

**CITY OF HANAHAN, SOUTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

# CITY OF HANAHAN, SOUTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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# CITY OF HANAHAN, SOUTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and Members  
of the City Council  
City of Hanahan, South Carolina  
Hanahan, South Carolina

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the **City of Hanahan, South Carolina** (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2022, and the respective changes in financial position, and the budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – South Carolina Retirement System, the Schedule of Contributions – South Carolina Retirement System, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Police Officers' Retirement System, and the Schedule of Contributions – Police Officers' Retirement System, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***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 Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), as listed in the table of contents as required by the State of South Carolina, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. 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 Uniform Schedule of Court Fines, Assessments and Surcharges and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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**Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 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 of Hanahan, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
January 5, 2023



# CITY OF HANAHAN, SOUTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2022

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,542,422
Investments	4,705,900
Taxes receivable, net	4,219,778
Accounts receivable	6,814,828
Inventory	8,492
Capital assets:	
Non-depreciable	13,002,207
Depreciable, net of accumulated depreciation	14,291,955
Total assets	<u>60,585,582</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	<u>2,731,897</u>
Total deferred outflows of resources	<u>2,731,897</u>
<b>LIABILITIES</b>	
Accounts payable	429,189
Accrued expenses	542,508
Unearned revenues	1,954,226
Current maturities of long-term debt	983,671
Long-term liabilities:	
Compensated absences	150,541
General obligation bonds	12,976,579
Financed purchases	712,400
Net pension liability - due in more than one year	10,256,800
Total liabilities	<u>28,005,914</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	1,969,273
Grants	5,810,836
Property taxes billed or received in advance	<u>4,114,800</u>
Total deferred inflows of resources	<u>11,894,909</u>
<b>NET POSITION</b>	
Net investment in capital assets	19,061,906
Restricted for:	
Capital projects	4,296,907
Other specific purposes	66,439
Unrestricted	<u>(8,596)</u>
Total net position	<u><u>\$ 23,416,656</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 5,118,256	\$ 2,564,453	\$ 5,049,561	\$ -	\$ 2,495,758
Public safety	6,570,317	513,061	209,230	-	(5,848,026)
Public works	1,403,775	134,374	21,021	-	(1,248,380)
Recreation and parks	2,260,169	467,042	1,000	319,332	(1,472,795)
Interest	295,241	-	-	-	(295,241)
Total governmental activities	<u>\$ 15,647,758</u>	<u>\$ 3,678,930</u>	<u>\$ 5,280,812</u>	<u>\$ 319,332</u>	<u>(6,368,684)</u>
General revenues:					
					8,018,839
Taxes					721,696
Miscellaneous					78,327
Interest					<u>8,818,862</u>
Total general revenues					<u>2,450,178</u>
Change in net position					<u>20,966,478</u>
Net position, beginning of year					<u>\$ 23,416,656</u>
Net position, end of year					

The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

ASSETS	General Fund	Capital Projects Fund	Total Governmental Funds
Cash and cash equivalents	\$ 9,086,394	\$ 8,456,028	\$ 17,542,422
Investments	2,897,388	1,808,512	4,705,900
Taxes receivable, net	4,219,778	-	4,219,778
Accounts receivable	6,495,496	319,332	6,814,828
Inventory	8,492	-	8,492
Total assets	<u>\$ 22,707,548</u>	<u>\$ 10,583,872</u>	<u>\$ 33,291,420</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 429,189	\$ -	\$ 429,189
Accrued liabilities	398,177	-	398,177
Unearned revenues	1,954,226	-	1,954,226
Total liabilities	<u>2,781,592</u>	<u>-</u>	<u>2,781,592</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable grant revenues	5,810,836	-	5,810,836
Unavailable property tax revenues	5,084	-	5,084
Unavailable property tax revenues received in advance	4,114,800	-	4,114,800
Total deferred inflows of resources	<u>9,930,720</u>	<u>-</u>	<u>9,930,720</u>
 <b>FUND BALANCES</b>			
Non-spendable	8,492	-	8,492
Restricted for:			
Capital projects and development	15,459	10,583,872	10,599,331
Drug and police enforcement	66,439	-	66,439
Unassigned	9,904,846	-	9,904,846
Total fund balances	<u>9,995,236</u>	<u>10,583,872</u>	<u>20,579,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,707,548</u>	<u>\$ 10,583,872</u>	<u>\$ 33,291,420</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2022

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Amounts reported for governmental activities in the statement of activities are different because:

