

**CITY OF FOLLY BEACH,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

CITY OF FOLLY BEACH, SOUTH CAROLINA

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**CITY OF FOLLY BEACH,
SOUTH CAROLINA**

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED JUNE 30, 2023

MAYOR

Tim Goodwin

CITY COUNCIL MEMBERS

Adam Barker

William Farley

Billy Grooms

Katherine Houghton

Donald Rich

Eddie Ellis

APPOINTED OFFICIALS

City Administrator

Director of Finance

Director of Public Safety

Deputy Director of Public Safety

Director of Utilities

Director of Building/Facilities/Public Works

Environmental and Land Use Planner/ Zoning Administrator

Human Resources Director

License and Short-Term Rental Enforcement

Municipal Clerk/Clerk of Council

Clerk of Court

Community Coordinator

Aaron Pope

Lee Gessner

Andrew Gilreath

Franklin Burke

Kyle Sullivan

Eric Lutz

Jenna Stephens

Anderson Still

Stacey Ritchie

Wesley Graham

Anita Praytor

Heather O'Donnell

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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, 2023, 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, 2023, 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.

Correction of Errors

As described in Note IV.D in the notes to the financial statements, the City reported a prior period adjustment to properly report the beginning net position for the Sewer Fund and business-type activities. See Note IV.D for details of the adjustment. 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 December 14, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
December 14, 2023

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$32,114,000 (*net position*). Of this amount, approximately \$27,090,000 and \$5,025,000 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 \$6,157,000 and \$3,124,000 for its governmental activities and business-type activities, respectively.
- The government's total net position increased by approximately \$3,580,000 for its governmental activities and increased by approximately \$432,000 for its business-type activities from the prior year net position. Total revenues of approximately \$16,340,000 exceeded total expenses of approximately \$12,328,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$22,787,000, an increase of approximately \$2,546,000 over the prior year's fund balance. Of this amount, approximately 42% or \$9,467,000 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 \$9,467,000, or 92% of total General Fund expenditures for the year ended June 30, 2023.
- The City's total capital assets increased by approximately \$745,000 during the current fiscal year primarily due to current year capital asset additions of approximately \$1,572,000 exceeding depreciation expense of approximately \$827,000.
- The City's total debt decreased by approximately \$439,000 during the current year due to principal payments made during the year.

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, 2023

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 three blended component units. The blended component units of the City are the Folly Beach Nature Conservancy, Inc. (formed by the City to receive and protect natural resources that had been donated to or acquired by the City), the Folly Beach Tourism and Visitor Promotion Committee, Inc. (formed by the City to provide recommendations on and establish guidelines for the advertisement and promotion of tourism for the City using the 30% accommodation tax funds received from the state), and the Folly Beach Historical Society, Inc. (formed to research, promote, and preserve the history of Folly Beach).

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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, 2023

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, 2023

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 2023 compared to 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022*	2023	2022*
Assets:						
Current and Other Assets	\$ 24,943,359	21,451,572	3,962,468	3,681,183	28,905,827	\$ 25,132,755
Lease Receivable, Noncurrent	1,780,069	1,822,535	-	-	1,780,069	1,822,535
Capital Assets, Net	12,635,244	12,008,850	1,839,959	1,721,258	14,475,203	13,730,108
Total Assets	39,358,672	35,282,957	5,802,427	5,402,441	45,161,099	40,685,398
Deferred Outflows of Resources:						
Deferred Pension Charges	1,274,797	1,334,157	65,609	87,100	1,340,406	1,421,257
Liabilities:						
Net Pension Liability	5,975,671	5,183,250	521,986	492,439	6,497,657	5,675,689
Long-Term Obligations	2,780,505	3,224,918	-	-	2,780,505	3,224,918
Other Liabilities	2,673,183	1,672,393	285,242	300,320	2,958,425	1,972,713
Total Liabilities	11,429,359	10,080,561	807,228	792,759	12,236,587	10,873,320
Deferred Inflows of Resources:						
Deferred Pension Credits	291,771	1,162,992	36,246	103,978	328,017	1,266,970
Deferred Lease Income	1,822,535	1,864,215	-	-	1,822,535	1,864,215
Total Deferred Inflows of Resources	2,114,306	3,027,207	36,246	103,978	2,150,552	3,131,185
Net Position:						
Net Investment in Capital Assets	9,410,326	9,087,700	1,839,959	1,721,258	11,250,285	10,808,958
Restricted	11,522,099	9,952,474	60,872	60,872	11,582,971	10,013,346
Unrestricted	6,157,379	4,469,172	3,123,731	2,810,674	9,281,110	7,279,846
Total Net Position	\$ 27,089,804	23,509,346	5,024,562	4,592,804	32,114,366	\$ 28,102,150

*Certain amounts have been restated due to a prior period adjustment - see Note IV.D for more information.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total assets of approximately \$45,161,000 increased approximately \$4,476,000 from the prior year. The increase is primarily due to an increase of approximately \$745,000 in net capital assets, approximately \$1,986,000 in investments, and approximately \$2,430,000 in cash and cash equivalents (both unrestricted and restricted). The increase in capital assets is due to current year capital asset additions of approximately \$1,572,000 exceeding depreciation expense of approximately \$827,000. 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 \$1,340,000 decreased approximately \$81,000 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 \$12,237,000 increased approximately \$1,363,000 primarily due to an increase of \$986,000 in Other Liabilities and an increase \$822,000 in the City's proportionate share of the net pension liability in the State's pension plans partially offset by an decrease of \$444,000 in the City's long-term obligations, including compensated absences. The increase in the net pension liability is due to the increase in the overall net pension liability of the state retirement plan. The decrease in long-term obligations is primarily due to scheduled principal payments made by the City during the year ended June 30, 2023.

The City's total deferred inflows of resources of approximately \$2,151,000 decreased approximately \$981,000 due to changes in the components of the City's proportionate share of the State's pension plans.

The City's net position increased by approximately \$4,012,000 during the current fiscal year due to total revenues of approximately \$16,340,000 exceeding total expenses of approximately \$12,328,000.

The City's assets exceeded liabilities (net position) by approximately \$32,114,000 as of June 30, 2023. The portion of the City's net position of approximately \$11,250,000 (approximately 35% 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 \$11,583,000 (approximately 36% 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 \$9,281,000 (approximately 29% 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City’s net position for fiscal year 2023 compared to 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,570,996	3,075,364	2,522,036	2,186,724	6,093,032	\$ 5,262,088
Operating Grants and Contributions	43,948	196,741	-	-	43,948	196,741
Capital Grants and Contributions	48,085	173,549	-	-	48,085	173,549
General Revenues:						
Taxes	9,347,969	8,725,040	-	-	9,347,969	8,725,040
Intergovernmental	465,015	497,851	-	-	465,015	497,851
Other	342,015	86,439	-	-	342,015	86,439
Total Revenues	<u>13,818,028</u>	<u>12,754,984</u>	<u>2,522,036</u>	<u>2,186,724</u>	<u>16,340,064</u>	<u>14,941,708</u>
Expenses:						
General Government	4,423,564	3,676,087	-	-	4,423,564	3,676,087
Public Safety	4,465,730	3,213,524	-	-	4,465,730	3,213,524
Public Works	1,361,179	1,515,787	-	-	1,361,179	1,515,787
Interest on Long-Term Obligations	47,097	49,930	-	-	47,097	49,930
Water and Sewer	-	-	2,030,278	2,033,480	2,030,278	2,033,480
Total Expenses	<u>10,297,570</u>	<u>8,455,328</u>	<u>2,030,278</u>	<u>2,033,480</u>	<u>12,327,848</u>	<u>10,488,808</u>
Increase in Net Position Before Transfers	3,520,458	4,299,656	491,758	153,244	4,012,216	4,452,900
Transfers	60,000	-	(60,000)	-	-	-
Change in Net Position	3,580,458	4,299,656	431,758	153,244	4,012,216	4,452,900
Net Position - Beginning of Year	<u>23,509,346</u>	<u>19,209,690</u>	<u>4,760,927</u>	<u>4,607,683</u>	<u>28,270,273</u>	<u>23,817,373</u>
Prior Period Adjustment - See Note IV.D	-	-	(168,123)	-	(168,123)	-
Net Position - Beginning of Year - Restated	<u>23,509,346</u>	<u>19,209,690</u>	<u>4,592,804</u>	<u>4,607,683</u>	<u>28,102,150</u>	<u>23,817,373</u>
Net Position - End of Year	<u>\$27,089,804</u>	<u>23,509,346</u>	<u>5,024,562</u>	<u>4,760,927</u>	<u>32,114,366</u>	<u>\$ 28,270,273</u>

Governmental Activities

Net position for governmental activities increased by approximately \$3,580,000 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 \$1,063,000 or 8% from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

- Charges for services increased approximately \$496,000 or 16% due to the City's new department for short-term rental enforcement which generated approximately \$630,000 in rental registration fees in FY2023.
- Tax revenues increased approximately \$623,000 or 7% primarily due to increases of approximately \$330,000 in property taxes, \$551,000 in accommodations taxes, and \$18,000 in hospitality taxes. The increase in accommodations tax and hospitality tax revenues was due to increased tourism on the island. The increase in property taxes was due to increases in assessed values.

Total governmental activities expenses increased approximately \$1,842,000 or 22% from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- Public Safety expenses increased approximately \$1,252,000 or 39% primarily due to an increase in salaries and related benefits.
- General Government expenses increased approximately \$747,000 or 20% primarily due to increases in salaries and related benefits.

