

**CITY OF FOLLY BEACH,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

CITY OF FOLLY BEACH, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2022

	<u>Page Number</u>
Table of Contents	i
List of Elected and Appointed Officials	iii
 <u>FINANCIAL SECTION</u> 	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Net Position - Proprietary Funds - Water and Sewer Funds	27
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Water and Sewer Funds	28
Statement of Cash Flows - Proprietary Funds - Water and Sewer Funds	29
Notes to the Financial Statements	30

CITY OF FOLLY BEACH, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2022

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
<u>Budgetary Comparison Schedules:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Beach Preservation Fund	65
<u>Pension Schedules:</u>	
Schedule of the City's Proportionate Share of the Net Pension Liability South Carolina Retirement System	66
Schedule of Contributions - South Carolina Retirement System	67
Schedule of the City's Proportionate Share of the Net Pension Liability Police Officers Retirement System	68
Schedule of Contributions - South Carolina Police Officers Retirement System	69
SUPPLEMENTARY INFORMATION	
<u>Combining and Individual Fund Financial Schedules:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	72
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	73
<u>General Fund</u>	
Schedule of Detailed Revenues and Expenditures - Budget and Actual	74
Schedule of Expenditures by Type - Actual	79
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	80
Notes to Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	81
<u>COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83

**CITY OF FOLLY BEACH,
SOUTH CAROLINA**

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED JUNE 30, 2022

MAYOR

Tim Goodwin

CITY COUNCIL MEMBERS

Adam Barker

William Farley

Billy Grooms

Katherine Houghton

Donald Rich

Eddie Ellis

APPOINTED OFFICIALS

City Administrator

Aaron Pope

Director of Public Safety

Andrew Gilreath

Deputy Director of Public Safety

Franklin Burke

Director of Utilities

Kyle Sullivan

Director of Building/Facilities/Public Works

Eric Lutz

Environmental and Land Use Planner/ Zoning Administrator

Jenna Stephens

Human Resources Director

Anderson Still

Accounts Payable

Robin Brooks

City Clerk

Marlene Estridge

Director of Finance

Lee Gessner

Municipal Clerk/Clerk of Council

Wesley Graham

Clerk of Court

Anita Prayton

Community Coordinator

Lacey Deeds

(This page intentionally left blank.)



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 of Folly Beach, South Carolina, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2022 the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87 "*Leases*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary 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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
February 23, 2023

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

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, 2022. 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

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$28,270,000 (*net position*). Of this amount, approximately \$23,509,000 and \$4,761,000 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 \$4,469,000 and \$2,811,000 for its governmental activities and business-type activities, respectively.
- The government's total net position increased by approximately \$4,300,000 for its governmental activities and increased by approximately \$153,000 for its business-type activities from the prior year net position. Total revenues of approximately \$14,942,000 exceeded total expenses of approximately \$10,489,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$20,241,000, an increase of approximately \$3,658,000 over the prior year's fund balance. Of this amount, approximately 40% or \$8,196,000 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 \$7,626,000, or 77% of total General Fund expenditures for the year ended June 30, 2022.
- The City's total capital assets increased by approximately \$2,115,000 during the current fiscal year primarily due to current year capital asset additions of approximately \$2,919,000 exceeding depreciation expense of approximately \$716,000 and net disposals of approximately \$87,000.
- The City's total debt (including financed purchase obligations, but not compensated absences) increased by approximately \$1,179,000 during the current year due to financed purchase obligations of approximately \$1,612,000 offset by \$433,000 in principal payments made during the year.
- The City adopted GASB Statement No. 87 "Leases" ("GASB #87" or "Statement") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial 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 adoption of GASB #87 has resulted in no impact to the City's net position but has resulted in the addition of a lease receivable and corresponding deferred inflows of resources of approximately \$1,864,000.

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)

YEAR ENDED JUNE 30, 2022

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			
Major Features of the City’s Government-Wide and Fund Financial Statements		Fund Financial Statements	
	Government-Wide Financial Statements	Governmental Funds	Proprietary 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"> ▪ Statement of Net Position ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position ▪ Statement of Cash Flows
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

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 two 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).

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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.

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 six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Accommodations Tax Fund, Local Accommodations Tax Fund, Local Hospitality Tax Fund, Beach Preservation Fund and the Tourism Fund. 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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, and for its Beach Preservation Fund. 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.

Supplementary Information

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

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 2022 compared to 2021:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$ 21,451,572	18,810,699	3,681,183	3,785,940	25,132,755	\$ 22,596,639
Lease Receivable, Noncurrent	1,822,535	-	-	-	1,822,535	-
Capital Assets, Net	12,008,850	10,284,518	1,889,381	1,498,349	13,898,231	11,782,867
Total Assets	35,282,957	29,095,217	5,570,564	5,284,289	40,853,521	34,379,506
Deferred Outflows of Resources:						
Deferred Pension Charges	1,334,157	1,410,103	87,100	108,126	1,421,257	1,518,229
Total Deferred Outflows of Resources	1,334,157	1,410,103	87,100	108,126	1,421,257	1,518,229
Liabilities:						
Net Pension Liability	5,183,250	6,293,479	492,439	583,174	5,675,689	6,876,653
Long-Term Obligations	3,224,918	2,349,946	-	6,877	3,224,918	2,356,823
Other Liabilities	1,672,393	2,453,607	300,320	190,198	1,972,713	2,643,805
Total Liabilities	10,080,561	11,097,032	792,759	780,249	10,873,320	11,877,281
Deferred Inflows of Resources:						
Deferred Pension Credits	1,162,992	198,598	103,978	4,483	1,266,970	203,081
Deferred Lease Income	1,864,215	-	-	-	1,864,215	-
Total Deferred Inflows of Resources	3,027,207	198,598	103,978	4,483	3,131,185	203,081
Net Position:						
Net Investment in Capital Assets	9,087,700	6,187,898	1,889,381	1,498,349	10,977,081	7,686,247
Restricted	9,952,474	9,461,162	60,872	60,872	10,013,346	9,522,034
Unrestricted	4,469,172	3,560,630	2,810,674	3,048,462	7,279,846	6,609,092
Total Net Position	\$ 23,509,346	19,209,690	4,760,927	4,607,683	28,270,273	\$ 23,817,373

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total assets of approximately \$40,854,000 increased approximately \$6,474,000 from the prior year. The increase is primarily due to increase of approximately \$2,115,000 in net capital assets, approximately \$1,864,000 in lease receivable due to the implementation of GASB #87, approximately \$1,317,000 in investments, and approximately \$310,000 in cash and cash equivalents (both unrestricted and restricted). The increase in capital assets is due to current year capital asset additions of approximately \$2,919,000 exceeding depreciation expense of approximately \$716,000 and net disposals of approximately \$87,000. The increase in investments and cash and cash equivalents is due to an overall increase in net position.

The City's total deferred outflows of resources of approximately \$1,421,000 decreased approximately \$97,000 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 \$10,873,000 decreased approximately \$1,004,000 primarily due to an decrease of approximately \$1,201,000 in the City's proportionate share of the net pension liability in the State's pension plans partially offset by an increase of \$868,000 in the City's long-term obligations, including compensated absences. The decrease in the net pension liability is due to the decrease in the overall net pension liability of the state retirement plan. The increase in long-term obligations is primarily due to the City issuing a financed purchase agreement offset by scheduled principal payments made by the City during the year ended June 30, 2022.

The City's total deferred inflows of resources of approximately \$3,131,000 increased approximately \$2,928,000 due to the implementation of GASB #87 which resulted in deferred lease income of approximately \$1,864,000. The remainder of the increase is 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 \$4,453,000 during the current fiscal year due to total revenues of approximately \$14,942,000 exceeding total expenses of approximately \$10,489,000.

The City's assets exceeded liabilities (net position) by approximately \$28,270,000 as of June 30, 2022. The largest portion of the City's net position of approximately \$10,977,000 (approximately 39% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including financed purchase obligations) 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 \$10,013,000 (approximately 35% 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 \$7,280,000 (approximately 26% 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)

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City’s net position for fiscal year 2022 compared to 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,075,364	3,152,613	2,186,724	1,961,655	5,262,088	\$ 5,114,268
Operating Grants and Contributions	196,741	435,472	-	-	196,741	435,472
Capital Grants and Contributions	173,549	45,033	-	-	173,549	45,033
General Revenues:						
Taxes	8,725,040	7,990,748	-	-	8,725,040	7,990,748
Intergovernmental	497,851	141,085	-	-	497,851	141,085
Other	86,439	169,731	-	5,750	86,439	175,481
Total Revenues	12,754,984	11,934,682	2,186,724	1,967,405	14,941,708	13,902,087
Expenses:						
General Government	3,676,087	3,883,209	-	-	3,676,087	3,883,209
Public Safety	3,213,524	3,373,701	-	-	3,213,524	3,373,701
Public Works	1,515,787	1,215,388	-	-	1,515,787	1,215,388
Interest on Long-Term Obligations	49,930	31,734	-	-	49,930	31,734
Water and Sewer	-	-	2,033,480	2,044,163	2,033,480	2,044,163
Total Expenses	8,455,328	8,504,032	2,033,480	2,044,163	10,488,808	10,548,195
Change in Net Position	4,299,656	3,430,650	153,244	(76,758)	4,452,900	3,353,892
Net Position - Beginning of Year	19,209,690	15,779,040	4,607,683	4,684,441	23,817,373	20,463,481
Net Position - End of Year	\$ 23,509,346	19,209,690	4,760,927	4,607,683	28,270,273	\$ 23,817,373

Governmental Activities

Net position for governmental activities increased by approximately \$4,300,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

Total governmental activities revenues increased by approximately \$820,000 or 7% from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Intergovernmental revenues increased approximately \$357,000 or 253% due to the City receiving an additional state accommodations tax contribution to the beach preservation fund.
- Tax revenues increased approximately \$734,000 or 9% primarily due to an increase of approximately \$246,000 in accommodations taxes, an increase of approximately \$125,000 in hospitality taxes, and an increase of approximately \$197,000 in brokers tax collections. The increase in accommodations tax and hospitality tax revenues was due to increased tourism on the island due to decreased COVID-19 restrictions. The increase in the brokers tax collections was due to increased property sales and development in the City.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

Total governmental activities expenses decreased approximately \$49,000 or 1% from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- General Government expenses decreased approximately \$207,000 or 5% primarily due to an increase in accommodation tax distributions offset by a decrease in claims and judgements.
- Public Safety expenses decreased approximately \$160,000 or 5% primarily due to a decrease in salaries expense.
- Public Works expenses increased approximately \$300,000 or 25% primarily due to the increase in repair of pedestrian paths.