Fund balances, end of year	\$	20,579,108
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,294,162
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. These amounts are:

Property taxes		5,084
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Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.		2,731,897
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Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are, therefore, not reported in the funds.		(1,969,273)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds payable	\$	(13,557,772)	
Capital leases payable		(976,908)	
Net pension liability		(10,256,800)	
Compensated absences		(288,511)	
Accrued interest payable		(144,331)	
		<hr/>	(25,224,322)
			<hr/>
	\$		23,416,656

The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 3,580,211	\$ 614,784	\$ 4,194,995
Local option sales tax	2,394,807	-	2,394,807
Intergovernmental revenues - other	921,198	-	921,198
Intergovernmental revenues - grants	4,359,614	-	4,359,614
Franchise fees	1,458,433	-	1,458,433
Licenses and permits	2,193,794	-	2,193,794
Court fines, assessments and surcharges	381,390	-	381,390
Impact fees	-	134,374	134,374
Recreational program fees	467,042	-	467,042
911 revenues	158,847	-	158,847
EMS fees received	343,483	-	343,483
Contributions	-	319,332	319,332
Miscellaneous revenues	40,284	681,412	721,696
Interest	32,998	45,329	78,327
Total revenues	<u>16,332,101</u>	<u>1,795,231</u>	<u>18,127,332</u>
<b>Expenditures</b>			
Current:			
General government	4,660,563	-	4,660,563
Public works	1,291,633	-	1,291,633
Public safety	5,505,301	-	5,505,301
Recreation and parks	1,384,576	-	1,384,576
Debt service:			
Principal payments	545,705	1,749,702	2,295,407
Interest payments	223,467	243,291	466,758
Capital outlay	4,105,647	5,947,267	10,052,914
Total expenditures	<u>17,716,892</u>	<u>7,940,260</u>	<u>25,657,152</u>
Deficiency of revenues under expenditures	<u>(1,384,791)</u>	<u>(6,145,029)</u>	<u>(7,529,820)</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	9,959	9,959
Financed purchases	159,278	-	159,278
Transfers in	487,385	-	487,385
Transfers out	-	(487,385)	(487,385)
Total other financing sources (uses)	<u>646,663</u>	<u>(477,426)</u>	<u>169,237</u>
Net change in fund balances	(738,128)	(6,622,455)	(7,360,583)
<b>Fund balances, beginning of year</b>	<u>10,733,364</u>	<u>17,206,327</u>	<u>27,939,691</u>
<b>Fund balances, end of year</b>	<u>\$ 9,995,236</u>	<u>\$ 10,583,872</u>	<u>\$ 20,579,108</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(7,360,583)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Total capital outlay	\$	9,596,432	
Total depreciation expense		(1,365,631)	
			8,230,801

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(402,333)
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Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(29,396)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:

Financed purchases	\$	(159,278)	
Premium Amortization		159,520	
Principal retirement of bonds		2,065,000	
Principal retirement of financed purchases		230,407	
			2,295,649

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension liability	\$	(287,545)	
Accrued interest		11,997	
Compensated absences		(8,412)	
			(283,960)

Change in net position of governmental activities.	\$	2,450,178
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The accompanying notes are an integral part of these financial statements.

# CITY OF HANAHAN, SOUTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,090,000	\$ 3,090,000	\$ 3,580,211	\$ 490,211
Local option sales tax	2,247,000	2,247,000	2,394,807	147,807
Intergovernmental revenues - other	917,795	917,795	921,198	3,403
Intergovernmental revenues - grants	673,033	673,033	4,359,614	3,686,581
Franchise fees	1,550,500	1,550,500	1,458,433	(92,067)
Licenses and permits	2,175,000	2,175,000	2,193,794	18,794
Court fines, assessments and surcharges	565,000	565,000	381,390	(183,610)
Recreational program fees	455,375	455,375	467,042	11,667
911 revenues	150,000	150,000	158,847	8,847
EMS fees received	315,000	315,000	343,483	28,483
Miscellaneous revenues	60,000	60,000	40,284	(19,716)
Interest	15,000	15,000	32,998	17,998
Total revenues	<u>12,213,703</u>	<u>12,213,703</u>	<u>16,332,101</u>	<u>4,118,398</u>
<b>Expenditures</b>				
Current:				
General government	4,700,604	4,700,604	4,660,563	40,041
Public works	1,342,115	1,342,115	1,291,633	50,482
Public safety	5,965,630	5,965,630	5,505,301	460,329
Recreation and parks	1,525,410	1,525,410	1,384,576	140,834
Current:				
Principal payments	519,499	519,499	545,705	(26,206)
Interest payments	222,845	222,845	223,467	(622)
Capital outlay	4,522,795	4,522,795	4,105,647	417,148
Total expenditures	<u>18,798,898</u>	<u>18,798,898</u>	<u>17,716,892</u>	<u>1,082,006</u>
Deficiency of revenues under expenditures	<u>(6,585,195)</u>	<u>(6,585,195)</u>	<u>(1,384,791)</u>	<u>5,200,404</u>
<b>Other financing sources</b>				
Financed purchases	-	-	159,278	159,278
Transfers in	570,795	570,795	487,385	(83,410)
Total other financing sources	<u>570,795</u>	<u>570,795</u>	<u>646,663</u>	<u>75,868</u>
Net change in fund balance	(6,014,400)	(6,014,400)	(738,128)	5,276,272
<b>Fund balances, beginning of year</b>	<u>10,733,364</u>	<u>10,733,364</u>	<u>10,733,364</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 4,718,964</u>	<u>\$ 4,718,964</u>	<u>\$ 9,995,236</u>	<u>\$ 5,276,272</u>