Business-Type Activities

Net position for business-type activities (water and sewer services) increased by approximately \$432,000 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 \$335,000 or 15%. Key changes in business-type revenues as compared to the prior year were as follows:

- Water charges for services increased approximately \$258,000 or 19% primarily due to a rate increase and an increase in water consumption and customers.
- Sewer charges for services increased approximately \$71,000 or 9% primarily due to a rate increase and an increase in sewer consumption and customers.

Total business-type activities expenses and transfers out increased by approximately \$57,000 or 3%. Key changes in business-type expenses as compared to the prior year were as follows:

- Water Fund expenses decreased approximately \$13,000 or 1%.
- Sewer Fund expenses increased approximately \$70,000 or 10%.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$22,787,000, an increase of approximately \$2,546,000 or 13% from the prior year fund balance. The increase in fund balance was the result of revenues and other financing sources of approximately \$18,081,000 exceeding expenditures and other financing uses of approximately \$15,534,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$9,467,000 or 42% 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 \$23,000 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 \$11,499,000 or 50% is legally restricted by the revenue source;
- Committed for (1) Future Capital Outlay of approximately \$1,015,000 or 4%, (2) Claims, Judgments and Contingencies of approximately \$145,000 or 1%, and (3) Other of approximately \$442,000 or 2% is committed by City Council through passage of the budget in current and prior years.
- Assigned for FY2024 budget of approximately \$196,000 or 1%.

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 \$11,288,000. 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 \$9,467,000 represents approximately 92% of total General Fund expenditures.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$975,000 or 9% due to revenues and other financing sources of approximately \$11,290,000 exceeding expenditures of approximately \$10,315,000.
- General Fund revenues increased approximately \$235,000 or 3% mainly due to an increase of approximately \$624,000 or 24% in licenses, permits, and fees and an increase of approximately \$242,000 or 9% in property taxes, offset by total decreases of \$294,000 in Intergovernmental, \$114,000 in Fines and Penalties, and \$183,000 in Parking Program Revenues. The increase 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 increased approximately \$363,000 or 4% primarily due to an increase of approximately \$782,000 in public safety expenditures partially offset by a decrease of approximately \$274,000 in capital outlay 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 decreased approximately \$2,057,000 or 40% due to the issuance of the \$1,612,000 financed purchase agreement used to purchase a ladder and a pumper truck in the prior year and a decrease in transfers to other funds of approximately \$433,000.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

In addition, the fund balances of the remaining funds increased by approximately \$1,571,000 or 16% from the prior year. Highlights for these funds were as follows:

- The fund balance in the Beach Preservation Fund increased approximately \$1,619,000 or 18% primarily due to revenues and transfers in of approximately \$1,817,000 exceeding expenditures of approximately \$198,000.
- The fund balance in the State Accommodations Tax Fund increased approximately \$38,000 or 16% primarily due to revenues of approximately \$1,329,000 exceeding expenditures and transfers out of approximately \$1,290,000. State accommodation tax expenditures increased approximately \$86,000 or 58% as a result of additional projects approved in FY2023.
- The fund balance for the Tourism Fund decreased approximately \$86,000 or 14% primarily due to expenditures of approximately \$700,000 exceeding revenues of approximately \$613,000. Revenues decreased approximately \$929,000 or 60% due to a reclassification of Hospitality Taxes in the prior year. Expenditures increased approximately \$249,000 or 55% primarily due to additional projects approved in FY2023.
- The Local Accommodations Tax Fund reports no fund balance as the revenues are distributed to other funds annually according to City ordinance. Revenues increased approximately \$498,000 or 32% is due to greater rental activity as a result of increases in tourism-related activity in 2023.
- The Local Hospitality Tax Fund reports no fund balance as the revenues are distributed to other funds annually according to City ordinance.

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 \$5,025,000, an increase of approximately \$432,000. 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 \$1,173,000 or 17% greater than the budget, expenditures were approximately \$31,000 or <1% more than the budget, and other financing sources were approximately \$427,000 or 16% more than the budget. Revenues were greater than budgeted primarily due to licenses, permits and fees exceeding budget by approximately \$1,135,000, intergovernmental revenue exceeding budget by approximately \$46,000, and fines and penalties revenues exceeding budget by approximately \$128,000. Licenses, permits and fees exceeded budget primarily due to business licenses exceeding budget by approximately \$1,060,000 and building permits exceeding budget by approximately \$91,000 as a result of the economic growth on the island. Intergovernmental revenue exceeded budget primarily due to the City receiving approximately \$164,000 in grants over what was expected. Fines and penalties exceeded budget due to the City parking contractor increasing enforcement activity.

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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 \$31,000 or <1% primarily due to central government expenditures being under budget by approximately \$374,000, administration expenditures being under budget by \$68,000 offset by public safety expenditures being over budget by approximately \$118,000, facilities expenditures being over budget by approximately \$108,000, license and short-term rental enforcement expenditures being over budget by approximately \$228,000. Central government expenditures were less than budget primarily due to anticipated pedestrian path construction delays. Public safety expenditures were greater than budget primarily due to the unbudgeted purchase of a new dispatch console for \$124,000. Facilities expenditures exceeded budget primarily due to unbudgeted expenditures related to the City Hall exterior stucco recladding and renovation. License and short-term rental enforcement expenditures were greater than budget primarily due to \$134,000 salaries of department employees not being budgeted for the City’s new short-term rental enforcement department in 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets as of June 30, 2023 amounted to approximately \$12,635,000 and \$1,840,000 (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, 2023 and 2022 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 2,501,754	2,501,754	1,200	1,200	2,502,954	\$ 2,502,954
Construction in Progress	32,637	211,940	67,966	67,966	100,603	279,906
Building and Improvements	4,509,753	3,746,995	8,201	9,874	4,517,954	3,756,869
Ocean Groins and Beach Walkovers	2,637,776	2,717,966	-	-	2,637,776	2,717,966
Park Improvements	371,221	404,599	-	-	371,221	404,599
Motor Vehicles	1,902,360	1,985,339	20,282	26,704	1,922,642	2,012,043
Machinery and Equipment	679,743	440,257	193,670	113,878	873,413	554,135
Water System	-	-	1,159,996	1,116,131	1,159,996	1,116,131
Sewer System	-	-	388,643	385,506	388,643	385,506
Total	<u>\$ 12,635,244</u>	<u>12,008,850</u>	<u>1,839,958</u>	<u>1,721,259</u>	<u>14,475,202</u>	<u>\$ 13,730,109</u>

The total increase in the City’s investment in capital assets for the current fiscal year was approximately \$745,000. Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$1,572,000 related to building improvements, vehicles, machinery and equipment and various other items.
- Depreciation expense of approximately \$827,000.

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, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2023 and 2022, the City had total outstanding debt of approximately \$3,225,000 and \$3,664,000 for governmental activities. There is no outstanding debt for business-type activities. Of the City’s total debt, approximately \$2,060,000 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, 2023 and 2022 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Debt:						
GOB - August 2020	\$ 2,060,000	2,274,000	-	-	2,060,000	\$ 2,274,000
Total Debt	<u>2,060,000</u>	<u>2,274,000</u>	<u>-</u>	<u>-</u>	<u>2,060,000</u>	<u>2,274,000</u>
Financed Purchase Obligations:						
Financed Purchase - October 2022	1,164,918	1,389,612	-	-	1,164,918	1,389,612
Total Financed Purchase Obligations	<u>1,164,918</u>	<u>1,389,612</u>	<u>-</u>	<u>-</u>	<u>1,164,918</u>	<u>1,389,612</u>
Total	<u>\$ 3,224,918</u>	<u>3,663,612</u>	<u>-</u>	<u>-</u>	<u>3,224,918</u>	<u>\$ 3,663,612</u>

The total decrease in the City’s debt for the current fiscal year of approximately \$439,000 was due to 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, 2023 was approximately \$6,932,000. The City had approximately \$2,060,000 of bonded debt subject to the 8% limit and thus resulted in the City having an unused legal debt margin of approximately \$4,872,000.

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 2024 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:

- At the end of fiscal year 2023, the City of Folly Beach was pleased to announce confirmation of **\$13,213,762** of Federal, State, and local partner funding for water infrastructure and stormwater improvements. The State and Federal grants represent a portion of \$1.5 billion dollars distributed to local governments across South Carolina with the goals of protecting the quality of life and addressing long-term sustainability. Projects were chosen based on priority needs, transformational impact, feasibility, readiness to proceed, and geographic diversity. Folly Beach projects funded are:

CITY OF FOLLY BEACH, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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

- **\$8,161,700** – for Center Street Area Stormwater Drainage Improvements (115 stormwater grate inlets, 1,400 feet of new roadside ditches, and approximately 9,600 linear feet of new stormwater pipe)
 - East Erie and 8th Street Drainage Improvements (approximately 250 feet of new roadside ditches)
 - East Arctic Water Main Replacement (approximately 4,400 linear feet from Center to 7th East)
 - East Hudson Water Main Replacement (approximately 3,800 linear feet Center Street to 5th Street East)
 - 12th Street and East Cooper Water Main Replacement (approximately 180 linear feet along 12th Street East)
- **\$1,844,745** – for Folly Road/Causeway: A new water main onto the island to serve as back up supply
 - Jointly funded with an additional **\$1,383,052** from Charleston Water System as a partner agency
 - And **\$1,324,265** from Folly's American Rescue Plan Act award
- **\$500,000** – SC Rural Water Infrastructure Authority matching funds to supplement Folly's required cost share for all projects.
- The City has completed competitive bidding and awarded contracts to begin final design and construction as soon as possible. All the projects are scheduled for completion prior to the end of 2026.
- The City is also moving forward with completion of its planned 2nd street east pedestrian path project and with its engineering, design, and planning for the East Arctic Avenue traffic and pedestrian path redesign.
- City Council also moved forward with the creation of the new License and Short-Term Rental Enforcement Department in response to the need for increased City oversight of contractor and short term rental business activities within the City to be paid for through additional licensing and registration fees assessed to these activities. The initial FY24 budget for the new department is \$546,980.
- The City also has \$225,000 in the FY24 budget and is scheduled to complete the public safety building exterior stucco and soffit recladding.
- The City has also further refined its investment policy to better manage its idle cash within the General Fund to allow excess funds held above the required minimum to be invested in accordance with the City of Folly Beach Investment of Fund Policy as adopted by City Council.