Business-Type Activities

Net position for business-type activities (water and sewer services) increased by approximately \$153,000 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 increased by approximately \$219,000 or 11%. Key changes in business-type revenues as compared to the prior year were as follows:

- Water charges for services increased approximately \$147,000 or 12% primarily due to a rate increase and an increase in water consumption and customers.
- Sewer charges for services increased approximately \$78,000 or 11% primarily due to a rate increase and an increase in sewer consumption and customers.

Total business-type activities expenses decreased by approximately \$11,000 or 2%. Key changes in business-type expenses as compared to the prior year were as follows:

- Water Fund expenses decreased approximately \$20,000 or 1%.
- Sewer Fund expenses increased approximately \$10,000 or 1%.

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 \$20,241,000, an increase of approximately \$3,658,000 or 22% from the prior year fund balance. The increase in fund balance was the result of revenues and other financing sources of approximately \$19,406,000 exceeding expenditures and other financing uses of approximately \$15,747,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Approximately \$7,626,000 or 38% 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 its 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 \$25,000 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 \$9,927,000 or 49% is legally restricted by the revenue source;
- Committed for (1) Future Capital Outlay of approximately \$1,158,000 or 6%, (2) Claims, Judgments and Contingencies of approximately \$185,000 or 1%, and (3) Other of approximately \$725,000 or 4% is committed by City Council through passage of the budget in current and prior years.
- Assigned for FY2023 budget of approximately \$595,000 or 3%.

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 \$10,313,000. 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 \$7,626,000 represents approximately 77% of total General Fund expenditures.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$3,161,000 or 44% due to revenues and other financing sources of approximately \$13,113,000 exceeding expenditures and other financing uses of approximately \$9,952,000.
- General Fund revenues increased approximately \$240,000 or 3% mainly due to an increase of approximately \$459,000 or 22% in licenses, permits, and fees, an increase of \$23,000 or 23% in accommodation taxes and an increase of approximately \$91,000 or 4% in property taxes. The increase in accommodation taxes is primarily due increased travel to the City due to decreased COVID-19 restrictions. Increases in licenses, permits, and fees is due to increased construction activity within the city limits. The increase in property taxes is due to an increase in assessed values.
- General Fund expenditures decreased approximately \$156,000 or 2% primarily due to a decrease of approximately \$565,000 in capital outlay expenditures partially offset by an increase of approximately \$350,000 in public safety expenditures. The decrease in capital outlay expenditures is due to there being less capital asset additions compared to the prior year. The increase in public safety expenditures is primarily due to an increase in payroll expenditures and public safety operating supply purchases.
- Total other financing sources increased approximately \$227,000 or 5% due to an increase of approximately \$701,000 or 30% in transfers into the general fund offset by a decrease of approximately \$1,088,000 or 40% in debt proceeds. Current year debt proceed of approximately \$1,612,000 or 100% from financed purchase agreements offset by prior year GO Bond issuance of \$2,700,000. The increase in financed purchase agreement is due to the City issuing an approximately \$1,612,000 financed purchase agreement to purchase a ladder and a pumper truck. The increase in transfers in is due to an increase in state accommodation taxes transfers due to an increase in accommodation taxes.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

In addition, the fund balances of the remaining funds increased by approximately \$498,000 or 5% from the prior year. Highlights for these funds were as follows:

- The fund balance in the Beach Preservation Fund increased approximately \$1,562,000 or 21% primarily due to revenues and transfers in of approximately \$1,886,000 exceeding expenditures of approximately \$324,000.
- The fund balance in the State Accommodations Tax Fund decreased approximately \$1,211,000 or 84% primarily due to expenditures and transfers out of approximately \$2,505,000 exceeding revenues of approximately \$1,294,000. State accommodation tax revenues increased approximately \$403,000 or 45% as a result of decreases in COVID-19 restrictions.
- The fund balance for the Tourism Fund increased approximately \$147,000 or 32% primarily due to revenues of approximately \$597,000 exceeding expenditures of approximately \$147,000. Revenues increased approximately \$138,000 or 30% as a result on decreases in COVID-19 restrictions. Expenditures increased approximately \$204,000 or 82% primarily due to the increased funds available from the increase in fund balance in 2021 and the increased revenues received in 2022.
- The Local Accommodations Tax Fund reports no fund balance as the revenues are distributed to other funds annually according to City ordinance. Revenues decreased approximately \$213,000 or 12% is due to a reclassification of county contracted local accommodations tax revenue for beach renourishment which is in the Beach Preservation Fund.
- 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 \$240,000 or 34% due to decreases in COVID-19 restrictions.

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 \$4,761,000, an increase of approximately \$153,000. 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. Any excess of expenditures was authorized by the passage or a resolution or ordinance by City Council. There were no budget amendments made during the year.

Overall, the City's revenues were approximately \$1,418,000 or 21% greater than the final budget, expenditures were approximately \$493,000 or 5% greater than the final budget, and other financing sources were approximately \$2,521,000 or 126% more than the final budget. Revenues were greater than budgeted primarily due to licenses, permits and fees exceeding budget by approximately \$487,000, intergovernmental revenue exceeding budget by approximately \$434,000, fines and penalties revenues exceeding budget by approximately \$299,000, and parking program revenues exceeding budget by approximately \$98,000. Licenses, permits and fees exceeded budget primarily due to business licenses exceeding budget by approximately \$204,000 and building permits exceeding budget by approximately \$133,000 as a result of the economic growth on the island. Intergovernmental revenue exceeded budget primarily due to the City receiving approximately \$177,000 in state accommodation taxes over what was expected and the City receiving approximately \$135,000 in county beach fund contributions over what was expected. Fines and penalties exceeded budget due to the City parking contractor increasing enforcement activity. Parking program revenues exceeded budget primarily due increases in tourism due to decreases in COVID-19 restrictions.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

The City’s expenditures were greater than the final budgeted amount by approximately \$493,000 or 5% primarily due to public safety expenditures being greater than budget by approximately \$1,505,000 offset by facilities expenditures being under budget by approximately \$627,000, public works expenditures being under budget by approximately \$166,000, and central government expenditures being under budget by approximately \$110,000. Public safety expenditures were primarily over budget due to an unbudgeted purchase of a fire apparatus and pumper truck for approximately \$1,612,000. Facilities expenditures were less than budget primarily due to professional services being under budget by approximately \$588,000 as a result of the City Hall recladding project being postponed until fiscal year 2023. Public works expenditures were less than budget primarily due to the City shifting the budget meant for stormwater projects to pedestrian path project which lead to stormwater fund being approximately \$253,000 less than budget. Central government expenditures were less than budget primarily due to general government contracts being less than budget by approximately \$37,000 and general government capital outlay being less than budget by approximately \$39,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets as of June 30, 2022 and 2021 amounted to approximately \$12,009,000 and \$1,889,000 (net of accumulated depreciation), for governmental activities and business-type activities respectively. This investment in capital assets includes land, construction in progress, buildings and 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, 2022 and 2021 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,501,754	2,501,754	1,200	1,200	2,502,954	\$ 2,502,954
Construction in Progress	211,940	-	67,966	-	279,906	-
Building and Improvements	3,746,995	3,631,661	9,874	11,654	3,756,869	3,643,315
Ocean Groins and Beach Walkovers	2,717,966	2,798,156	-	-	2,717,966	2,798,156
Park Improvements	404,599	437,977	-	-	404,599	437,977
Motor Vehicles	1,985,339	485,869	26,704	5,329	2,012,043	491,198
Machinery and Equipment	440,257	429,101	113,878	130,141	554,135	559,242
Water System	-	-	1,116,131	771,699	1,116,131	771,699
Sewer System	-	-	553,628	578,326	553,628	578,326
Total	<u>\$ 12,008,850</u>	<u>10,284,518</u>	<u>1,889,381</u>	<u>1,498,349</u>	<u>13,898,231</u>	<u>\$ 11,782,867</u>

The total increase in the City’s investment in capital assets for the current fiscal year was approximately \$2,115,000. Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$2,919,000 related to building improvements, vehicles, machinery and equipment and various other items.
- Depreciation expense of approximately \$716,000.
- Net disposals of approximately \$87,000.

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)

YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt and Financed Purchase Obligations

As of June 30, 2022 and 2021, the City had total outstanding debt (including financed purchase obligations) of approximately \$3,664,000 for governmental activities. There is no outstanding debt for business-type activities. Of the City’s total debt, approximately \$2,274,000 was general obligation debt, which is backed by the full faith and credit of the City. The City’s total debt and financed purchases as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Debt:						
GOB - August 2020	\$ 2,274,000	2,485,000	-	-	2,274,000	\$ 2,485,000
Total Debt	<u>2,274,000</u>	<u>2,485,000</u>	<u>-</u>	<u>-</u>	<u>2,274,000</u>	<u>2,485,000</u>
Financed Purchase Obligations:						
Financed Purchase - October 2022	1,389,612	-	-	-	1,389,612	-
Total Financed Purchase Obligations	<u>1,389,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389,612</u>	<u>-</u>
Total	<u>\$ 3,663,612</u>	<u>2,485,000</u>	<u>-</u>	<u>-</u>	<u>3,663,612</u>	<u>\$ 2,485,000</u>

The total increase in the City’s debt and financed purchase obligations for the current fiscal year was approximately \$1,179,000 due to the issuance of the finance purchase agreement offset by scheduled principal payments.