**CITY OF HANAHAN, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Hanahan, South Carolina (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government 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.

**A. Reporting Entity**

The City was incorporated on September 21, 1973, under the laws of the State of South Carolina. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. Accordingly, the City has adopted the Council form of government. The City Council is composed of the mayor and six Council members. The City provides a full range of services to its citizens including police and fire protection, EMS, recreation and parks, code enforcement, and general administrative services.

In evaluating how to define the City, for financial reporting purposes, management has considered any potential component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on the application of the criteria set forth in GAAP, management has considered any potential component units over which the City exercises significant influence and has determined that the City has no component units for financial reporting purposes.

**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. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) 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 City has no business-type activities.

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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 grants and donations. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. All revenues (including franchise fees, intergovernmental revenues, licenses, etc.) are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of grant related revenues. Grant related revenues are considered to be available if they are collected within one 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, if applicable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**General Fund** – The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** – The capital projects fund is used to account for financial resources to be used for the construction of major capital projects. The City's routine purchases of capitalizable items are budgeted and reported in the General Fund as appropriate.

#### **C. 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 Local Government Investment Pool ("SCLGIP") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the SCLGIP are reported as investments.

The City's restricted accounts are established to account for assets restricted for specific purposes, typically by outside parties or legal agreement. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **D. Investments**

State of South Carolina statutes authorize the entity to invest in the following:

1. Obligations of the United States of America and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan associations deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. No load open and closed-end portfolios of certain investment companies with issues of the United States of America government;
5. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third-party as escrow agent or custodian, or a market value not less than the amount of the certificate of deposit so secured, including interest.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Restricted Assets

Certain assets are classified as restricted assets on the Statement of Net Position because their use is limited by debt agreements or earmarked for specific purposes. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to obtain services in the subsequent fiscal year. The City uses the consumption method to account for these items. The portion of fund balance shown as non-spendable for prepaid items has been recognized to signify that a portion of fund balances is not available for other subsequent expenditures.

#### G. Capital Assets

The City's property, plant, and equipment of all funds are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at acquisition value. All public domain or "infrastructure" fixed assets such as water, sewer, and drainage improvements, street signs and lighting are capitalized and are depreciated over their estimated useful lives. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Building and structural components	10 – 50 years
Equipment	5 – 10 years
Road and drainage improvements	20 years
Recreation and parks facilities	20 – 25 years
Fire trucks	20 years
Police cars	5 years
Garbage trucks	10 years
Other vehicles	3 – 5 years

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund balance is reported in the governmental funds financial statements and generally represents the difference between current assets and current liabilities. Fund balance classifications represent a hierarchy based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Non-spendable** – Fund balances are classified as non-spendable when amounts cannot be spent because they are either: i) in non-spendable form, or ii) they are legally or contractually required to be maintained intact. The City includes items that are not expected to be converted to cash such as inventories and prepaid amounts.
- **Restricted** – Fund balances are reported as restricted when their use is restricted for specific purposes including: i) constraints on funds externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or ii) constraints imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Fund balances are reported as committed if their use is for a specific purpose as approved by formal action of the Council (majority vote). Amounts committed cannot be used for any other purpose unless the Council removes or changes the specific use by approving such action through resolution at a Council meeting. Budget resolutions are considered a plan for specific use.
- **Assigned** – Fund balances are reported as assigned when constrained by the City’s intent to use the funds for specific purposes that are neither restricted nor committed. Assigned fund balance includes: i) all remaining amounts (except negative balances) reported in governmental funds, other than the General Fund, that are not classified as non-spendable, restricted or committed, ii) amounts in the General Fund intended for a specific use identified by either the Mayor or Treasurer, and iii) amounts appropriated to eliminate a projected budget deficit in the subsequent year.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above four criterion for classification. The City reports positive unassigned fund balance in only the General Fund. Negative unassigned fund balances may be reported in all governmental funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Fund Equity (Continued)