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.

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, 2023

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,482,588	3,426,661	\$ 15,909,249
Cash and Cash Equivalents, Restricted	2,811,772	60,872	2,872,644
Investments	7,286,271	-	7,286,271
Taxes Receivable, Net	70,476	-	70,476
Other Receivables, Net	558,027	474,935	1,032,962
Current Portion of Lease Receivable	42,465	-	42,465
Due from Other Governments	1,691,760	-	1,691,760
Total Current Assets	<u>24,943,359</u>	<u>3,962,468</u>	<u>28,905,827</u>
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	2,534,391	69,167	2,603,558
Depreciable, Net	10,100,853	1,770,792	11,871,645
Lease Receivable, Less Current Portion	1,780,069	-	1,780,069
Total Non-Current Assets	<u>14,415,313</u>	<u>1,839,959</u>	<u>16,255,272</u>
TOTAL ASSETS	<u>39,358,672</u>	<u>5,802,427</u>	<u>45,161,099</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	1,274,797	65,609	1,340,406
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,274,797</u>	<u>65,609</u>	<u>1,340,406</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	403,245	216,824	620,069
Other Accrued Liabilities	216,411	7,038	223,449
Customer Deposits	-	33,867	33,867
Unearned Revenue	1,324,304	-	1,324,304
Current Portion of Compensated Absences	284,810	27,513	312,323
Current Portion of Debt	444,413	-	444,413
Total Current Liabilities	<u>2,673,183</u>	<u>285,242</u>	<u>2,958,425</u>
Non-Current Liabilities:			
Net Pension Liability	5,975,671	521,986	6,497,657
Debt, Less Current Portion	2,780,505	-	2,780,505
Total Non-Current Liabilities	<u>8,756,176</u>	<u>521,986</u>	<u>9,278,162</u>
TOTAL LIABILITIES	<u>11,429,359</u>	<u>807,228</u>	<u>12,236,587</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	291,771	36,246	328,017
Deferred Lease Income	1,822,535	-	1,822,535
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,114,306</u>	<u>36,246</u>	<u>2,150,552</u>
NET POSITION			
Net Investment in Capital Assets	9,410,326	1,839,959	11,250,285
Restricted For:			
Tourism Related Expenses	11,498,797	-	11,498,797
Victims Services	23,302	-	23,302
Future Economic Development	-	60,872	60,872
Unrestricted	6,157,379	3,123,731	9,281,110
TOTAL NET POSITION	<u>\$ 27,089,804</u>	<u>5,024,562</u>	<u>\$ 32,114,366</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, 2023

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	\$ 4,423,564	3,134,924	43,948	48,085	(1,196,607)	-	\$ (1,196,607)
Public Safety	4,465,730	436,072	-	-	(4,029,658)	-	(4,029,658)
Public Works	1,361,179	-	-	-	(1,361,179)	-	(1,361,179)
Interest Expense	47,097	-	-	-	(47,097)	-	(47,097)
TOTAL GOVERNMENTAL ACTIVITIES	10,297,570	3,570,996	43,948	48,085	(6,634,541)	-	(6,634,541)
Business-Type Activities:							
Water	1,288,265	1,643,811	-	-	-	355,546	355,546
Sewer	742,013	878,225	-	-	-	136,212	136,212
TOTAL BUSINESS-TYPE ACTIVITIES	2,030,278	2,522,036	-	-	-	491,758	491,758
TOTAL - PRIMARY GOVERNMENT	\$ 12,327,848	6,093,032	43,948	48,085	(6,634,541)	491,758	\$ (6,142,783)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes	\$ 2,883,519					-	\$ 2,883,519
Local Option Sales Taxes	620,194					-	620,194
Hospitality Taxes	963,601					-	963,601
Accommodation Taxes	4,136,771					-	4,136,771
Franchise Taxes	454,008					-	454,008
Brokers Tax Collections	248,258					-	248,258
Other Taxes	41,618					-	41,618
Intergovernmental	465,015					-	465,015
Investment Income	169,099					-	169,099
Miscellaneous	172,916					-	172,916
Transfers In (Out)	60,000					(60,000)	-
Total General Revenues	<u>10,214,999</u>					<u>(60,000)</u>	<u>10,154,999</u>
CHANGE IN NET POSITION					3,580,458	431,758	4,012,216
NET POSITION, Beginning of Year - As Previously Reported					<u>23,509,346</u>	<u>4,760,927</u>	<u>28,270,273</u>
Prior Period Adjustment - See Note IV.D					<u>-</u>	<u>(168,123)</u>	<u>(168,123)</u>
NET POSITION, Beginning of Year - Restated					<u>23,509,346</u>	<u>4,592,804</u>	<u>28,102,150</u>
NET POSITION, End of Year					<u>\$ 27,089,804</u>	<u>5,024,562</u>	<u>\$ 32,114,366</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

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
ASSETS		
Cash and Cash Equivalents	\$ 12,482,588	-
Cash and Cash Equivalents, Restricted	23,302	804,381
Investments, Restricted	-	-
Taxes Receivable, Net	70,476	-
Accounts Receivable, Net	541,797	-
Current Portion of Lease Receivable	42,465	-
Due From:		
Other Governments	117,579	524,204
Other Funds	1,719,033	-
Lease Receivable, Less Current Portion	1,780,069	-
TOTAL ASSETS	\$ 16,777,309	1,328,585
LIABILITIES		
Accounts Payable	\$ 398,319	-
Other Accrued Liabilities	216,411	-
Due To:		
Other Funds	1,557,604	1,055,563
Unearned Revenue	1,324,304	-
TOTAL LIABILITIES	3,496,638	1,055,563
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	169,760	-
Deferred Lease Income	1,822,535	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,992,295	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,488,933	1,055,563
FUND BALANCES		
Restricted:		
Victims Services	23,302	-
Tourism Related Expenditures	-	273,022
Committed:		
Future Capital Outlay	1,014,555	-
Claims, Judgments, and Contingencies	144,747	-
Other	442,013	-
Assigned:		
FY2024 Budget	196,522	-
Unassigned	9,467,237	-
TOTAL FUND BALANCES	11,288,376	273,022
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,777,309	1,328,585

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
-	-	-	\$ 12,482,588
-	1,700,012	284,077	2,811,772
-	7,286,271	-	7,286,271
-	-	-	70,476
-	16,230	-	558,027
			42,465
460,330	144,567	445,080	1,691,760
-	1,557,604	-	3,276,637
-	-	-	1,780,069
460,330	10,704,684	729,157	\$ 30,000,065
-	4,926	-	\$ 403,245
-	-	-	216,411
460,330	-	203,140	3,276,637
-	-	-	1,324,304
460,330	4,926	203,140	5,220,597
-	-	-	169,760
-	-	-	1,822,535
-	-	-	1,992,295
460,330	4,926	203,140	7,212,892
-	-	-	23,302
-	10,699,758	526,017	11,498,797
-	-	-	1,014,555
-	-	-	144,747
-	-	-	442,013
-	-	-	196,522
-	-	-	9,467,237
-	10,699,758	526,017	22,787,173
460,330	10,704,684	729,157	\$ 30,000,065

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CITY OF FOLLY BEACH, SOUTH CAROLINA

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

JUNE 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 22,787,173

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. 169,760

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 \$19,052,649 and the
accumulated depreciation was \$6,417,405. 12,635,244

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. (4,992,645)

Long-term obligations, including debt 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 (3,224,918)
Compensated Absences (284,810)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 27,089,804

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, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
REVENUES		
Property Taxes	\$ 2,883,519	-
Accommodation Taxes	127,178	1,328,308
Hospitality Taxes	-	-
Intergovernmental	759,872	-
Licenses, Permits and Fees	3,203,096	-
Fines and Penalties	431,888	-
Investment Income	34,780	275
Parking Program Revenues	675,775	-
Other	97,942	-
TOTAL REVENUES ALL SOURCES	8,214,050	1,328,583
EXPENDITURES		
Current:		
General Government	2,612,510	234,548
Public Safety	4,281,245	-
Public Works	1,330,385	-
Capital Outlay	1,605,061	-
Debt Service:		
Principal	438,694	-
Interest	47,097	-
TOTAL EXPENDITURES	10,314,992	234,548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,100,942)	1,094,035
OTHER FINANCING SOURCES (USES)		
Transfers In	3,075,861	-
Transfers Out	-	(1,055,563)
TOTAL OTHER FINANCING SOURCES (USES)	3,075,861	(1,055,563)
NET CHANGES IN FUND BALANCES	974,919	38,472
FUND BALANCES, Beginning of Year	10,313,457	234,550
FUND BALANCES, End of Year	\$ 11,288,376	273,022