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, 2022 was approximately \$6,907,000. The City had approximately \$2,274,000 of bonded debt subject to the 8% limit and thus resulted in the City having an unused legal debt margin of approximately \$4,633,000.

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

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 2023 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. Key budget highlights were as follows:

- During fiscal year 2023, the City completed its spending of the 2020 \$2,700,000 General Obligation Bond financing for the renovation of City Hall, the construction of pedestrian paths on 2nd West and the first blocks of Ashley Avenue, and the engineering of stormwater drainage projects.
- The City received all of its American Rescue Plan Act funds in the amount of \$1,324,264.93 from the State. The City has also received a partner cost share agreement from Charleston Water System and is seeking additional Federal and State grants to fund its redundant watermain project to the island with the assistance of engineer consultants.
- The City also engaged engineer consultants to seek additional Federal and State grant assistance, as well as finalize requests for proposals, for future island water main replacements according to the findings of the recent water system water main replacement study and also for select stormwater drainage projects as identified in the island stormwater management study.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE CITY (CONTINUED)

- The City's FY2023 budget includes a planned use of fund balance of \$595,000.
- After the City adopted its Investment Policy in fiscal year 2021, \$7,360,000 in Beach Preservation funds have subsequently been invested with Truist Investment Services in accordance with the Policy and are being managed in anticipation of the next Federal beach renourishment project which is currently projected in FY24.

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, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,724,796	3,217,112	\$ 11,941,908
Cash and Cash Equivalents, Restricted	4,349,254	60,872	4,410,126
Investments	5,299,969	-	5,299,969
Taxes Receivable, Net	68,611	-	68,611
Other Receivables, Net	1,348,713	403,199	1,751,912
Current Portion of Lease Receivable	41,680	-	41,680
Due from Other Governments	1,618,549	-	1,618,549
Total Current Assets	<u>21,451,572</u>	<u>3,681,183</u>	<u>25,132,755</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	2,713,694	69,166	2,782,860
Depreciable, Net	9,295,156	1,820,215	11,115,371
Lease Receivable, Less Current Portion	1,822,535	-	1,822,535
Total Non-Current Assets	<u>13,831,385</u>	<u>1,889,381</u>	<u>15,720,766</u>
TOTAL ASSETS	<u>35,282,957</u>	<u>5,570,564</u>	<u>40,853,521</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	1,334,157	87,100	1,421,257
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,334,157</u>	<u>87,100</u>	<u>1,421,257</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	144,855	229,815	374,670
Other Accrued Liabilities	195,121	6,866	201,987
Customer Deposits	-	37,601	37,601
Unearned Revenue	662,132	-	662,132
Current Portion of Compensated Absences	231,591	26,038	257,629
Current Portion of Debt	438,694	-	438,694
Total Current Liabilities	<u>1,672,393</u>	<u>300,320</u>	<u>1,972,713</u>
Non-Current Liabilities:			
Net Pension Liability	5,183,250	492,439	5,675,689
Debt, Less Current Portion	3,224,918	-	3,224,918
Total Non-Current Liabilities	<u>8,408,168</u>	<u>492,439</u>	<u>8,900,607</u>
TOTAL LIABILITIES	<u>10,080,561</u>	<u>792,759</u>	<u>10,873,320</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	1,162,992	103,978	1,266,970
Deferred Lease Income	1,864,215	-	1,864,215
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,027,207</u>	<u>103,978</u>	<u>3,131,185</u>
NET POSITION			
Net Investment in Capital Assets	9,087,700	1,889,381	10,977,081
Restricted For:			
Tourism Related Expenses	9,927,474	-	9,927,474
Victims Services	25,000	-	25,000
Future Economic Development	-	60,872	60,872
Unrestricted	4,469,172	2,810,674	7,279,846
TOTAL NET POSITION	<u>\$ 23,509,346</u>	<u>4,760,927</u>	<u>\$ 28,270,273</u>

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 3,673,449	2,529,887	196,741	173,549	(773,272)	-	\$ (773,272)
Public Safety	3,213,524	545,477	-	-	(2,668,047)	-	(2,668,047)
Public Works	1,515,787	-	-	-	(1,515,787)	-	(1,515,787)
Interest Expense	52,568	-	-	-	(52,568)	-	(52,568)
TOTAL GOVERNMENTAL ACTIVITIES	8,455,328	3,075,364	196,741	173,549	(5,009,674)	-	(5,009,674)
Business-Type Activities:							
Water	1,361,773	1,407,702	-	-	-	45,929	45,929
Sewer	671,707	779,022	-	-	-	107,315	107,315
TOTAL BUSINESS-TYPE ACTIVITIES	2,033,480	2,186,724	-	-	-	153,244	153,244
TOTAL - PRIMARY GOVERNMENT	\$ 10,488,808	5,262,088	196,741	173,549	(5,009,674)	153,244	\$ (4,856,430)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 2,669,695	-	\$ 2,669,695
Local Option Sales Taxes					613,094	-	613,094
Hospitality Taxes					945,724	-	945,724
Accommodation Taxes					3,585,763	-	3,585,763
Franchise Taxes					469,764	-	469,764
Brokers Tax Collections					396,324	-	396,324
Other Taxes					44,676	-	44,676
Intergovernmental					497,851	-	497,851
Investment Income					51,090	-	51,090
Grants and Contributions Not Restricted to Specific Programs					495	-	495
Miscellaneous					34,854	-	34,854
Total General Revenues					<u>9,309,330</u>	<u>-</u>	<u>9,309,330</u>
CHANGE IN NET POSITION					4,299,656	153,244	4,452,900
NET POSITION, Beginning of Year					<u>19,209,690</u>	<u>4,607,683</u>	<u>23,817,373</u>
NET POSITION, End of Year					\$ 23,509,346	4,760,927	\$ 28,270,273

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
ASSETS		
Cash and Cash Equivalents	\$ 8,724,796	-
Cash and Cash Equivalents, Restricted	791,957	772,520
Investments, Restricted	-	-
Taxes Receivable, Net	68,611	-
Accounts Receivable, Net	1,220,261	-
Current Portion of Lease Receivable	41,680	-
Due From:		
Other Governments	222,419	521,722
Other Funds	1,693,305	-
Lease Receivable, Less Current Portion	1,822,535	-
TOTAL ASSETS	\$ 14,585,564	1,294,242
LIABILITIES		
Accounts Payable	\$ 134,118	-
Other Accrued Liabilities	195,121	-
Due To:		
Other Funds	1,249,668	1,059,692
Unearned Revenue	662,132	-
TOTAL LIABILITIES	2,241,039	1,059,692
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	166,853	-
Deferred Lease Income	1,864,215	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,031,068	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,272,107	1,059,692
FUND BALANCES		
Restricted:		
Victims Services	25,000	-
Tourism Related Expenditures	-	234,550
Committed:		
Future Capital Outlay	1,157,764	-
Claims, Judgments, and Contingencies	185,276	-
Other	724,757	-
Assigned:		
FY2023 Budget	594,928	-
Unassigned	7,625,732	-
TOTAL FUND BALANCES	10,313,457	234,550
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,585,564	1,294,242

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

LOCAL ACCOMMODATIONS TAX FUND	BEACH PRESERVATION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	\$ 8,724,796
-	2,408,444	376,333	4,349,254
-	5,299,969	-	5,299,969
-	-	-	68,611
-	128,452	-	1,348,713
			41,680
393,078	-	481,330	1,618,549
-	1,249,668	-	2,942,973
-	-	-	1,822,535
393,078	9,086,533	857,663	\$ 26,217,080
-	6,025	4,712	\$ 144,855
-	-	-	195,121
393,078	-	240,535	2,942,973
-	-	-	662,132
393,078	6,025	245,247	3,945,081
-	-	-	166,853
-	-	-	1,864,215
-	-	-	2,031,068
393,078	6,025	245,247	5,976,149
-	-	-	25,000
-	9,080,508	612,416	9,927,474
-	-	-	1,157,764
-	-	-	185,276
-	-	-	724,757
-	-	-	594,928
-	-	-	7,625,732
-	9,080,508	612,416	20,240,931
393,078	9,086,533	857,663	\$ 26,217,080

CITY OF FOLLY BEACH, SOUTH CAROLINA

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 20,240,931
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes and delinquent parking tickets 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.	166,853
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 \$17,735,928 and the accumulated depreciation was \$5,727,078.	12,008,850
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.	(5,012,085)
Long-term obligations, including debt, financed 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:	
Debt and Financed Purchase Obligations	(3,663,612)
Compensated Absences	(231,591)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 23,509,346</u>

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

(This page intentionally left blank.)

