ensure accuracy and completeness.

*Cause:* Management did not properly record receivable and payable amounts, nor were all necessary accruals made prior to the beginning of the audit due to a lack of controls around the accrual process, including sufficient reviews.

*Effect:* As a result of the conditions outlined above, receivable and payable balances as of June 30, 2021, were not properly classified, nor were some of the balances complete.

*Recommendation:* We recommend that management develop procedures to ensure the completeness and accuracy of year-end accruals, including proper review by someone with adequate knowledge of the types of accruals required to be recorded for accurate financial reporting.

*Views of Responsible Officials:* Management agrees and continues to improve controls in a cost efficient manner.

**II. Financial Statement Findings, Continued**

**Finding 2021-002      Segregation of Duties**

*Criteria:* In order to achieve a necessary level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

*Condition:* The City does not currently have an internal control system to allow for proper segregation of duties in certain areas of the accounting function.

*Cause:* The City has limited staff and cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

*Effect:* Inadequate segregation of duties could adversely affect the City's ability to detect and correct misstatements in a timely manner by employees in the normal course of performing their assigned functions.

*Recommendation:* We recommend that the City continue to enhance its internal control structure and require management and, when necessary Council to be involved in oversight since Council has knowledge of matters relating to the operations of the City.

*Views of Responsible Officials:* Management agrees with the finding and continues to improve controls in a cost efficient manner.

**III. Findings and Questioned Costs for Federal Award:**

None noted

**City of Folly Beach, South Carolina**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**IV. Summary Schedule of Prior Year Findings:**

**Findings Related to the Basic Financial Statements Reported in Accordance with Government Auditing Standards.**

|                         |   |
|-------------------------|---|
| <i>Finding:</i>         | 2020-001  |
| <i>Type:</i>            | Significant Deficiency  |
| <i>Condition:</i>       | During the year ended June 30, 2020, the City incorrectly classified accruals made for receivables and payables. Additionally, not all accruals that should have been made were properly recorded prior to the beginning of the audit. Controls were insufficient and did not include defined controls to ensure accuracy and completeness. |
| <i>Recommendations:</i> | We recommend that management develop procedures to ensure the completeness and accuracy of year-end accruals, including proper review by someone with adequate knowledge of the types of accruals required to be recorded for accurate financial reporting.   |
| <i>Current status:</i>  | See current year deficiency number 2021-001 identified in section II. above.  |
| <i>Finding:</i>         | 2020-002  |
| <i>Type:</i>            | Significant Deficiency  |
| <i>Condition:</i>       | The City does not currently have an internal control system to allow for proper segregation of duties in certain areas of the accounting function.  |
| <i>Recommendations:</i> | While we recognize the City's finance and accounting staff may not be large enough to assure optimal internal control, it is important that the City is aware of this condition. Under this condition, the most effective control is management and Council's oversight and knowledge of matters relating to the operations of the City.    |
| <i>Current status:</i>  | See current year deficiency number 2021-002 identified in section II. above.  |