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
-	-	-	\$ 2,883,519
2,068,220	-	613,065	4,136,771
-	-	963,601	963,601
-	493,558	-	1,253,430
-	-	-	3,203,096
-	-	-	431,888
-	133,840	204	169,099
-	-	-	675,775
-	-	-	97,942
2,068,220	627,398	1,576,870	13,815,121
-	197,821	581,518	3,626,397
-	-	-	4,281,245
-	-	-	1,330,385
-	-	-	1,605,061
-	-	-	438,694
-	-	-	47,097
-	197,821	581,518	11,328,879
2,068,220	429,577	995,352	2,486,242
-	1,189,673	-	4,265,534
(2,068,220)	-	(1,081,751)	(4,205,534)
(2,068,220)	1,189,673	(1,081,751)	60,000
-	1,619,250	(86,399)	2,546,242
-	9,080,508	612,416	20,240,931
-	10,699,758	526,017	\$ 22,787,173

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, 2023

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,546,242
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.	2,907
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.	438,694
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.	(53,219)
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	19,440
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 \$1,349,018 exceeded depreciation expense of \$722,624.	<u>626,394</u>
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,580,458</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 NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

JUNE 30, 2023

	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,517,210	1,909,451	\$ 3,426,661
Cash and Cash Equivalents, Restricted	-	60,872	60,872
Accounts Receivable	357,243	117,692	474,935
Total Current Assets	<u>1,874,453</u>	<u>2,088,015</u>	<u>3,962,468</u>
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	69,167	-	69,167
Depreciable, Net	1,359,318	411,474	1,770,792
Total Noncurrent Assets	<u>1,428,485</u>	<u>411,474</u>	<u>1,839,959</u>
TOTAL ASSETS	<u>3,302,938</u>	<u>2,499,489</u>	<u>5,802,427</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	47,899	17,710	65,609
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>47,899</u>	<u>17,710</u>	<u>65,609</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	150,253	66,571	216,824
Accrued Salaries and Benefits	2,897	4,141	7,038
Customer Deposits	33,867	-	33,867
Current Portion of Compensated Absences	18,245	9,268	27,513
Total Current Liabilities	<u>205,262</u>	<u>79,980</u>	<u>285,242</u>
Noncurrent Liabilities:			
Net Pension Liability	374,649	147,337	521,986
TOTAL LIABILITIES	<u>579,911</u>	<u>227,317</u>	<u>807,228</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	26,015	10,231	36,246
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,015</u>	<u>10,231</u>	<u>36,246</u>
NET POSITION			
Net Investment in Capital Assets	1,428,485	411,474	1,839,959
Restricted for Future Economic Development	-	60,872	60,872
Unrestricted	1,316,426	1,807,305	3,123,731
TOTAL NET POSITION	<u>\$ 2,744,911</u>	<u>2,279,651</u>	<u>\$ 5,024,562</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, 2023

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,589,110	841,017	\$ 2,430,127
Other Fees	43,605	37,208	80,813
Penalties	11,096	-	11,096
TOTAL OPERATING REVENUES	1,643,811	878,225	2,522,036
OPERATING EXPENSES			
Salaries	180,384	68,191	248,575
Health Insurance	27,595	6,829	34,424
Payroll Taxes	13,640	4,967	18,607
Retirement	31,851	11,400	43,251
Pension Expense (Contra-Expense)	(11,954)	(4,740)	(16,694)
Workers Compensation Insurance	2,717	2,717	5,434
Office Supplies	1,931	-	1,931
Operating Supplies	7,765	273	8,038
Repairs and Maintenance	86,664	39,877	126,541
Professional Fees	65,127	54,512	119,639
Payment in Lieu of Taxes	-	-	-
General Insurance	6,495	6,495	12,990
Utilities	8,371	7,742	16,113
Fuel	6,956	-	6,956
Fines and Fees	2,047	-	2,047
Dues and Subscriptions	2,641	-	2,641
Water Purchases	735,901	-	735,901
Water Meters	28,752	-	28,752
Sewer Treatment Charges	-	514,580	514,580
Depreciation	75,253	29,170	104,423
Transportation	3,178	-	3,178
Capital Outlay (Not Capitalizable)	12,751	-	12,751
Miscellaneous	200	-	200
TOTAL OPERATING EXPENSES	1,288,265	742,013	2,030,278
OPERATING INCOME (LOSS)	355,546	136,212	491,758
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers Out	(60,000)	-	(60,000)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(60,000)	-	(60,000)
CHANGE IN NET POSITION	295,546	136,212	431,758
NET POSITION, Beginning of Year - As Previously Reported	2,449,365	2,311,562	4,760,927
Prior Period Adjustment - See Note IV.D	-	(168,123)	(168,123)
NET POSITION, Beginning of Year - Restated	2,449,365	2,143,439	4,592,804
NET POSITION, End of Year	\$ 2,744,911	2,279,651	\$ 5,024,562

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, 2023

	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,578,773	867,791	\$ 2,446,564
Cash Payments to Suppliers for Goods and Services	(990,557)	(614,692)	(1,605,249)
Cash Payments to Employees for Services	(257,393)	(91,251)	(348,644)
Payments in Lieu of Taxes	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>330,823</u>	<u>161,848</u>	<u>492,671</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer to Other Funds	(60,000)	-	(60,000)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(194,622)	(28,500)	(223,122)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(194,622)</u>	<u>(28,500)</u>	<u>(223,122)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	76,201	133,348	209,549
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>1,441,009</u>	<u>1,836,975</u>	<u>3,277,984</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	<u>\$ 1,517,210</u>	<u>1,970,323</u>	<u>\$ 3,487,533</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ 355,546	136,212	\$ 491,758
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	75,253	29,170	104,423
Non-Cash Pension Expense	(11,954)	(4,740)	(16,694)
Change Due to (Increase) Decrease in Operating Assets:			
Accounts Receivable	(61,304)	(10,434)	(71,738)
Change Due to Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(21,778)	8,787	(12,991)
Accrued Salaries and Benefits	190	(18)	172
Customer Deposits	(3,734)	-	(3,734)
Accrued Compensated Absences	(1,396)	2,871	1,475
Net Cash Provided By Operating Activities	<u>\$ 330,823</u>	<u>161,848</u>	<u>\$ 492,671</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, 2023

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, 2023

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 nonmajor 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 in the General Fund 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, 2023

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, 2023

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, 2023

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.

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.
- (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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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)

- (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.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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 capitalization thresholds by asset class as shown in the table below.

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

Description	Governmental and Business-Type Activities	Capitalization Threshold (\$)
Buildings	40-50 years	\$ 50,000
Building Improvements	5-25 years	10,000
Machinery and Equipment	5-10 years	10,000
Infrastructure	40-50 years	50,000
Beach Walkovers	25 years	10,000
Heavy Vehicles	20 years	10,000
Vehicles	5-6 years	10,000
Water and Sewer Systems	25-50 years	\$ 10,000

For aggregated purchases where the individual items are less than the above thresholds should not be capitalized unless they function as a system where if one item is not present the entire system is considered non-operational or substantially impaired, the aggregate purchase must exceed 1% of net capital assets.

5. Compensated Absences

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

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

6. Accrued Liabilities and Long-Term Obligations

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 (Continued)*

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”). 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.

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.).

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balance (Continued)

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 a minimum of 30% of the previous year's audited total General Fund actual expenditures, exclusive of bond or other financed purchases, be available as unassigned fund balance for the purpose of securing and/or maintaining an excellent credit rating, meeting seasonal cash flow shortfalls, having funds available in the event of a disaster, and funding the needs of the City in the event of an emergency. The use of this fund balance, or any part thereof, requires a two-thirds vote of City Council.

9. Net Position

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

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

11. Fair Value

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, Beach Preservation 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.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 clearly marked evidence of ownership must be supplied to the City and retained. As of June 30, 2023, approximately \$29,000 of the City’s bank balances of approximately \$19,069,000 (with a carrying value of approximately \$18,782,000) were subject to custodial credit risk.

Investments

As of June 30, 2023, 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	\$ 2,337,806	2,337,806	-	-	\$ -
Municipal Bonds	NR	Level 2	250,710	250,710	-	-	-
U.S. Government Agencies Securities	AAAm, Aaa-mf	Level 1	4,697,755	4,697,755	-	-	-
Total			\$ 7,286,271	7,286,271	-	-	\$ -

^ 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.

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

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

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

A. Deposits and Investments (Continued)

Reconciliation to Financial Statements

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

Description	Amount
Carrying Amount of Deposits	\$ 18,781,893
Fair Value of Investments	7,286,271
Total Deposits and Investments	\$ 26,068,164
Statement of Net Position:	
Cash and Cash Equivalents	\$ 15,909,249
Cash and Cash Equivalents, Restricted	2,872,644
Investments	7,286,271
Total Cash and Investments	\$ 26,068,164

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2023 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, etc.).

B. Property Taxes and Other Receivables

The City’s governmental fund net receivables at June 30, 2023, consisted of the following:

	General Fund	State	Local	Local Hospitality Tax Fund	Beach Preservation Fund	Tourism Fund	Totals
		Accommodations Tax Fund	Tax Fund				
Delinquent Property Taxes	\$ 51,355	-	-	-	-	-	\$ 51,355
Current Property Taxes	19,121	-	-	-	-	-	19,121
Delinquent Parking Tickets	119,774	-	-	-	-	-	119,774
Local Options Sales Tax	56,223	-	-	-	-	-	56,223
Parking Program Fees	104,167	-	-	-	-	-	104,167
Business Licenses	58,498	-	-	-	-	-	58,498
Franchise Fees	22,355	-	-	-	-	-	22,355
Insurance Proceeds	18,794	-	-	-	-	-	18,794
Accommodations Taxes	40,323	524,204	460,330	-	144,567	241,940	1,411,364
Hospitality Taxes	-	-	-	203,140	-	-	203,140
Lease Receivable	1,822,534	-	-	-	-	-	1,822,534
State Aid to Subdivisions	12,783	-	-	-	-	-	12,783
Alcohol/Liquor Licenses	8,250	-	-	-	-	-	8,250
Other	218,209	-	-	-	16,230	-	234,439
Net Receivables	\$ 2,552,386	524,204	460,330	203,140	160,797	241,940	\$ 4,142,797

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

B. Property Taxes and Other Receivables (Continued)

The receivables listed above are net of allowances of approximately \$23,000 and \$379,000 related to delinquent property taxes and delinquent parking fees receivable, respectively, as of June 30, 2023. No other significant amounts were deemed uncollectible.