CITY OF FOLLY BEACH, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
REVENUES		
Property Taxes	\$ 2,641,440	-
Accommodation Taxes	124,538	1,293,988
Hospitality Taxes	-	-
Intergovernmental	1,054,222	-
Licenses, Permits and Fees	2,579,016	-
Fines and Penalties	545,477	-
Investment Income	35,806	259
Parking Program Revenues	858,365	-
Other	140,349	-
TOTAL REVENUES ALL SOURCES	7,979,213	1,294,247
EXPENDITURES		
Current:		
General Government	2,612,459	148,605
Public Safety	3,499,321	-
Public Works	1,475,571	-
Capital Outlay	1,878,666	-
Debt Service:		
Principal	433,008	-
Interest	52,568	-
TOTAL EXPENDITURES	9,951,593	148,605
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,972,380)	1,145,642
OTHER FINANCING SOURCES (USES)		
Proceeds from Financed Purchase Obligation	1,611,620	-
Sale of Assets	13,109	-
Transfers In	3,508,422	-
Transfers Out	-	(2,356,893)
TOTAL OTHER FINANCING SOURCES (USES)	5,133,151	(2,356,893)
NET CHANGES IN FUND BALANCES	3,160,771	(1,211,251)
FUND BALANCES, Beginning of Year	7,152,686	1,445,801
FUND BALANCES, End of Year	\$ 10,313,457	234,550

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

LOCAL ACCOMMODATIONS TAX FUND	BEACH PRESERVATION FUND	OTHER GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
-	-	-	\$	2,641,440
1,570,012	-	597,225		3,585,763
-	-	945,724		945,724
-	507,028	-		1,561,250
-	-	-		2,579,016
-	-	-		545,477
-	14,829	196		51,090
-	-	-		858,365
-	-	-		140,349
1,570,012	521,857	1,543,145		12,908,474
-	324,346	450,228		3,535,638
-	-	-		3,499,321
-	-	-		1,475,571
-	-	-		1,878,666
-	-	-		433,008
-	-	-		52,568
-	324,346	450,228		10,874,772
1,570,012	197,511	1,092,917		2,033,702
-	-	-		1,611,620
-	-	-		13,109
-	1,364,207	-		4,872,629
(1,570,012)	-	(945,724)		(4,872,629)
(1,570,012)	1,364,207	(945,724)		1,624,729
-	1,561,718	147,193		3,658,431
-	7,518,790	465,223		16,582,500
-	9,080,508	612,416	\$	20,240,931

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

YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 3,658,431**

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.	28,255
Bond principal payments and financed purchase payments are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	433,008
Bond and financed purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into financed purchase obligations increases long term liabilities in the Statement of Net Position.	(1,611,620)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(2,639)
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	69,889
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.	(87,297)
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 \$2,431,997 exceeded depreciation expense of \$620,368.	1,811,629

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 4,299,656**

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

JUNE 30, 2022

	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,441,009	1,776,103	\$ 3,217,112
Cash and Cash Equivalents, Restricted	-	60,872	60,872
Accounts Receivable	295,939	107,260	403,199
Total Current Assets	<u>1,736,948</u>	<u>1,944,235</u>	<u>3,681,183</u>
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	69,166	-	69,166
Depreciable, Net	1,239,950	580,265	1,820,215
Total Noncurrent Assets	<u>1,309,116</u>	<u>580,265</u>	<u>1,889,381</u>
TOTAL ASSETS	<u>3,046,064</u>	<u>2,524,500</u>	<u>5,570,564</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	62,445	24,655	87,100
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>62,445</u>	<u>24,655</u>	<u>87,100</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	172,031	57,784	229,815
Accrued Salaries and Benefits	2,707	4,159	6,866
Customer Deposits	37,601	-	37,601
Current Portion of Compensated Absences	19,641	6,397	26,038
Total Current Liabilities	<u>231,980</u>	<u>68,340</u>	<u>300,320</u>
Noncurrent Liabilities:			
Net Pension Liability	352,694	139,745	492,439
TOTAL LIABILITIES	<u>584,674</u>	<u>208,085</u>	<u>792,759</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	74,470	29,508	103,978
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>74,470</u>	<u>29,508</u>	<u>103,978</u>
NET POSITION			
Net Investment in Capital Assets	1,309,116	580,265	1,889,381
Restricted for Future Economic Development	-	60,872	60,872
Unrestricted	1,140,249	1,670,425	2,810,674
TOTAL NET POSITION	<u><u>\$ 2,449,365</u></u>	<u><u>2,311,562</u></u>	<u><u>\$ 4,760,927</u></u>

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2022

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,331,066	770,092	\$ 2,101,158
Other Fees	72,921	8,930	81,851
Penalties	3,715	-	3,715
TOTAL OPERATING REVENUES	1,407,702	779,022	2,186,724
OPERATING EXPENSES			
Salaries	180,593	70,649	251,242
Health Insurance	30,060	6,916	36,976
Payroll Taxes	13,456	5,318	18,774
Retirement	51,542	11,460	63,002
Pension Expense (Contra-Expense)	-	7,394	7,394
Workers Compensation Insurance	1,595	1,595	3,190
Office Supplies	3,458	-	3,458
Operating Supplies	2,465	241	2,706
Repairs and Maintenance	107,856	33,955	141,811
Professional Fees	79,666	21,960	101,626
Payment in Lieu of Taxes	60,000	-	60,000
General Insurance	6,247	6,162	12,409
Utilities	7,867	9,139	17,006
Fuel	7,660	-	7,660
Fines and Fees	6,652	-	6,652
Dues and Subscriptions	1,663	-	1,663
Water Purchases	702,653	-	702,653
Water Meters	26,825	-	26,825
Sewer Treatment Charges	-	461,501	461,501
Depreciation	66,714	28,777	95,491
Transportation	4,801	-	4,801
Capital Outlay (Not Capitalizable)	-	6,230	6,230
Miscellaneous	-	410	410
TOTAL OPERATING EXPENSES	1,361,773	671,707	2,033,480
OPERATING INCOME (LOSS)	45,929	107,315	153,244
CHANGE IN NET POSITION	45,929	107,315	153,244
NET POSITION, Beginning of Year	2,403,436	2,204,247	4,607,683
NET POSITION, End of Year	<u>\$ 2,449,365</u>	<u>2,311,562</u>	<u>\$ 4,760,927</u>

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2022

	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,421,107	768,667	\$ 2,189,774
Cash Payments to Suppliers for Goods and Services	(902,894)	(529,409)	(1,432,303)
Cash Payments to Employees for Services	(253,168)	(94,952)	(348,120)
Payments in Lieu of Taxes	(60,000)	-	(60,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>205,045</u>	<u>144,306</u>	<u>349,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(486,523)	-	(486,523)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(486,523)</u>	<u>-</u>	<u>(486,523)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(281,478)	144,306	(137,172)
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>1,722,487</u>	<u>1,692,669</u>	<u>3,415,156</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	<u>\$ 1,441,009</u>	<u>1,836,975</u>	<u>\$ 3,277,984</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ 45,929	107,315	\$ 153,244
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	66,714	28,777	95,491
Non-Cash Pension Expense	22,400	7,394	29,794
Change Due to (Increase) Decrease in Operating Assets:			
Accounts Receivable	(24,196)	(10,355)	(34,551)
Prepaid Expenses	2,136	-	2,136
Change Due to Increase (Decrease) in Operating Liabilities:			
Accounts Payable	52,783	10,189	62,972
Accrued Salaries and Benefits	1,067	313	1,380
Customer Deposits	37,601	-	37,601
Accrued Compensated Absences	611	673	1,284
Net Cash Provided By (Used In) Operating Activities	<u>\$ 205,045</u>	<u>144,306</u>	<u>\$ 349,351</u>

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The City of Folly Beach, South Carolina (the “City”) embraces 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 three 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. The Conservancy’s fiscal year end is December 31st, while the City’s is June 30th. Separate financial statements for the Conservancy are not issued.

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 the 30% 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

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 30th of each year. The Committee's fiscal year end is June 30th, 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 major special revenue fund.

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 30th of each year. The Committee's fiscal year end is June 30th, 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 30th, 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.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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 generally 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 financed purchase agreements 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, if applicable.

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.

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 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 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 major Special Revenue Funds:

- i. The **State Accommodations Tax Fund, a 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

- ii. The *Local Accommodations Tax Fund, a 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.
- 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 Park 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:

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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

Change in Accounting Principle

The City adopted GASB Statement No. 87 “Leases” (“GASB #87” or “Statement”) for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial 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 adoption of GASB #87 resulted in no impact to the City’s net position, but it has resulted in the addition of a lease receivable and corresponding deferred inflows of resources of approximately \$1,864,000 as of June 30, 2022.

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 and investments in the South Carolina Pooled Investment Fund (“Pool”) 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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)

- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (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. The City held investments within its Beach Preservation Fund.

During the current year, the City held investments in Certificates of Deposits, Municipal Bonds, and U.S. Government Agencies.

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).

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

7. *Deferred Outflows and Inflows of Resources*

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 assets 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 assets 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 three 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. (3) The City reports *deferred lease income* in governmental funds in accordance with GASB Statement No. 87 "Leases" ("GASB #87" or "Statement"), as described further above. The deferred lease income is amortized in a systematic and rational method and recognized as interest revenue in future periods in accordance with GASB #87.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balance

In accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The City classifies its 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

For each assigned function, a department is obligated to stay within budget for its area. The City Mayor has the authority to transfer up to 10% budgeted appropriations between line items within financial responsibility centers of the budget. These transfers exclude budgeted amounts from capital and or budgeted amounts to or from salaries and benefits. 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 General Fund and Tourism Fund budgets are 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, 2022, none of the City’s bank balances of approximately \$17,187,000 (with a carrying value of approximately \$16,352,000) were subject to custodial credit risk.

Investments

As of June 30, 2022, the City had the following investments and maturities:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Investment Maturities in Years			
				< 1 yr	1-3 yrs	3-5yrs	> 5 yrs
Certificates of Deposits	NR	N/A	\$ 2,397,624	1,796,929	600,695	-	\$ -
Municipal Bonds	NR	Level 2	256,780	-	256,780	-	-
U.S. Government Agencies Securities	AAAm, Aaa-mf	Level 1	2,645,565	589,514	2,056,051	-	-
Total			\$ 5,299,969	2,386,443	2,913,526	-	\$ -

^ If available, credit ratings are for Standard & Poor’s and Moody’s Investors Service.

(1) See Note I.C.11 for the details of the City’s fair value hierarchy

NR – Not rated.

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Investments (Continued)

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.

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	\$ 16,352,034
Fair Value of Investments	5,299,969
Total Deposits and Investments	<u>\$ 21,652,003</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 11,941,908
Cash and Cash Equivalents, Restricted	4,410,126
Investments	5,299,969
Total Cash and Investments	<u>\$ 21,652,003</u>

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2022 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, etc.).

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Property Taxes and Other Receivables

The City’s governmental fund net receivables at June 30, 2022, consisted of the following:

	General	State	Local	Local	Beach	Tourism	Totals
	Fund	Accommodations	Accommodations	Hospitality	Preservation	Fund	
		Tax Fund	Tax Fund	Tax Fund	Fund	Fund	
Delinquent Property Taxes	\$ 54,652	-	-	-	-	-	\$ 54,652
Current Property Taxes	13,959	-	-	-	-	-	13,959
Delinquent Parking Tickets	70,139	-	-	-	-	-	70,139
Local Options Sales Tax	59,726	-	-	-	-	-	59,726
Parking Program Fees	258,126	-	-	-	-	-	258,126
Business Licenses	227,960	-	-	-	-	-	227,960
Brokers Tax Collections	95,836	-	-	-	-	-	95,836
Franchise Fees	310,686	-	-	-	-	-	310,686
Insurance Proceeds	8,949	-	-	-	-	-	8,949
Accommodations Taxes	40,132	521,722	393,078	-	114,517	240,795	1,310,244
Hospitality Taxes	-	-	-	240,535	-	-	240,535
Lease Receivable	1,864,215	-	-	-	-	-	1,864,215
State Aid to Subdivisions	12,175	-	-	-	-	-	12,175
Alcohol/Liquor Licenses	14,550	-	-	-	-	-	14,550
Other	344,401	-	-	-	13,935	-	358,336
Net Receivables	\$ 3,375,506	521,722	393,078	240,535	128,452	240,795	\$ 4,900,088

The receivables listed above include allowances of approximately \$18,000 and \$221,000 related to delinquent property taxes and delinquent parking fees receivable, respectively, as of June 30, 2022. No other significant amounts were deemed uncollectible.

The City’s enterprise fund net receivables at June 30, 2022, consisted of the following:

	Water	Sewer	Totals
	Fund	Fund	
Water Sales	\$ 295,939	-	\$ 295,939
Sewer Usage Fees	-	107,260	107,260
Net Receivables	\$ 295,939	107,260	\$ 403,199

The enterprise fund receivables had no allowance for doubtful accounts at June 30, 2022 as no significant amounts were deemed uncollectible. This amount also includes unbilled amounts from the latest utility billing period through the end of June 30, 2022.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Property Taxes and Other Receivables (Continued)

Property Taxes

The City’s 2021 property taxes were levied on October 1, 2021 and were due beginning on this date based on the assessed valuation as of January 1, 2021. Property taxes were considered late on January 16, 2022. 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 2021 property tax year was 36.6 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

C. 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, 2022, the General Fund had approximately \$48,000 and approximately \$119,000 in revenue related to property taxes and delinquent parking tickets, respectively, that was not available (unavailable revenue).

At June 30, 2022, the General Fund had approximately \$662,000 in revenue related to the American Rescue Plan Act that was received but not yet earned (unearned).

D. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 1,693,305	\$ 1,249,668
State Accommodations Tax Fund	-	1,059,692
Local Accommodations Tax Fund	-	393,078
Local Hospitality Tax Fund	-	240,535
Beach Preservation Fund	1,249,668	-
Totals	\$ 2,942,973	\$ 2,942,973

The receivables in the General Fund and Beach Preservation Fund relate to the payables from the General Fund and the State Accommodations Tax Fund. The General Fund and State Accommodations Tax Funds’ payables are a result of revenues not transferred to the General Fund and Beach Preservation Fund as of June 30, 2022 as final collections were not made until after June 30, 2022.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Interfund Receivables, Payables, and Transfers (Continued)

Transfers between funds for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 3,508,422	\$ -
State Accommodations Tax Fund	-	2,356,893
Local Accommodations Tax Fund	-	1,570,012
Local Hospitality Tax Fund	-	945,724
Beach Preservation Fund	1,364,207	-
Totals	<u>\$ 4,872,629</u>	<u>\$ 4,872,629</u>

Transfers into the General Fund and Beach Preservation Fund were mainly from the State and Local Accommodations and Local Hospitality Tax Funds to cover a portion of tourism related operating expenditures in accordance with State law and City ordinances. The transfers into the Beach Preservation Fund were from the State and Local Accommodations Tax Funds to cover a portion of Beach Preservation project expenditures per City ordinance.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,501,754	-	-	-	\$ 2,501,754
Construction In Progress	-	211,940	-	-	211,940
Total Capital Assets, Non-Depreciable	<u>2,501,754</u>	<u>211,940</u>	<u>-</u>	<u>-</u>	<u>2,713,694</u>
Capital Assets, Depreciable:					
Buildings and Improvements	5,277,426	324,650	-	-	5,602,076
Ocean Groins and Beach Walkovers	3,999,988	-	-	-	3,999,988
Park Improvements	875,108	-	-	-	875,108
Motor Vehicles	2,492,586	1,778,264	793,685	-	3,477,165
Machinery and Equipment	950,754	117,143	-	-	1,067,897
Total Capital Assets, Depreciable	<u>13,595,862</u>	<u>2,220,057</u>	<u>793,685</u>	<u>-</u>	<u>15,022,234</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,645,765	209,316	-	-	1,855,081
Ocean Groins and Beach Walkovers	1,201,832	80,190	-	-	1,282,022
Park Improvements	437,131	33,378	-	-	470,509
Motor Vehicles	2,006,717	191,497	706,388	-	1,491,826
Machinery and Equipment	521,653	105,987	-	-	627,640
Total Accumulated Depreciation	<u>5,813,098</u>	<u>620,368</u>	<u>706,388</u>	<u>-</u>	<u>5,727,078</u>
Total Capital Assets, Depreciable, Net	<u>7,782,764</u>	<u>1,599,689</u>	<u>87,297</u>	<u>-</u>	<u>9,295,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,284,518</u>	<u>1,811,629</u>	<u>87,297</u>	<u>-</u>	<u>\$ 12,008,850</u>

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

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 361,193
Public Safety	205,491
Public Works	53,684
Total - Governmental Activities	<u>\$ 620,368</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Capital Assets (Continued)

Capital asset activity for the City’s business-type activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 1,200	-	-	\$ 1,200
Construction in Progress	-	67,966	-	67,966
Total Capital Assets, Non-Depreciable	<u>1,200</u>	<u>67,966</u>	<u>-</u>	<u>69,166</u>
Capital Assets, Depreciable				
Buildings and Improvements	101,093	-	-	101,093
Motor Vehicles	55,268	28,300	-	83,568
Machinery and Equipment	200,255	-	-	200,255
Water System	2,292,788	390,257	-	2,683,045
Sewer System	1,705,629	-	-	1,705,629
Total Capital Assets, Depreciable	<u>4,355,033</u>	<u>418,557</u>	<u>-</u>	<u>4,773,590</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	89,439	1,780	-	91,219
Motor Vehicles	49,939	6,925	-	56,864
Machinery and Equipment	70,114	16,263	-	86,377
Water System	1,521,089	45,825	-	1,566,914
Sewer System	1,127,303	24,698	-	1,152,001
Total Accumulated Depreciation	<u>2,857,884</u>	<u>95,491</u>	<u>-</u>	<u>2,953,375</u>
Total Capital Assets, Depreciable, Net	<u>1,497,149</u>	<u>323,066</u>	<u>-</u>	<u>1,820,215</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,498,349</u>	<u>391,032</u>	<u>-</u>	<u>\$ 1,889,381</u>

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

Functions/Programs	Depreciation Expense
Business-Type Activities:	
Water	\$ 66,714
Sewer	<u>28,777</u>
Total - Business-Type Activities	<u>\$ 95,491</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. 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. Financed Purchase Obligations (“FP”) 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 financed purchase obligations nor the interest thereon.

Details on the City’s outstanding debt issues and financed purchase obligations as of June 30, 2022 are as follows:

	Principal Outstanding at Year End
<u>General Obligation Refunding Bonds</u>	
\$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.	<u>\$ 2,274,000</u>
<u>Financed Purchase Obligations</u>	
\$1,611,620 Financed Purchase (October 2020) was obtained to finance the purchase of a Ladder Truck and Pumper Truck for public safety. Principal and interest is payable annually with interest at 1.210%. Debt service requirements are \$241,509 per year including principal and interest through October 2027 and are funded with resources from the General Fund.	<u>\$ 1,389,612</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2022 for the City’s governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt (Direct Placement):					
GOB - August 2020	\$ 2,485,000	-	211,000	2,274,000	\$ 214,000
Total Debt	2,485,000	-	211,000	2,274,000	214,000
Financed Purchase Obligations:					
Financed Purchase - October 2020	-	1,611,620	222,008	1,389,612	224,694
Total Financed Purchase Obligations	-	1,611,620	222,008	1,389,612	224,694
Accrued Compensated Absences	226,314	156,286	151,009	231,591	231,591
Total Governmental Activities	\$ 2,711,314	1,767,906	584,017	3,895,203	\$ 670,285
Business-Type Activities:					
Accrued Compensated Absences	\$ 24,754	9,013	7,729	26,038	\$ 26,038

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, 2022.

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, 2022, the City had approximately \$2,274,000 of bonded debt subject to the 8% limit of approximately \$6,907,000 resulting in an unused legal debt margin of approximately \$4,633,000.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

Presented below are the debt service requirements to maturity for the governmental activities.

Year Ending June 30,	Debt		Financed Purchase Obligations		Totals
	Principal	Interest	Principal	Interest	
Governmental Activities					
2023	\$ 214,000	30,472	224,694	16,814	\$ 485,980
2024	217,000	27,604	227,413	14,096	486,113
2025	220,000	24,696	230,165	11,344	486,205
2026	223,000	21,748	232,950	8,559	486,257
2027	225,000	18,760	235,769	5,740	485,269
2028-2032	1,175,000	47,637	238,621	2,887	1,464,145
Totals	\$ 2,274,000	170,917	1,389,612	59,440	\$ 3,893,968

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2022, the City is in compliance with all significant restrictions and covenants.