The City’s enterprise fund net receivables at June 30, 2023, consisted of the following:

	Water Fund	Sewer Fund	Totals
Water Sales	\$ 357,243	-	\$ 357,243
Sewer Usage Fees	-	117,692	117,692
Net Receivables	<u>\$ 357,243</u>	<u>117,692</u>	<u>\$ 474,935</u>

The enterprise fund receivables had no allowance for doubtful accounts at June 30, 2023 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, 2023.

Property Taxes

The City’s 2022 property taxes were levied on October 1, 2022 and were due beginning on this date based on the assessed valuation as of January 1, 2022. Property taxes were considered late on January 16, 2023. 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 2022 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, 2023, the General Fund had approximately \$50,000 and approximately \$120,000 in revenue related to property taxes and delinquent parking tickets, respectively, that was not available (unavailable revenue).

At June 30, 2023, the General Fund had approximately \$1,324,000 in revenue related to the American Rescue Plan Act that was received but not yet earned (unearned).

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

D. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2023 (all of which are expected to be received/paid within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 1,719,033	\$ 1,557,604
State Accommodations Tax Fund	-	1,055,563
Local Accommodations Tax Fund	-	460,330
Local Hospitality Tax Fund	-	203,140
Beach Preservation Fund	1,557,604	-
Totals	<u>\$ 3,276,637</u>	<u>\$ 3,276,637</u>

The receivable in the General Fund relates to the payables from the Local and State Accommodations Tax Funds and the Local Hospitality Tax Fund. The General Fund payable is a result of revenues not transferred to the Beach Preservation Fund as of June 30, 2023 as final collections were not made until after June 30, 2023.

Transfers between funds for the year ended June 30, 2023, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 3,075,861	\$ -
State Accommodations Tax Fund	-	1,055,563
Local Accommodations Tax Fund	-	2,068,220
Local Hospitality Tax Fund	-	963,601
Beach Preservation Fund	1,189,673	-
Tourism Fund	-	118,150
<u>Major Enterprise Funds:</u>		
Water Fund	-	60,000
Totals	<u>\$ 4,265,534</u>	<u>\$ 4,265,534</u>

Transfers into the General Fund and Beach Preservation Fund were mainly from the State and Local Accommodations, Local Hospitality Tax Funds and Tourism Fund to cover a portion of tourism related operating expenditures in accordance with State law and City ordinances. The Transfer from the Water Fund to the General Fund was the payment in lieu of taxes.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023 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	358,737	-	(538,040)	32,637
Total Capital Assets, Non-Depreciable	2,713,694	358,737	-	(538,040)	2,534,391
Capital Assets, Depreciable:					
Buildings and Improvements	5,602,076	438,405	-	538,040	6,578,521
Ocean Groins and Beach Walkovers	3,999,988	-	-	-	3,999,988
Park Improvements	875,108	-	-	-	875,108
Motor Vehicles	3,477,165	210,082	-	-	3,687,247
Machinery and Equipment	1,067,897	341,794	32,297	-	1,377,394
Total Capital Assets, Depreciable	15,022,234	990,281	32,297	538,040	16,518,258
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,855,081	213,687	-	-	2,068,768
Ocean Groins and Beach Walkovers	1,282,022	80,190	-	-	1,362,212
Park Improvements	470,509	33,378	-	-	503,887
Motor Vehicles	1,491,826	293,061	-	-	1,784,887
Machinery and Equipment	627,640	102,308	32,297	-	697,651
Total Accumulated Depreciation	5,727,078	722,624	32,297	-	6,417,405
Total Capital Assets, Depreciable, Net	9,295,156	267,657	-	538,040	10,100,853
Governmental Activities Capital Assets, Net	\$ 12,008,850	626,394	-	-	\$ 12,635,244

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

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 78,324
Public Safety	298,520
Public Works	345,780
Total - Governmental Activities	\$ 722,624

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023 was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Land	\$ 1,200	-	-	\$ 1,200
Construction in Progress	67,967	-	-	67,967
Total Capital Assets, Non-Depreciable	<u>69,167</u>	<u>-</u>	<u>-</u>	<u>69,167</u>
Capital Assets, Depreciable				
Buildings and Improvements	101,093	-	-	101,093
Motor Vehicles	83,568	-	-	83,568
Machinery and Equipment	200,255	94,878	-	295,133
Water System	2,683,045	99,744	-	2,782,789
Sewer System	1,705,629	28,500	-	1,734,129
Total Capital Assets, Depreciable	<u>4,773,590</u>	<u>223,122</u>	<u>-</u>	<u>4,996,712</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	91,219	1,673	-	92,892
Motor Vehicles	56,864	6,422	-	63,286
Machinery and Equipment	86,377	15,086	-	101,463
Water System	1,566,914	55,879	-	1,622,793
Sewer System*	1,320,123	25,363	-	1,345,486
Total Accumulated Depreciation	<u>3,121,497</u>	<u>104,423</u>	<u>-</u>	<u>3,225,920</u>
Total Capital Assets, Depreciable, Net	<u>1,652,093</u>	<u>118,699</u>	<u>-</u>	<u>1,770,792</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,721,260</u>	<u>118,699</u>	<u>-</u>	<u>\$ 1,839,959</u>

*Certain amounts have been restated due to a prior period adjustment - see Note IV.D for details.

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

Functions/Programs	Depreciation Expense
Business-Type Activities:	
Water	\$ 75,253
Sewer	<u>29,170</u>
Total - Business-Type Activities	<u>\$ 104,423</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 bond issues and financed purchase obligations as of June 30, 2023 are as follows:

	<u>Principal Outstanding at Year End</u>
<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>\$ 2,060,000</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>\$ 1,164,918</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023 for the City’s governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds (Direct Placement):					
GOB - August 2020	\$ 2,274,000	-	214,000	2,060,000	\$ 217,000
Total Bonds	<u>2,274,000</u>	<u>-</u>	<u>214,000</u>	<u>2,060,000</u>	<u>217,000</u>
Financed Purchase Obligations:					
Financed Purchase - October 2020	1,389,612	-	224,694	1,164,918	227,413
Total Financed Purchase Obligations	<u>1,389,612</u>	<u>-</u>	<u>224,694</u>	<u>1,164,918</u>	<u>227,413</u>
Total Debt	3,663,612	-	438,694	3,224,918	444,413
Accrued Compensated Absences	231,591	106,438	53,219	284,810	284,810
Total Governmental Activities	<u>\$ 3,895,203</u>	<u>106,438</u>	<u>491,913</u>	<u>3,509,728</u>	<u>\$ 729,223</u>
Business-Type Activities:					
Accrued Compensated Absences	\$ 26,038	2,704	1,229	27,513	\$ 27,513

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, 2023.

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, 2023, the City had approximately \$2,060,000 of bonded debt subject to the 8% limit of approximately \$6,932,000 resulting in an unused legal debt margin of approximately \$4,872,000.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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,	Bonds		Financed Purchase Obligations		Totals
	Principal	Interest	Principal	Interest	
Governmental Activities					
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	229,000	15,745	238,621	2,887	486,253
2029-2032	946,000	31,892	-	-	977,892
Totals	\$ 2,060,000	140,445	1,164,918	42,626	\$ 3,407,989

G. Lease Agreement

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, 2023, 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
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	45,755	30,495	76,250
2029-2033	242,031	139,219	381,250
2034-2038	265,695	115,555	381,250
2039-2043	291,672	89,578	381,250
2044-2048	320,189	61,061	381,250
2049-2053	351,495	29,755	381,250
2054-2055	130,976	2,461	209,688
Total	\$ 1,822,534	598,403	\$ 2,497,188

In accordance with GASB #87, the City has recorded a Lease Receivable of approximately \$1,823,000 with a corresponding deferred inflow of resources as of June 30, 2023.

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

H. Parking Program Revenues

The City entered into an agreement with PCI Municipal Services, LLC (“Contractor”) to manage the time-related parking in the City in May 2023. This agreement, which expires in April 2027, requires the City pay an annual operating payment in years one and two of the agreement equal to \$1,250,000 in equal monthly installments of approximately \$104,167. For the remainder of the term, the annual operating payment shall be \$1,250,000 plus 85% of any increase in year over year gross revenue calculated by deducting the actual amount of gross revenue of year one from the average gross revenue of the previous two years. Parking program revenues, net of deductions for the contractor’s expenses, for the year ended June 30, 2023 were \$676,000.

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, 2023, the City made premium payments totaling approximately \$200,000. 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, 2023 totaled approximately \$190,316,000. 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, 2023, the City made premium payments to SCMIT totaling approximately \$104,000. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2022 totaled approximately \$44,198,000. 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, 2023, the City made employer portion of the premium payments to the Employee Insurance Program totaling approximately \$494,000. The Employee Insurance Program’s net position from its most recently issued audited financial statements at June 30, 2023 totaled approximately \$408,937,000. 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, 2023

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 retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“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 (“ACFR”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The ACFR 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 ACFR 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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

The 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, 2023

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 first-term individuals elected to the South Carolina General Assembly. 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.