G. Lease Agreements

The City leases property to Crown Castle South, LLC, an assignee of SCANA Communications (“SCANA”), for the use of land with interest at a rate of 5.81%. SCANA constructed a telecommunications monopole on the City’s land and signed a five-year lease agreement in August 2004 stating that they would lease the City’s land for a period of five years. 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 also extended the optional renewal periods to nine automatically renewed five-year periods and capped the annual rent at approximately \$76,000, payable in quarterly installments. The City recognized approximately \$76,000 of revenue in the year ended June 30, 2022, including lease revenue of approximately \$41,000 and interest revenue of \$35,000. Future minimum lease payments are as follows:

Year Ended June 30,	Future Minimum Payments		
	Principal	Interest	Total
2023	\$ 41,680	34,569.67	\$ 76,250
2024	42,465	33,785	76,250
2025	43,265	32,985	76,250
2026	44,080	32,170	76,250
2027	44,910	31,340	76,250
2028-2032	237,558	143,692	381,250
2033-2037	260,784	120,466	381,250
2038-2042	286,281	94,969	381,250
2043-2047	314,271	66,979	381,250
2048-2052	344,998	36,252	381,250
2053-2055	203,923	5,765	209,688
Total	\$ 1,864,215	632,973	\$ 2,497,188

In accordance with GASB #87, the City has recorded a Lease Receivable of approximately \$1,804,000 with a corresponding deferred inflow of resources as of June 30, 2022.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. 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 May 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 \$3,500, 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, 2022 was \$858,000.

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, 2022, the City made premium payments totaling approximately \$187,000. 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, 2022 totaled approximately \$198,202,000. 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, 2022, the City made premium payments to SCMIT totaling approximately \$82,000. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2021 totaled approximately \$57,773,000. 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 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, 2022, the City made employer portion of the premium payments to the Employee Insurance Program totaling approximately \$435,000. The Employee Insurance Program’s net position from its most recently issued audited financial statements at June 30, 2022 totaled approximately \$372,237,000. 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

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

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

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

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective 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 effective 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

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

Plan Contributions

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 (“Plans”) 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 in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA 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 PEBA 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 PEBA Board, effective on the following July 1, 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 1, and annually thereafter as necessary, the PEBA 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

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership

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 year are as follows:

	SCRS	PORS Rates
	2022	2022
Employer Contribution Rate: ^		
Retirement	16.41%	18.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	<u>16.56%</u>	<u>19.24%</u>
Employee Contribution Rate ^	<u>9.00%</u>	<u>9.75%</u>

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

The actual and required contributions to the SCRS and PORS were approximately \$320,000 and \$262,000, respectively, for the year ended June 30, 2022 and include the nonemployer contributions noted below.

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2022. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2022 were approximately \$15,000 and \$9,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the City’s governmental fund financial statements.

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, 2019.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The June 30, 2021 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, and are based on an actuarial valuation performed as of July 1, 2020. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 of South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021 (measurement date) for the SCRS and PORS.

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

* Includes inflation at 2.25%.

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

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

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 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 following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Rate of Return	<u>100.0%</u>		5.18%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.43%</u>

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

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2021 measurement date, for the SCRS and PORS, are presented in the following table:

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	\$ 55,131,579,363	33,490,305,970	\$ 21,641,273,393	60.7%
PORS	\$ 8,684,586,488	6,111,672,064	\$ 2,572,914,424	70.4%

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The TPL is calculated by the Systems' actuary, and each Plans' 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, 2022, the City reported liabilities of approximately \$3,625,000 and \$2,051,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2021, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The City's proportion of the NPL 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, 2021 measurement date, the City's SCRS proportion was 0.016749 percent, which was a decrease of 0.001321 percent from its proportion measured as of June 30, 2020. At the June 30, 2021 measurement date, the City's PORS proportion was 0.07972 percent, which was an increase of 0.01538 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of approximately \$254,000 and \$289,000 for the SCRS and PORS, respectively. At June 30, 2022, 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
SCRS		
Differences Between Expected and Actual Experience	\$ 61,742	\$ 4,892
Change in Assumptions	198,402	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	526,530
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	82,125	233,921
Employer Contributions Subsequent to the Measurement Date	304,544	-
Total SCRS	<u>646,813</u>	<u>765,343</u>
PORS		
Differences Between Expected and Actual Experience	69,775	6,387
Change in Assumptions	146,289	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	459,831
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	305,504	35,409
Employer Contributions Subsequent to the Measurement Date	252,876	-
Total PORS	<u>774,444</u>	<u>501,627</u>
Total SCRS and PORS	<u>\$ 1,421,257</u>	<u>\$ 1,266,970</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$305,000 and \$253,000 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 NPL in the year ended June 30, 2023. 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 June 30,	SCRS	PORS	Total
2023	\$ (20,688)	50,447	\$ 29,759
2024	(87,377)	76,860	(10,517)
2025	(117,987)	44,796	(73,191)
2026	(197,022)	(152,162)	(349,184)
Total	<u>\$ (423,074)</u>	<u>19,941</u>	<u>\$ (403,133)</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the City’s proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City’s proportionate share of the net pension liability of the SCRS	\$ 4,747,858	3,624,663	\$ 2,691,056
City’s proportionate share of the net pension liability of the PORS	2,975,777	2,051,026	1,293,514
Total	<u>\$ 7,723,635</u>	<u>5,675,689</u>	<u>\$ 3,984,570</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Annual Comprehensive Financial Report is publicly available through the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The City reported a payable of approximately \$99,000 to the PEBA as of June 30, 2022, representing required employer and employee contributions for the month of June 2022 for the SCRS and PORS. This amount is included in other accrued liabilities on the financial statements and was paid in July 2022.

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, 2022.

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.

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 February 23, 2023, the date these financial statements were available to be issued. The case is currently under appeal and was heard at the South Carolina Supreme Court on November 15, 2022. The appeal decision is pending and likely within several months.

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 2012 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 2022 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 for the purchase of water at two delivery points near the Folly River Bridge in 1981 for a period of 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Commitments and Contingencies (Continued)

Commitments (Continued)

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.

(This page intentionally left blank.)

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 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 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 - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 2,665,218	2,665,218	2,641,440	\$ (23,778)
Licenses, Permits and Fees	2,091,750	2,091,750	2,579,016	487,266
Intergovernmental	745,259	745,259	1,178,760	433,501
Fines and Penalties	246,764	246,764	545,477	298,713
Investment Income	1,000	1,000	35,806	34,806
Parking Program Revenues	760,000	760,000	858,365	98,365
Other Revenues	51,300	51,300	140,349	89,049
TOTAL REVENUES ALL SOURCES	6,561,291	6,561,291	7,979,213	1,417,922
EXPENDITURES				
General Government:				
Central Government	1,039,459	797,950	687,985	109,965
City Mayor	48,526	48,526	35,087	13,439
City Council	198,142	198,142	168,871	29,271
Judicial	125,711	125,711	189,989	(64,278)
Elections	3,574	3,574	2,809	765
Administration	917,494	917,494	820,140	97,354
Information Technology	399,900	399,900	368,029	31,871
Facilities	1,238,003	1,238,003	610,655	627,348
Public Safety	3,837,265	4,078,774	5,583,757	(1,504,983)
Public Works	1,650,317	1,650,317	1,484,271	166,046
TOTAL EXPENDITURES	9,458,391	9,458,391	9,951,593	(493,202)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,897,100)	(2,897,100)	(1,972,380)	924,720
OTHER FINANCING SOURCES (USES)				
Proceeds from Financed Purchase Obligation	522,008	522,008	1,611,620	1,089,612
Sale of Assets	5,000	5,000	13,109	8,109
Transfers In (Out)	2,035,585	2,035,585	3,508,422	1,472,837
TOTAL OTHER FINANCING SOURCES (USES)	2,562,593	2,562,593	5,133,151	2,570,558
NET CHANGES IN FUND BALANCE	(334,507)	(334,507)	3,160,771	3,495,278
FUND BALANCE, Beginning of Year	7,152,686	7,152,686	7,152,686	-
FUND BALANCE, End of Year	\$ 6,818,179	6,818,179	10,313,457	\$ 3,495,278

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

Note: The City's original and final budget reflected a budgeted use of fund balance of \$334,507.

CITY OF FOLLY BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - BEACH PRESERVATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 964,791	964,791	507,028	\$ (457,763)
Investment Income	19,000	19,000	14,829	(4,171)
TOTAL REVENUES ALL SOURCES	983,791	983,791	521,857	(461,934)
EXPENDITURES				
Repairs and Maintenance	10,000	10,000	1,072	8,928
Capital Outlay	50,000	50,000	-	50,000
Operating Supplies	-	-	20	(20)
Professional Services	116,000	116,000	323,254	(207,254)
Walkover retreats and relocations	100,000	100,000	-	100,000
TOTAL EXPENDITURES	276,000	276,000	324,346	(48,346)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	707,791	707,791	197,511	(510,280)
OTHER FINANCING SOURCES (USES)				
Transfers In	50,000	50,000	1,364,207	1,314,207
	50,000	50,000	1,364,207	1,314,207
NET CHANGES IN FUND BALANCE	757,791	757,791	1,561,718	803,927
FUND BALANCE, Beginning of Year	7,518,790	7,518,790	7,518,790	-
FUND BALANCE, End of Year	\$ 8,276,581	8,276,581	9,080,508	\$ 803,927

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

Note: The City's original and final budget reflected an expected surplus of \$757,791.

CITY OF FOLLY BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.016749%	0.018070%	0.018080%	0.016570%	0.016870%	0.015440%	0.016140%	0.016650%	0.016650%
City's Proportionate Share of the Net Pension Liability	\$ 3,624,663	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'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	\$ 1,477,479
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.45%	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	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%	56.4%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available. The discount rate was lowered from 7.25% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF FOLLY BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 319,800	294,598	313,750	278,068	232,787	185,513	165,413	164,970	\$ 153,562
Contributions in Relation to the Contractually Required Contribution:									
Contributions from the City	304,544	294,598	313,750	278,068	232,787	185,513	165,413	164,970	153,562
Contributions from the State	15,256	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 1,931,159	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	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

CITY OF FOLLY BEACH, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.07972%	0.06810%	0.06434%	0.06829%	0.07190%	0.07101%	0.07080%	0.07091%	0.07091%
City's Proportionate Share of the Net Pension Liability	\$ 2,051,026	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's Covered Payroll	\$ 1,198,982	1,030,550	933,246	945,292	1,065,460	905,254	877,087	844,245	\$ 817,833
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.06%	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	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	64.6%	67.5%	62.9%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available. The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF FOLLY BEACH, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 262,183	218,640	187,972	160,892	153,515	151,722	124,382	117,617	\$ 108,401
Contributions in Relation to the Contractually Required Contribution:									
Contributions from the City	252,876	218,640	187,972	160,892	153,515	151,722	124,382	117,617	108,401
Contributions from the State	9,307	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 1,362,700	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	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

(This page intentionally left blank.)