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS (“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. The Retirement Funding and Administration Act of 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. 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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

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

	SCRS Rates	PORS Rates
	2023	2023
Employer Contribution Rate: ^		
Retirement	17.41%	19.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	<u>17.56%</u>	<u>20.24%</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 \$372,000 and \$335,000, respectively, for the year ended June 30, 2023 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, 2023. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2023 were approximately \$15,000 and \$14,000 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, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The June 30, 2022 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, 2021. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (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, 2023

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 2022 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%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Rate of Return	<u>100.0%</u>		<u>4.79%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.04%</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, 2022 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	\$ 56,454,779,872	32,212,626,932	\$ 24,242,152,940	57.1%
PORS	\$ 8,937,686,946	5,938,707,767	\$ 2,998,979,179	66.4%

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, the City reported liabilities of approximately \$3,915,000 and \$2,582,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2021 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, 2022 measurement date, the City's SCRS proportion was 0.016151 percent, which was a decrease of 0.000598 percent from its proportion measured as of June 30, 2021. At the June 30, 2022 measurement date, the City's PORS proportion was 0.086105 percent, which was an increase of 0.00639 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of approximately \$290,000 and \$374,000 for the SCRS and PORS, respectively. At June 30, 2023, 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	\$ 34,017	\$ 17,063
Change in Assumptions	125,575	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,038	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	2,081	254,809
Employer Contributions Subsequent to the Measurement Date	357,060	-
Total SCRS	<u>524,771</u>	<u>271,872</u>
PORS		
Differences Between Expected and Actual Experience	43,326	51,047
Change in Assumptions	107,530	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,798	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	336,815	5,098
Employer Contributions Subsequent to the Measurement Date	320,166	-
Total PORS	<u>815,635</u>	<u>56,145</u>
Total SCRS and PORS	<u>\$ 1,340,406</u>	<u>\$ 328,017</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$357,000 and \$320,000 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, 2024. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2024	\$ (28,015)	205,766	\$ 177,751
2025	(57,333)	172,315	114,982
2026	(120,922)	(39,130)	(160,052)
2027	102,109	100,373	202,482
Total	<u>\$ (104,161)</u>	<u>439,324</u>	<u>\$ 335,163</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	\$ 5,019,992	3,915,374	\$ 2,997,027
City’s proportionate share of the net pension liability of the PORS	3,600,838	2,582,283	1,748,500
Total	<u>\$ 8,620,830</u>	<u>6,497,657</u>	<u>\$ 4,745,527</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 ACFR containing financial statements and required supplementary information for the SCRS and PORS. The ACFR 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, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The City reported a payable of approximately \$124,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the SCRS and PORS. This amount is included in other accrued liabilities on the financial statements and was paid in July 2023.

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, 2023.

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.

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. This agreement was last amended in March 2021. Under terms of this agreement, the City currently pays a base charge plus a volumetric rate for water purchased. As of result of this contract, the City is economically dependent on Charleston Water Systems for the operation of its water utility.

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

CITY OF FOLLY BEACH, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

D. Prior Period Adjustment

The City implemented a new accounting system including a new capital assets module during the year ended June 30, 2018. During the implementation, the estimated useful life of the City's sewer system asset was changed from 50 years to 35 years. However, depreciation expense related to the City's sewer system asset was not adjusted to reflect this change in the estimated useful life. This error was not identified until 2023. Due to the understatement of depreciation expense in prior years, a prior period adjustment of approximately \$168,000 was required to properly report accumulated depreciation of the sewer system capital assets as of July 1, 2022. The adjustment resulted in a reduction of approximately \$168,000 to opening net position of the Sewer Fund and business-type activities.

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 2,909,630	2,909,630	2,883,519	\$ (26,111)
Licenses, Permits and Fees	2,068,051	2,068,051	3,203,096	1,135,045
Intergovernmental	841,044	841,044	887,050	46,006
Fines and Penalties	304,000	304,000	431,888	127,888
Investment Income	-	-	34,780	34,780
Parking Program Revenues	853,978	853,978	675,775	(178,203)
Other Revenues	64,000	64,000	97,942	33,942
TOTAL REVENUES ALL SOURCES	7,040,703	7,040,703	8,214,050	1,173,347
EXPENDITURES				
General Government:				
Central Government	1,535,038	1,293,528	919,585	373,943
City Mayor	49,221	49,220	38,151	11,069
City Council	214,375	214,375	233,474	(19,099)
Judicial	183,465	183,464	208,276	(24,812)
Elections	-	-	10,783	(10,783)
Administration	957,259	957,260	889,401	67,859
Facilities	933,580	933,580	1,041,914	(108,334)
Licenses and Short-Term Rental Enforcement	-	-	227,906	(227,906)
Public Safety	4,463,928	4,705,438	4,823,300	(117,862)
Public Works	1,947,231	1,947,232	1,922,202	25,030
TOTAL EXPENDITURES	10,284,097	10,284,097	10,314,992	(30,895)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,243,394)	(3,243,394)	(2,100,942)	1,142,452
OTHER FINANCING SOURCES (USES)				
Sale of Assets	5,000	5,000	-	(5,000)
Transfers In (Out)	2,643,464	2,643,464	3,075,861	432,397
TOTAL OTHER FINANCING SOURCES (USES)	2,648,464	2,648,464	3,075,861	427,397
NET CHANGES IN FUND BALANCE	(594,930)	(594,930)	974,919	1,569,849
FUND BALANCE, Beginning of Year	10,313,457	10,313,457	10,313,457	-
FUND BALANCE, End of Year	\$ 9,718,527	9,718,527	11,288,376	\$ 1,569,849

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 \$594,930.

Note: Expenditures exceeded final appropriations by approximately \$30,895 and were covered by revenues exceeding appropriations by approximately \$1,173,347.

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, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 481,850	481,850	493,558	\$ 11,708
Investment Income	18,000	18,000	133,840	115,840
TOTAL REVENUES ALL SOURCES	499,850	499,850	627,398	127,548
EXPENDITURES				
Repairs and Maintenance	10,000	10,000	1,168	8,832
Capital Outlay	50,000	50,000	-	50,000
Professional Services	116,000	116,000	188,993	(72,993)
Walkover retreats and relocations	100,000	100,000	7,660	92,340
TOTAL EXPENDITURES	276,000	276,000	197,821	78,179
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	223,850	223,850	429,577	205,727
OTHER FINANCING SOURCES (USES)				
Transfers In	1,041,027	1,041,027	1,189,673	148,646
	1,041,027	1,041,027	1,189,673	148,646
NET CHANGES IN FUND BALANCE	1,264,877	1,264,877	1,619,250	354,373
FUND BALANCE, Beginning of Year	9,080,508	9,080,508	9,080,508	-
FUND BALANCE, End of Year	\$ 10,345,385	10,345,385	10,699,758	\$ 354,373

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 \$1,264,877.

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 TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.016151%	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	\$ 3,915,374	\$ 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	\$ 1,931,159	\$ 1,893,301	\$ 2,016,387	\$ 1,909,809	\$ 1,716,716	\$ 1,604,784	\$ 1,495,594	\$ 1,513,478	\$ 1,448,700	\$ 1,477,479
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.75%	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	57.1%	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 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 RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 372,316	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	357,060	304,544	294,598	313,750	278,068	232,787	185,513	165,413	164,970	153,562
Contributions from the State	15,256	15,256	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 2,120,250	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	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

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 TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.08611%	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	\$ 2,582,283	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	\$ 1,362,700	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	189.50%	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	66.4%	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 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 TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 334,583	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	320,166	252,876	218,640	187,972	160,892	153,515	151,722	124,382	117,617	108,401
Contributions from the State	14,417	9,307	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 1,653,081	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	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%

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Supplementary Information

CITY OF FOLLY BEACH, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2023

	LOCAL HOSPITALITY TAX FUND	TOURISM FUND	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents, Restricted	\$ -	284,077	\$ 284,077
Due From:			
Other Governments	203,140	241,940	445,080
TOTAL ASSETS	\$ 203,140	526,017	\$ 729,157
LIABILITIES			
Due To:			
Other Funds	\$ 203,140	-	\$ 203,140
TOTAL LIABILITIES	203,140	-	203,140
FUND BALANCES			
Restricted:			
Tourism Related Expenditures	-	526,017	526,017
TOTAL FUND BALANCES	-	526,017	526,017
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 203,140	526,017	\$ 729,157

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	LOCAL HOSPITALITY TAX FUND	TOURISM FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES			
Accommodations Taxes	\$ -	613,065	\$ 613,065
Hospitality Taxes	963,601	-	963,601
Investment Income	-	204	204
TOTAL REVENUES ALL SOURCES	963,601	613,269	1,576,870
EXPENDITURES			
Current:			
General Government	-	581,518	581,518
TOTAL EXPENDITURES	-	581,518	581,518
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	963,601	31,751	995,352
OTHER FINANCING SOURCES (USES)			
Transfers Out	(963,601)	(118,150)	(1,081,751)
TOTAL OTHER FINANCING SOURCES (USES)	(963,601)	(118,150)	(1,081,751)
NET CHANGES IN FUND BALANCES	-	(86,399)	(86,399)
FUND BALANCES, Beginning of Year	-	612,416	612,416
FUND BALANCES, End of Year	\$ -	526,017	\$ 526,017

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 2,909,630	2,883,519	\$ (26,111)
LICENSES, PERMITS, AND FEES			
Business Licenses	812,301	1,872,690	1,060,389
Building Permits	480,000	570,937	90,937
Rental Registration Fees	76,250	41,680	(34,570)
Franchise Fees	410,000	454,008	44,008
Telecommunications Tax Collection	4,500	4,375	(125)
Brokers Tax Collections	275,000	248,258	(26,742)
Other Licenses, Permits, and Fees	10,000	11,148	1,148
Total Licenses, Permits, and Fees	<u>2,068,051</u>	<u>3,203,096</u>	<u>1,135,045</u>
INTERGOVERNMENTAL			
State Aid to Subdivisions	65,000	49,307	(15,693)
Alcohol/Liquor Tax	40,000	38,850	(1,150)
Merchant Inventory Tax	2,768	2,768	-
State Accommodations Taxes	89,000	127,178	38,178
LOST Revenues	641,276	620,194	(21,082)
Grants	3,000	48,753	45,753
Total Intergovernmental	<u>841,044</u>	<u>887,050</u>	<u>46,006</u>
FINES AND PENALTIES	<u>304,000</u>	<u>431,888</u>	<u>127,888</u>
INVESTMENT INCOME	<u>-</u>	<u>34,780</u>	<u>34,780</u>
OTHER REVENUES			
Parking Program Revenues	853,978	675,775	(178,203)
Miscellaneous	64,000	97,942	33,942
Total Other Revenues	<u>917,978</u>	<u>773,717</u>	<u>(144,261)</u>
TOTAL REVENUES	<u>7,040,703</u>	<u>8,214,050</u>	<u>1,173,347</u>
OTHER FINANCING SOURCES (USES)			
Sale of Assets	5,000	-	(5,000)
Net Transfers In (Out)	<u>2,643,464</u>	<u>3,075,861</u>	<u>432,397</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES (USES)	<u>\$ 9,689,167</u>	<u>11,289,911</u>	<u>\$ 1,600,744</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
CENTRAL GOVERNMENT			
City Hall:			
Repairs and Maintenance	\$ 5,000	-	\$ 5,000
Operating Supplies	57,700	18,430	39,270
Fees and Permits	3,000	1,459	1,541
Utilities	159,000	167,089	(8,089)
Advertising	5,000	7,868	(2,868)
Contract Services	350,301	298,120	52,181
Employee Relations	12,034	5,251	6,783
Pet Helpers	6,500	6,500	-
Total City Hall	<u>598,535</u>	<u>504,717</u>	<u>93,818</u>
Planning and Development:			
Celebrations	13,700	13,243	457
Community Projects	14,900	14,886	14
Beach Management	50,000	52,518	(2,518)
Total Planning and Development	<u>78,600</u>	<u>80,647</u>	<u>(2,047)</u>
Insurance:			
General Insurance	48,288	48,288	-
Unemployment Insurance	500	-	500
Total Insurance	<u>48,788</u>	<u>48,288</u>	<u>500</u>
Reserves:			
Capital Outlay	303,133	39,242	263,891
Claims and Judgments	20,000	-	20,000
Declared Emergency	-	468	(468)
Citizens Relief	-	1,940	(1,940)
Total Reserves	<u>323,133</u>	<u>41,650</u>	<u>281,483</u>
Debt Service:			
Principal	214,000	214,000	-
Interest	30,472	30,283	189
Total Debt Service - Central Government	<u>244,472</u>	<u>244,283</u>	<u>189</u>
TOTAL CENTRAL GOVERNMENT	<u>\$ 1,293,528</u>	<u>919,585</u>	<u>\$ 373,943</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
Salaries	\$ 2,241,177	2,121,555	\$ 119,622
Salary Allocation - Victim's Rights	4,500	4,618	(118)
Overtime	183,192	185,865	(2,673)
Housing Allowance	36,000	38,784	(2,784)
Certification bonus	127,625	72,368	55,257
Seasonal Augmentation Program	16,030	28,290	(12,260)
Employee Insurance	321,377	268,721	52,656
Payroll Taxes	185,082	179,127	5,955
Retirement	470,300	421,250	49,050
Workers Compensation Insurance	53,453	64,032	(10,579)
Repairs and Maintenance	82,050	92,320	(10,270)
Operating Supplies	131,700	139,757	(8,057)
Dues and Training	58,000	59,788	(1,788)
Transportation	77,000	94,391	(17,391)
Uniforms	31,500	25,488	6,012
Capital Outlay	72,000	300,547	(228,547)
Maintenance Contracts	215,828	344,425	(128,597)
Utilities	51,462	38,119	13,343
Victim's Advocate Operating	-	2,423	(2,423)
General Insurance	105,652	99,924	5,728
Total Public Safety	<u>4,463,928</u>	<u>4,581,792</u>	<u>(117,864)</u>
Debt Service:			
Principal	224,695	224,694	1
Interest	16,815	16,814	1
Total Debt Service - Public Safety	<u>241,510</u>	<u>241,508</u>	<u>2</u>
TOTAL PUBLIC SAFETY	<u>4,705,438</u>	<u>4,823,300</u>	<u>(117,862)</u>
PUBLIC WORKS			
Salaries	587,832	514,619	73,213
Overtime	33,439	30,768	2,671
Employee Insurance	118,123	86,870	31,253
Payroll Taxes	47,523	41,239	6,284
Retirement	108,542	80,697	27,845
Workers Compensation Insurance	17,131	20,414	(3,283)
Repairs and Maintenance	396,000	271,545	124,455
Operating Supplies	50,300	53,579	(3,279)
Dues and Training	11,300	9,272	2,028
Capital Outlay	325,000	591,817	(266,817)
Transportation	50,000	78,829	(28,829)
Uniforms	14,000	16,694	(2,694)
Professional Services	165,800	96,231	69,569
Utilities	3,200	1,948	1,252
Declared Emergency	0	8,447	(8,447)
General Insurance	19,042	19,233	(191)
TOTAL PUBLIC WORKS	<u>\$ 1,947,232</u>	<u>1,922,202</u>	<u>\$ 25,030</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	FINAL BUDGET	ACTUAL	VARIANCE
CITY MAYOR			
Salaries	\$ 15,000	15,000	\$ -
Employee Insurance	6,813	6,609	204
Payroll Taxes	1,148	1,059	89
Retirement	2,634	2,634	-
Operating Supplies	1,500	1,332	168
Dues and Training	8,375	1,825	6,550
Professional Services	4,000	1,050	2,950
Miscellaneous	9,000	8,089	911
Utilities	750	553	197
TOTAL CITY MAYOR	<u>49,220</u>	<u>38,151</u>	<u>11,069</u>
CITY COUNCIL			
Salaries	91,050	90,875	175
Overtime	-	837	(837)
Employee Insurance	40,377	39,125	1,252
Payroll Taxes	6,965	6,871	94
Retirement	15,971	16,104	(133)
Operating Supplies	9,700	30,252	(20,552)
Dues and Training	17,576	10,062	7,514
Discretionary	16,000	23,551	(7,551)
General Insurance	11,536	11,536	-
Utilities	5,200	4,261	939
TOTAL CITY COUNCIL	<u>214,375</u>	<u>233,474</u>	<u>(19,099)</u>
JUDICIAL			
Salaries	69,015	68,258	757
Overtime	1,069	1,320	(251)
Employee Insurance	241	161	80
Payroll Taxes	5,280	5,267	13
Retirement	12,079	12,161	(82)
Operating Supplies	2,600	83,366	(80,766)
Dues and Training	6,230	4,873	1,357
Professional Services	86,200	32,369	53,831
Utilities	750	501	249
TOTAL JUDICIAL	<u>183,464</u>	<u>208,276</u>	<u>(24,812)</u>
ELECTIONS			
Advertising	-	1,004	(1,004)
Operating Supplies	-	9,779	(9,779)
TOTAL ELECTIONS	<u>\$ -</u>	<u>10,783</u>	<u>\$ (10,783)</u>

(Continued)

CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATION			
Salaries	\$ 555,450	526,707	\$ 28,743
Overtime	1,410	1,421	(11)
Employee Insurance	63,118	46,757	16,361
Payroll Taxes	42,600	40,093	2,507
Retirement	97,477	90,480	6,997
Operating Supplies	13,500	6,117	7,383
Dues and Training	24,720	18,231	6,489
Workers Compensation Insurance	5,448	13,764	(8,316)
Professional Services	113,865	99,996	13,869
Community Projects	27,400	27,229	171
Utilities	9,900	15,598	(5,698)
Declared Emergency	-	234	(234)
General Insurance	2,372	2,372	-
TOTAL ADMINISTRATION	<u>957,260</u>	<u>889,401</u>	<u>67,859</u>
FACILITIES			
Salaries	75,015	78,129	(3,114)
Salaries	-	1,159	(1,159)
Employee Insurance	11,118	10,983	135
Payroll Taxes	5,739	5,934	(195)
Retirement	13,111	13,551	(440)
Repairs and Maintenance	142,600	188,047	(45,447)
Operating Supplies	58,000	34,239	23,761
Dues and Training	7,940	7,295	645
Transportation	11,500	6,340	5,160
Capital Outlay	585,105	673,455	(88,350)
Professional Services	4,000	-	4,000
Uniforms	300	290	10
Utilities	1,950	1,624	326
Declared Emergency	-	6,926	(6,926)
General Insurance	5,652	5,652	-
Parks and Recreation Committee	11,550	8,290	3,260
TOTAL FACILITIES	<u>933,580</u>	<u>1,041,914</u>	<u>(108,334)</u>
LICENSE AND SHORT-TERM RENTAL ENFORCEMENT			
Salaries	-	133,670	(133,670)
Overtime	-	1,578	(1,578)
Employee Insurance	-	18,283	(18,283)
Payroll Taxes	-	10,276	(10,276)
Retirement	-	23,949	(23,949)
Repairs and Maintenance	-	71	(71)
Operating Supplies	-	10,652	(10,652)
Contracts	-	25,383	(25,383)
Dues and Training	-	936	(936)
Transportation	-	148	(148)
Capital Outlay	-	540	(540)
Uniforms	-	1,171	(1,171)
Utilities	-	1,116	(1,116)
General Insurance	-	133	(133)
TOTAL LICENSE AND SHORT-TERM RENTAL ENFORCEMENT	<u>-</u>	<u>227,906</u>	<u>(227,906)</u>
TOTAL EXPENDITURES	<u>\$ 10,284,097</u>	<u>10,314,992</u>	<u>\$ (30,895)</u>