Supplementary Information

CITY OF FOLLY BEACH, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

	LOCAL HOSPITALITY TAX FUND	TOURISM FUND	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents, Restricted	\$ -	376,333	\$ 376,333
Due From:			
Other Governments	240,535	240,795	481,330
TOTAL ASSETS	\$ 240,535	617,128	\$ 857,663
LIABILITIES			
Accounts Payable	\$ -	4,712	\$ 4,712
Due To:			
Other Funds	240,535	-	240,535
TOTAL LIABILITIES	240,535	4,712	245,247
FUND BALANCES			
Restricted:			
Tourism Related Expenditures	-	612,416	612,416
TOTAL FUND BALANCES	-	612,416	612,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 240,535	617,128	\$ 857,663

CITY OF FOLLY BEACH, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	LOCAL HOSPITALITY TAX FUND	TOURISM FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES			
Accommodations Taxes	\$ -	597,225	\$ 597,225
Hospitality Taxes	945,724	-	945,724
Investment Income	-	196	196
TOTAL REVENUES ALL SOURCES	945,724	597,421	1,543,145
EXPENDITURES			
Current:			
General Government	-	450,228	450,228
TOTAL EXPENDITURES	-	450,228	450,228
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	945,724	147,193	1,092,917
OTHER FINANCING SOURCES (USES)			
Transfers Out	(945,724)	-	(945,724)
TOTAL OTHER FINANCING SOURCES (USES)	(945,724)	-	(945,724)
NET CHANGES IN FUND BALANCES	-	147,193	147,193
FUND BALANCES, Beginning of Year	-	465,223	465,223
FUND BALANCES, End of Year	\$ -	612,416	\$ 612,416

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 2,665,218	2,641,440	\$ (23,778)
LICENSES, PERMITS, AND FEES			
Business Licenses	915,000	1,119,254	204,254
Building Permits	402,000	539,116	137,116
Rental Registration Fees	76,250	41,405	(34,845)
Franchise Fees	410,000	469,764	59,764
Telecommunications Tax Collection	4,500	4,524	24
Brokers Tax Collections	275,000	396,324	121,324
Other Licenses, Permits, and Fees	9,000	8,629	(371)
Total Licenses, Permits, and Fees	<u>2,091,750</u>	<u>2,579,016</u>	<u>487,266</u>
INTERGOVERNMENTAL			
State Aid to Subdivisions	70,000	68,672	(1,328)
Alcohol/Liquor Tax	50,000	42,600	(7,400)
Merchant Inventory Tax	2,768	2,076	(692)
State Accommodations Taxes	75,000	124,538	49,538
LOST Revenues	537,491	613,094	75,603
Grants	10,000	327,780	317,780
Total Intergovernmental	<u>745,259</u>	<u>1,178,760</u>	<u>433,501</u>
FINES AND PENALTIES	<u>246,764</u>	<u>545,477</u>	<u>298,713</u>
INVESTMENT INCOME	<u>1,000</u>	<u>35,806</u>	<u>34,806</u>
OTHER REVENUES			
Parking Program Revenues	760,000	858,365	98,365
Miscellaneous	51,300	140,349	89,049
Total Other Revenues	<u>811,300</u>	<u>998,714</u>	<u>187,414</u>
TOTAL REVENUES	<u>6,561,291</u>	<u>7,979,213</u>	<u>1,417,922</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Financed Purchase Obligation	522,008	1,611,620	1,089,612
Sale of Assets	5,000	13,109	8,109
Net Transfers In (Out)	<u>2,035,585</u>	<u>3,508,422</u>	<u>1,472,837</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES (USES)	<u>\$ 9,123,884</u>	<u>13,112,364</u>	<u>\$ 3,988,480</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
CENTRAL GOVERNMENT			
City Hall:			
Repairs and Maintenance	\$ 5,000	-	\$ 5,000
Operating Supplies	21,200	17,732	3,468
Fees and Permits	3,209	738	2,471
Utilities	127,400	127,701	(301)
Advertising	5,000	9,987	(4,987)
Contract Services	169,260	132,538	36,722
Employee Relations	23,334	6,121	17,213
Pet Helpers	6,500	6,500	-
Total City Hall	<u>360,903</u>	<u>301,317</u>	<u>59,586</u>
Planning and Development:			
Celebrations	14,700	5,593	9,107
Community Projects	12,900	12,150	750
Beach Management	50,000	72,216	(22,216)
Total Planning and Development	<u>77,600</u>	<u>89,959</u>	<u>(12,359)</u>
Insurance:			
General Insurance	47,148	47,726	(578)
Unemployment Insurance	-	134	(134)
Total Insurance	<u>47,148</u>	<u>47,860</u>	<u>(712)</u>
Reserves:			
Capital Outlay	43,000	4,280	38,720
Claims and Judgments	25,000	-	25,000
Declared Emergency	-	502	(502)
Total Reserves	<u>68,000</u>	<u>4,782</u>	<u>63,218</u>
Debt Service:			
Principal	211,000	211,000	-
Interest	33,299	33,067	232
Total Debt Service - Central Government	<u>244,299</u>	<u>244,067</u>	<u>232</u>
TOTAL CENTRAL GOVERNMENT	<u>\$ 797,950</u>	<u>687,985</u>	<u>\$ 109,965</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
Salaries	\$ 1,882,199	1,853,668	\$ 28,531
Salary Allocation - Victim's Rights	3,772	4,321	(549)
Overtime	142,314	110,138	32,176
Housing Allowance	36,000	29,400	6,600
Certification bonus	87,625	64,427	23,198
Seasonal Augmentation Program	14,000	19,033	(5,033)
Consolidated Dispatch	20,000	-	20,000
Employee Insurance	240,736	208,278	32,458
Payroll Taxes	148,977	155,025	(6,048)
Retirement	358,798	350,798	8,000
Workers Compensation Insurance	42,559	56,172	(13,613)
Repairs and Maintenance	92,050	97,755	(5,705)
Operating Supplies	198,181	188,052	10,129
Dues and Training	62,065	35,763	26,302
Transportation	65,000	78,054	(13,054)
Uniforms	25,500	32,075	(6,575)
Capital Outlay	187,050	1,842,927	(1,655,877)
Maintenance Contracts	106,984	71,146	35,838
Utilities	37,662	25,614	12,048
Victim's Advocate Operating	-	27,306	(27,306)
Declared Emergency	-	1,635	(1,635)
General Insurance	85,793	90,661	(4,868)
Total Public Safety	<u>3,837,265</u>	<u>5,342,248</u>	<u>(1,504,983)</u>
Debt Service:			
Principal	222,008	222,008	-
Interest	19,501	19,501	-
Total Debt Service - Public Safety	<u>241,509</u>	<u>241,509</u>	<u>-</u>
TOTAL PUBLIC SAFETY	<u>4,078,774</u>	<u>5,583,757</u>	<u>(1,504,983)</u>
PUBLIC WORKS			
Salaries	492,339	456,823	35,516
Overtime	26,524	28,510	(1,986)
Employee Insurance	87,860	76,831	11,029
Payroll Taxes	39,693	36,605	3,088
Retirement	85,559	67,474	18,085
Workers Compensation Insurance	14,525	13,561	964
Repairs and Maintenance	560,000	502,353	57,647
Operating Supplies	47,300	39,426	7,874
Dues and Training	4,300	1,593	2,707
Capital Outlay	17,900	8,700	9,200
Transportation	115,000	73,023	41,977
Uniforms	12,000	15,901	(3,901)
Professional Services	127,800	144,488	(16,688)
Utilities	1,900	1,241	659
Declared Emergency	0	218	(218)
General Insurance	17,617	17,524	93
TOTAL PUBLIC WORKS	<u>\$ 1,650,317</u>	<u>1,484,271</u>	<u>\$ 166,046</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
CITY MAYOR			
Salaries	\$ 15,000	15,000	\$ -
Employee Insurance	6,269	6,245	24
Payroll Taxes	1,148	1,091	57
Retirement	2,484	2,484	-
Operating Supplies	1,500	1,119	381
Dues and Training	8,375	3,052	5,323
Professional Services	4,000	-	4,000
Miscellaneous	9,000	4,978	4,022
Utilities	750	1,118	(368)
TOTAL CITY MAYOR	<u>48,526</u>	<u>35,087</u>	<u>13,439</u>
CITY COUNCIL			
Salaries	84,050	80,487	3,563
Employee Insurance	44,654	42,135	2,519
Payroll Taxes	6,430	5,772	658
Retirement	13,877	13,309	568
Operating Supplies	820	552	268
Dues and Training	16,170	10,177	5,993
Discretionary	16,000	1,869	14,131
General Insurance	11,341	11,290	51
Utilities	4,800	3,280	1,520
TOTAL CITY COUNCIL	<u>198,142</u>	<u>168,871</u>	<u>29,271</u>
JUDICIAL			
Salaries	63,403	61,129	2,274
Overtime	990	193	797
Employee Insurance	240	157	83
Payroll Taxes	4,850	4,659	191
Retirement	10,448	9,842	606
Operating Supplies	800	78,121	(77,321)
Dues and Training	8,730	3,008	5,722
Professional Services	35,500	32,472	3,028
Utilities	750	408	342
TOTAL JUDICIAL	<u>125,711</u>	<u>189,989</u>	<u>(64,278)</u>
ELECTIONS			
Salaries	2,500	-	2,500
Payroll Taxes	574	-	574
Advertising	500	148	352
Operating Supplies	-	2,661	(2,661)
TOTAL ELECTIONS	<u>\$ 3,574</u>	<u>2,809</u>	<u>\$ 765</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATION			
Salaries	\$ 553,604	535,285	\$ 18,319
Overtime	1,313	590	723
Employee Insurance	79,720	54,690	25,030
Payroll Taxes	42,451	40,496	1,955
Retirement	91,530	84,535	6,995
Operating Supplies	19,150	8,655	10,495
Dues and Training	24,589	8,998	15,591
Workers Compensation Insurance	4,800	8,808	(4,008)
Professional Services	62,865	55,082	7,783
Community Projects	25,400	13,386	12,014
Utilities	9,700	5,692	4,008
Declared Emergency	-	1,567	(1,567)
General Insurance	2,372	2,356	16
TOTAL ADMINISTRATION	917,494	820,140	97,354
INFORMATION TECHNOLOGY			
Salaries	70,150	29,712	40,438
Employee Insurance	6,269	-	6,269
Payroll Taxes	5,359	2,273	3,086
Retirement	11,592	4,586	7,006
Repairs and Maintenance	5,000	1,733	3,267
Operating Supplies	43,700	24,869	18,831
Dues and Training	7,500	-	7,500
Contracts	188,580	246,667	(58,087)
Utilities	61,750	58,189	3,561
TOTAL INFORMATION TECHNOLOGY	399,900	368,029	31,871
FACILITIES			
Salaries	69,755	71,600	(1,845)
Employee Insurance	12,804	9,857	2,947
Payroll Taxes	5,336	5,352	(16)
Retirement	11,460	11,153	307
Repairs and Maintenance	159,600	174,841	(15,241)
Operating Supplies	26,000	6,378	19,622
Dues and Training	6,156	5,699	457
Transportation	10,500	10,726	(226)
Capital Outlay	51,100	22,759	28,341
Professional Services	865,805	277,743	588,062
Uniforms	250	250	-
Utilities	2,150	1,352	798
Declared Emergency	-	3,515	(3,515)
General Insurance	5,537	5,509	28
Parks and Recreation Committee	11,550	3,921	7,629
TOTAL FACILITIES	1,238,003	610,655	627,348
TOTAL EXPENDITURES	\$ 9,458,391	9,951,593	\$ (493,202)