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2023

	GENERAL GOVERNMENT										GENERAL GOVERNMENT			2023																
	CENTRAL GOVERNMENT			CITY COUNCIL			JUDICIAL				ELECTIONS			ADMINISTRATION		FACILITIES		LICENSE AND SHORT-TERM RENTAL ENFORCEMENT		PUBLIC SAFETY		PUBLIC WORKS		TOTAL						
	GOVERNMENT	MAYOR	CITY	CITY	COUNCIL	CITY	JUDICIAL	ELECTIONS	ADMINISTRATION	FACILITIES	LICENSE AND SHORT-TERM RENTAL ENFORCEMENT	PUBLIC SAFETY	PUBLIC WORKS	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL					
Salaries	\$ -	15,000	90,875	68,258	-	-	526,707	78,129	133,670	2,121,555	514,619	3,548,813																		
Salaries Allocation - Victim's Rights	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Salaries - Overtime	-	-	837	1,320	-	-	1,421	1,159	1,578	185,865	30,768	222,948																		
Housing Allowance	-	-	-	-	-	-	-	-	-	38,784	-	38,784																		
Certification Bonus	-	-	-	-	-	-	-	-	-	72,368	-	72,368																		
Seasonal Augmentation Program	-	-	-	-	-	-	-	-	-	28,290	-	28,290																		
Employee Insurance	-	6,609	39,125	161	-	-	46,757	10,983	18,283	268,721	86,870	477,509																		
Payroll Taxes	-	1,059	6,871	5,267	-	-	40,093	5,934	10,276	179,127	41,239	289,866																		
Retirement	-	2,634	16,104	12,161	-	-	90,480	13,551	23,949	421,250	80,697	660,826																		
Repairs and Maintenance	-	-	-	-	-	-	-	-	71	92,320	271,545	551,983																		
Operating Supplies	18,430	1,332	30,232	83,366	9,779	-	6,117	34,239	10,652	139,757	53,579	387,503																		
Dues and Training	-	1,825	10,062	4,873	-	-	18,231	7,295	936	59,788	9,272	112,282																		
Fees and Permits	1,459	-	-	-	-	-	-	-	-	-	-	1,459																		
Transportation	-	-	-	-	-	-	-	-	6,340	148	78,829	179,708																		
Uniforms	-	-	-	-	-	-	-	-	290	1,171	16,694	43,643																		
Capital Outlay	39,242	-	-	-	-	-	-	-	673,455	540	591,817	1,605,601																		
Professional/Contract Services	298,120	1,050	-	32,369	-	-	99,996	-	-	25,383	96,231	553,149																		
Miscellaneous	-	8,089	-	-	-	-	402	-	-	-	-	8,491																		
Pet Helpers	6,500	-	-	-	-	-	-	-	-	-	-	6,500																		
Discretionary	-	-	23,551	-	-	-	-	-	-	-	-	-																		
Maintenance Contracts	-	-	-	-	-	-	-	-	-	-	-	-																		
Utilities	167,089	553	4,261	501	1,004	-	15,598	1,624	1,116	-	1,948	230,809																		
Advertising	7,868	-	-	-	-	-	-	-	-	-	-	8,872																		
Employee Relations	5,251	-	-	-	-	-	-	-	-	-	-	5,251																		
Community Projects	14,886	-	-	-	-	-	27,229	-	-	-	-	42,115																		
Beach Management	52,518	-	-	-	-	-	-	-	-	-	-	52,518																		
Celebrations	13,243	-	-	-	-	-	-	-	-	-	-	13,243																		
Declared Emergency	-	-	-	-	-	-	234	-	6,926	-	8,447	15,607																		
General Insurance	48,288	-	11,536	-	-	-	2,372	5,652	133	99,924	19,233	187,138																		
Victim's Advocate Operating	-	-	-	-	-	-	-	-	-	2,423	-	2,423																		
Workers Compensation Insurance	-	-	-	-	-	-	13,764	-	-	64,032	20,414	98,210																		
Parks and Recreation Committee	-	-	-	-	-	-	-	-	8,290	-	-	8,290																		
Reserves	2,408	-	-	-	-	-	-	-	-	-	-	2,408																		
Debt Service - Principal	214,000	-	-	-	-	-	-	-	-	-	224,694	438,694																		
Debt Service - Interest	30,283	-	-	-	-	-	-	-	-	-	16,814	47,097																		
TOTAL DEPARTMENTAL EXPENDITURES	\$ 919,585	38,151	233,474	208,276	10,783	889,401	1,041,914	227,906	4,823,300	1,922,202	\$ 10,314,992																			

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CITY OF FOLLY BEACH, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

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	\$ -	-	514,998	\$ 514,998
Court fines and assessments remitted to State Treasurer	-	-	(105,759)	(105,759)
Total Court Fines and Assessments retained	-	-	409,239	409,239
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	-	-	9,929	9,929
Assessments retained	-	-	12,756	12,756
Total Surcharges and Assessments retained for victim services	\$ -	-	22,685	\$ 22,685

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 25,000	-	\$ 25,000
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	9,929	-	9,929
Victim Service Surcharges Retained by City/County Treasurer	12,756	-	12,756
Interest Earned	2,658	-	2,658
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)	\$ 50,343	-	\$ 50,343
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ 4,618	-	\$ 4,618
Operating Expenditures	2,423	-	2,423
Victim Service Contract(s):			
(1) Entity's Name	-	-	-
(2) Entity's Name	-	-	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	10,000	-	10,000
(2) Rape Crisis Center:	10,000	-	10,000
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	27,041	-	27,041
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	23,302	-	23,302
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds – End of Year	\$ 23,302	-	\$ 23,302

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**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

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*.

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
December 14, 2023

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2023

2023-001: PRIOR PERIOD ADJUSTMENT

- Condition/Cause:** The City implemented a new accounting system including a new capital assets module during the fiscal year ended June 30, 2018. During the implementation, the estimated useful life of the City’s sewer system asset was changed from 50 years to 35 years. Depreciation expense related to the City’s sewer system asset was not adjusted to reflect this change, and the error was not identified until the fiscal year ended June 30, 2023. As a result, a prior period adjustment of approximately \$168,000 was needed to properly report accumulated depreciation related to the sewer system asset as of July 1, 2022.
- Criteria:** The City should have internal controls in place to ensure that capital asset balances are accurately reported.
- Effect:** An audit adjustment of approximately \$168,000 was required to properly report accumulated depreciation as of July 1, 2022. The adjustment resulted in a reduction of opening net position of the Sewer Fund and business-type activities.
- Recommendation:** We recommend the City take the necessary steps to monitor capital asset balances to ensure depreciation expense is properly calculated based on estimated useful lives.
- Response:** The City agrees with the recommendations and will ensure all capital asset balances are accurately reported.
-

2023-002: ACCRUALS

- Condition/Cause:** The City’s accruals related to taxes receivable in the General Fund and accounts receivable in the Water Fund were understated prior to audit adjustments as a result of management oversight. Property taxes receivable and related unavailable revenues required audit adjustments in order to reconcile the amounts due from the County as of June 30, 2023. Accounts receivable for water sales and related revenue required audit adjustments in order to reconcile the accounts receivable balance with the billing reports for services provided in June 2023.
- Criteria:** The City should have appropriate internal controls in place to ensure that all necessary accruals have been properly recorded.
- Effect:** Property taxes receivable and related unavailable revenues required an adjustment of approximately \$113,000, and accounts receivable and related revenues in the Water Fund required an adjustment of approximately \$129,000.
- Recommendation:** We recommend the City develop and implement appropriate internal controls and accounting procedures to ensure that all accruals are properly recorded.
- Response:** The City agrees with the recommendation and will ensure all accruals are properly recorded.

CITY OF FOLLY BEACH, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2023

2023-003: UNREALIZED GAIN ON INVESTMENTS

Condition/Cause: The City did not record the unrealized gain on the Beach Renourishment Fund investment account. The investment account was not initially reported at market value as a result of management oversight. These items were adjusted when brought to the City’s attention.

Criteria: The City should have appropriate internal controls in place to ensure that all cash and investment statements are properly reconciled.

Effect: The City did not record the unrealized gain on the Beach Renourishment Fund investment account. An adjustment of approximately \$247,000 was required to properly report the value of the investment account as of June 30, 2023.

Recommendation: We recommend the City develop and implement appropriate internal controls and accounting procedures to ensure that all cash and investment accounts are properly reconciled.

Response: The City agrees with the recommendation and will ensure all cash and investment accounts are properly reconciled and reported.