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	GENERAL GOVERNMENT			GENERAL GOVERNMENT			GENERAL GOVERNMENT			GENERAL GOVERNMENT			2022	
	CENTRAL GOVERNMENT	CITY MAYOR	CITY COUNCIL	JUDICIAL	ELECTIONS	ADMINISTRATION	TECHNOLOGY	FACILITIES	SAFETY	WORKS	TOTAL			
Salaries	\$ -	15,000	80,487	61,129	-	535,285	29,712	71,600	1,853,668	456,823	\$ 3,103,704			
Salaries Allocation - Victim's Rights	-	-	-	-	-	-	-	-	4,321	-	4,321		4,321	
Salaries - Overtime	-	-	-	193	-	590	-	-	110,138	28,510	139,431		139,431	
Housing Allowance	-	-	-	-	-	-	-	-	29,400	-	29,400		29,400	
Certification Bonus	-	-	-	-	-	-	-	-	64,427	-	64,427		64,427	
Seasonal Augmentation Program	-	-	-	-	-	-	-	-	19,033	-	19,033		19,033	
Employee Insurance	-	6,245	42,135	157	-	54,690	-	9,857	208,278	76,831	398,193		398,193	
Payroll Taxes	-	1,091	5,772	4,659	-	40,496	2,273	5,352	155,025	36,605	251,273		251,273	
Retirement	-	2,484	13,309	9,842	-	84,535	4,586	11,153	350,798	67,474	544,181		544,181	
Repairs and Maintenance	-	-	-	-	-	-	1,733	174,841	97,755	502,353	776,682		776,682	
Operating Supplies	17,732	1,119	552	78,121	2,661	8,655	24,869	6,378	188,052	39,426	367,565		367,565	
Dues and Training	-	3,052	10,177	3,008	-	8,998	-	5,699	35,763	1,593	68,290		68,290	
Fees and Permits	738	-	-	-	-	-	-	-	-	-	738		738	
Transportation	-	-	-	-	-	-	-	10,726	78,054	73,023	161,803		161,803	
Uniforms	-	-	-	-	-	-	-	250	32,075	15,901	48,226		48,226	
Capital Outlay	4,280	-	-	-	-	-	-	22,759	1,842,927	8,700	1,878,666		1,878,666	
Professional/Contract Services	132,538	-	-	32,472	-	55,082	246,667	277,743	-	144,488	888,990		888,990	
Miscellaneous	-	4,978	-	-	-	-	-	-	-	-	4,978		4,978	
Pet Helpers	6,500	-	-	-	-	-	-	-	-	-	6,500		6,500	
Discretionary	-	-	1,869	-	-	-	-	-	-	-	1,869		1,869	
Maintenance Contracts	-	-	-	-	-	-	-	-	71,146	-	71,146		71,146	
Utilities	127,701	1,118	3,280	408	148	5,692	58,189	1,352	25,614	1,241	224,595		224,595	
Advertising	9,987	-	-	-	-	-	-	-	-	-	9,987		9,987	
Employee Relations	6,121	-	-	-	-	-	-	-	-	-	6,121		6,121	
Community Projects	12,150	-	-	-	-	13,386	-	-	-	-	25,536		25,536	
Beach Management	72,216	-	-	-	-	-	-	-	-	-	72,216		72,216	
Celebrations	5,593	-	-	-	-	-	-	-	-	-	5,593		5,593	
Declared Emergency	-	-	-	-	-	1,567	-	3,515	1,635	218	6,935		6,935	
General Insurance	47,726	-	11,290	-	-	2,356	-	5,509	90,661	17,524	175,066		175,066	
Unemployment Insurance	134	-	-	-	-	-	-	-	-	-	134		134	
Victim's Advocate Operating	-	-	-	-	-	8,808	-	-	27,306	-	36,114		36,114	
Workers Compensation Insurance	-	-	-	-	-	-	-	-	56,172	13,561	69,733		69,733	
Parks and Recreation Committee	-	-	-	-	-	-	-	3,921	-	-	3,921		3,921	
Reserves	502	-	-	-	-	-	-	-	-	-	502		502	
Debt Service - Principal	211,000	-	-	-	-	-	-	-	222,008	-	433,008		433,008	
Debt Service - Interest	33,067	-	-	-	-	-	-	-	19,501	-	52,568		52,568	
TOTAL DEPARTMENTAL EXPENDITURES	\$ 687,985	35,087	168,871	189,989	2,809	820,140	368,029	610,655	5,583,757	1,484,271	\$ 9,951,593		9,951,593	

CITY OF FOLLY BEACH, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected	\$ -	-	629,386	\$ 629,386
Court fines and assessments remitted to State Treasurer	-	-	(94,656)	(94,656)
Total Court Fines and Assessments retained	-	-	534,730	534,730
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	-	-	8,821	8,821
Assessments retained	-	-	12,680	12,680
Total Surcharges and Assessments retained for victim services	\$ -	-	21,501	\$ 21,501

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 31,348	-	\$ 31,348
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	8,821	-	8,821
Victim Service Surcharges Retained by City/County Treasurer	12,680	-	12,680
Interest Earned	-	-	-
Grant Funds Received			
Grant from:	-	-	-
General Funds Transferred to Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 52,849	-	\$ 52,849
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ 543	-	\$ 543
Operating Expenditures	2,811	-	2,811
Victim Service Contract(s):			
(1) Entity's Name	-	-	-
(2) Entity's Name	-	-	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	3,354	-	3,354
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	49,495	-	49,495
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds – End of Year*	\$ 49,495	-	\$ 49,495

*Note: The difference between the carryforward funds balance on this schedule and the fund balance restricted for victims' services on the Governmental Funds Balance Sheet is due to amounts reported as Due to State. See the Notes to the Uniform Schedule of Fines, Assessments, and Surcharges (Per ACT 96) for more information.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2022

NOTE 1 – ACT 96 OF 2017

Act 96 of 2017 created the South Carolina Crime Victims Services Division of the South Carolina Attorney General’s office. Part II of the Act amended SC 14-1-206 (E) and (I), and 14-1 208 (E) and (I), relating to fees and fines collected by circuit court, magistrate court, and municipal court, respectively, so as to require the South Carolina Crime Victim Services Division to create a Uniform Supplemental Schedule Form detailing all fines and assessments collected by those clerks of court, the amount remitted to the county or municipal treasurer, and the amount remitted to the State Treasurer.

NOTE 2 – PROVISIO 93.35 ON CARRYFORWARD FUNDS

Proviso 93.35 requires counties and municipalities to spend at least ninety percent of the Victim Assistance Fines, Fees, and Assessment Funds collected this fiscal year on eligible expenses related to providing direct victim services to crime victims. A county or municipality may carry forward funds up to \$25,000 or ten percent of funds collected in the prior fiscal year, whichever is higher. If a county or municipality does not spend at least ninety percent of the funds collected during the fiscal year that the funds are received then the county or municipality must remit any unspent funds that are greater than the allowed carry forward funds, regardless of the year collected to the State Victim Assistance Program (SVAP) with the Department of Public Safety, Office of Highway Safety and Justice Programs within 120 days after the end of the fiscal year.

Section 59.15 of the 2019-2020 General Appropriations act was amended effective July 1, 2019. The amendment exempts counties and municipalities from the remittance requirements of this proviso upon submission of a plan to the State Crime Victim Compensation Department that meets the statutory requirements for the use of funds. A county or municipality must submit the report within 60 days after the end of the fiscal year. The City did not submit a plan within the 60-day window. Thus, the City reported a liability of \$24,495 which represents the amount in excess of the \$25,000 allowable carryforward limit. This amount is included in Accounts Payable on the financial statements.

(This page intentionally left blank.)



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor’s Report

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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 23, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
February 23, 2023