For purposes of fund balance disbursement, unless otherwise approved by the Council, the City will expend restricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Next, the City will expend committed fund balance when an expenditure is paid for which unrestricted fund balance is available. The City would next disburse fund balance assigned for purposes of the fund before disbursing other assigned fund balance amounts. In the General Fund, the City would disburse unassigned fund balance prior to disbursing fund balance assigned for financial policy reserve levels or amounts assigned to eliminate the subsequent year's budget deficit.

Equity is classified as net position and displayed in three components in the government-wide financial statements.

**Net investment in capital assets** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element 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 has four items that qualify for reporting in this category. These four items relate to the City's pension plan and are reported in the government-wide Statement of Net Position: 1) experience losses result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members; 2) changes in actuarial assumptions adjust the net pension liabilities and are amortized into pension expense over the expected remaining service lives of plan members; 3) the changes in the City's proportionate share of the collective net pension liability and differences between actual employer contributions and proportionate share of the total plan employer contributions are specific to cost-sharing multiple employer defined benefit pension plans and represent the current period amortized portions of these deferred outflows; and 4) any contributions made by the City to the pension plan before year-end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element 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 has three types of items that qualify for reporting in this category. Two of these items relate to the City's pension plan and are reported in the government-wide Statement of Net Position: 1) certain experience gains are deferred and amortized against expense over a five-year period, resulting in recognition as deferred inflows of resources; and 2) the differences between projected investment return on pension investments and actual return on those investments are deferred and amortized against pension expense over a five-year period. The third item relates to the City's property taxes and grants. Accordingly, the item, unavailable property tax revenues and unavailable grant revenues, is reported only in the governmental funds Balance Sheet, and property tax revenues and grant revenues received in advance is reported on the governmental funds Balance Sheet and the Statement of Net Position. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Taxes Receivable

The Berkeley County Treasurer collects property taxes for all the governmental units located in Berkeley County, including the City of Hanahan, under a unified collection system. Current tax collections are made through the office of the County Treasurer and delinquent tax collections are made through the Delinquent Tax Collector of Berkeley County.

The City recognizes property taxes in the period in which they are levied and available for financing current expenditures. Property taxes receivable represent delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, excluding vehicles, as of January 1, 2022. All net property taxes receivable at year end, except those collected within sixty days, are recorded as deferred inflows of resources, and thus not recognized as revenue until collected.

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes beginning January 16 - three percent (3%), February 2 - an additional seven percent (7%), March 16 - an additional five percent (5%). On March 16, the property tax bills are turned over to the delinquent tax office and if not paid by October 1, the properties are subject to sale. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The taxpayer must provide proof of payment to the Highway Department before that agency will renew the vehicle license.

All property taxes receivable are shown net of an allowance for uncollectible amounts. The allowance for property taxes receivable is based upon a composite average of each delinquent tax year's collections to the outstanding balance at the beginning of the fiscal year.

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Data

In the last quarter of each year, the City Administrator submits to the City Council a proposed annual budget for the City for the fiscal year commencing the following July 1. The proposed operating budget is derived from estimates of revenues and proposed expenditures for all City funds as determined by City department heads. During June, the proposed budget is formally introduced and has a first and second reading prior to legal enactment through passage of a budget ordinance by City Council.

The annual budget is adopted on a basis consistent with GAAP for the General Fund and the Capital Projects Fund, except that principal bond proceeds received are reflected as other financing sources.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

#### Budgetary Data (Continued)

Formal budgetary integration is employed as a management control device during the year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted to City Council for approval in summary form with a more detailed line-item budget included for administrative control. Revenues are budgeted by source. Expenditures are budgeted by department and category.

The legal level of budgetary control is determined by City Council at the individual fund level. Expenditures by department and major category, i.e. personnel, non-personnel and capital outlay, are further defined in the budget document and are subject to City Administrator approval. The City Administrator is authorized to make transfers between major expenditure categories within departments and between departments within the same fund. The budget ordinance must be amended by Council to effect changes in fund totals.

Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, supplementary appropriations may be approved by Council. In addition, reappropriations may be approved resulting in transfers between major expenditure categories within departments and between departments within the same fund. This would result in increases and decreases within individual departments within the funds.

Appropriations which have not been expended or encumbered lapse at the end of each fiscal year. Capital outlay appropriations do not lapse until the purpose for which the appropriation was made is accomplished or abandoned.

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued, but they are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a commitment of fund balance on the governmental fund balance sheet. Encumbrances do not lapse at the close of the fiscal year, but are carried forward as committed fund balance until liquidated. There were no encumbrances at June 30, 2022.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS

**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 follows the South Carolina Code of Laws Section 6-5-15 as its policy for custodial credit risk which states that to the extent that these deposits exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation, the bank or savings and loan association at the time of deposit must: 1) furnish an indemnity bond in a responsible surety company authorized to do business in this State; or 2) pledge as collateral: a) obligations of the United States; b) obligations fully guaranteed both as to principal and interest by the United States; c) general obligations of this State or any political subdivision of this State; or d) obligations of the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation; or provide an irrevocable letter of credit issued by the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit otherwise meets the criteria established and prescribed by the local entity. As of June 30, 2022, none of the City's bank balances were subject to custodial credit risk.

**Investments:** The City's investments are in accordance with South Carolina Code of Laws Section 6-5-10.

These state statutes authorize investments in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the FDIC;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in: 1) and 2) above held by a third-party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No load open and closed-end portfolios of certain investment companies with issues of the U.S. Government.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

#### Investment (Continued):

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any City Treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB Statement No. 72 *"Fair Value Measurement and Application"*, investments are carried at fair value determined annually based upon: a) quoted market prices for identical or similar investments, or b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, South Carolina 29211-1960.

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

**Credit Risk for Investments:** 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 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.

Deposits and investments are reconciled between the financial statements and note disclosure as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 17,542,422
Investments	4,705,900
Total cash and investments	<u>\$ 22,248,322</u>
Cash deposited with financial institutions	\$ 607,507
Fixed income securities	4,705,900
South Carolina Local Government Investment Pool	16,934,915
	<u>\$ 22,248,322</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2022, the City had the following investments in fixed income securities:

Investment	Level 1	Level 2	Level 3	Fair Value
Fixed income securities:				
U.S. treasury bonds	\$ 4,705,900	\$ -	\$ -	\$ 4,705,900
Total fixed income securities	<u>\$ 4,705,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,705,900</u>

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The City has no investments classified in Level 2 or 3.

**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, 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 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

**Fair Value (Continued).** 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.

### NOTE 4. ACCOUNTS RECEIVABLE

Receivables as of June 30, 2022, the General Fund had total taxes receivable of \$4,318,442 with an allowance of \$98,664, which nets to 4,219,778. The General Fund also had accounts receivable of 6,495,496 which consists of amounts due from outside parties not related to property taxes. The Capital Projects Fund also had accounts receivable of \$319,332 which consists of amounts due from outside parties not related to property taxes.

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 4,787,465	\$ -	\$ (327,294)	\$ 6,446	\$ 4,466,617
Construction in progress	964,987	7,641,130	-	(70,527)	8,535,590
Total	<u>5,752,452</u>	<u>7,641,130</u>	<u>(327,294)</u>	<u>(64,081)</u>	<u>13,002,207</u>
Capital assets, being depreciated:					
Buildings and improvements	14,893,922	51,801	(232,897)	64,081	14,776,907
Machinery and equipment	1,509,974	295,086	(164,225)	-	1,640,835
Vehicles and related equipment	5,755,676	1,511,616	(387,818)	-	6,879,474
Office furnishings and equipment	816,943	-	(249,080)	-	567,863
Other assets	4,588,415	96,799	(302,020)	-	4,383,194
Total	<u>27,564,930</u>	<u>1,955,302</u>	<u>(1,336,040)</u>	<u>64,081</u>	<u>28,248,273</u>
Less accumulated depreciation:					
Buildings and improvements	(6,534,623)	(497,219)	217,917	(5,167)	(6,819,092)
Machinery and equipment	(904,741)	(144,519)	159,828	-	(889,432)
Vehicles and related equipment	(3,923,150)	(365,829)	387,818	-	(3,901,161)
Office furnishings and equipment	(538,865)	(78,777)	219,389	-	(398,253)
Other assets	(1,950,309)	(279,287)	276,049	5,167	(1,948,380)
Total	<u>(13,851,688)</u>	<u>(1,365,631)</u>	<u>1,261,001</u>	<u>-</u>	<u>(13,956,318)</u>
Total capital assets, being depreciated, net	<u>13,713,242</u>	<u>589,671</u>	<u>(75,039)</u>	<u>64,081</u>	<u>14,291,955</u>
Governmental activities capital assets, net	<u>\$ 19,465,694</u>	<u>\$ 8,230,801</u>	<u>\$ (402,333)</u>	<u>\$ -</u>	<u>\$ 27,294,162</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following functions:

Governmental activities:		
General government	\$	312,955
Public safety		422,091
Public works		61,899
Recreation and parks		568,686
Total depreciation expense	<u>\$</u>	<u>1,365,631</u>

### NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 14,370,000	\$ -	\$ (2,065,000)	\$ 12,305,000	\$ 440,000
Bond premiums	1,412,292	-	(159,520)	1,252,772	141,193
Financed purchases	1,048,037	159,278	(230,407)	976,908	264,508
Compensated absences	280,099	233,275	(224,863)	288,511	137,970
Net pension liability	<u>12,276,479</u>	<u>2,199,427</u>	<u>(4,219,106)</u>	<u>10,256,800</u>	<u>-</u>
Total long-term liabilities	<u>\$ 29,386,907</u>	<u>\$ 2,591,980</u>	<u>\$ (6,898,896)</u>	<u>\$ 25,079,991</u>	<u>\$ 983,671</u>

The compensated absences and net pension liabilities are paid from the General Fund. All other long-term liability payments are paid from either the General Fund or the Capital Projects Fund.

**General Obligation Bonds:** On October 6, 2011, the City issued Series 2011 General Obligation Bonds in the total amount of \$1,800,000 to defray the cost of: (i) designing, acquiring, constructing and expending various capital improvements within the City, including without limitation recreational facilities and a public works building, and (ii) redeeming and retiring the City's outstanding 2003 Tax Increment Bond. Principal payments are due annually for the General Obligation Bonds of 2011 beginning September 1, 2013. Interest is due March 1 and September 1 of each year, at an average annual rate of 2.74%. These Bonds were paid off during the current fiscal year.

On March 23, 2021, the City issued Series 2021 General Obligations Bonds in the total amount of \$15,312,292, which includes a premium of \$1,412,292 in order to obtain funds for the acquisition, construction, equipping, and furnishing of park and recreational facilities. Principal payments are due annually for the Series 2021 General Obligation Bonds beginning March 1, 2022. Interest is due March 1 and September 1 of each year, at an average annual rate of 1.75%.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

#### General Obligation Bonds (Continued):

Annual debt service requirements to maturity for General Obligation ("GO") Bonds as of June 30, 2022 are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 440,000	\$ 392,200	\$ 832,200
2024	460,000	370,200	830,200
2025	485,000	347,200	832,200
2026	510,000	322,950	832,950
2027	535,000	297,450	832,450
2028 – 2032	3,120,000	1,056,000	4,176,000
2033 – 2037	3,600,000	534,500	4,134,500
2038 – 2041	3,155,000	159,400	3,314,400
	<u>12,305,000</u>	<u>3,479,900</u>	<u>15,784,900</u>
Total	\$ 12,305,000	\$ 3,479,900	\$ 15,784,900

**Financed Purchases:** In September 2018, the City entered a financed purchase agreement in the total amount of \$464,657 for the purpose of acquiring a new 2018 fire truck. The City paid an \$86,000 down payment on the truck in June 2018 so assembly of the truck could begin. The agreement is payable in five annual installments of principal and interest of \$100,454, including interest at 3.96% per annum, due on October 10<sup>th</sup> each year. The fire truck serves as collateral. The outstanding principal balance at June 30, 2022 was \$96,674.

In July 2020, the City entered a financed purchase agreement in the total amount of \$258,483 for the purpose of acquiring solar lighting. The agreement is payable in twelve annual installments of principal and interest of \$25,107, including interest at 2.44% per annum, due on July 30<sup>th</sup> each year. The outstanding principal balance at June 30, 2022 was \$239,683.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

**Financed Purchases (Continued).** In August 2020, the City entered a financed purchase agreement in the total amount of \$291,611 for the purpose of acquiring a camera system. The agreement is payable in five annual installments of principal and interest of \$60,492, including interest at 1.23% per annum, due on August 1<sup>st</sup> each year. The outstanding principal balance at June 30, 2022 was \$234,706.

In November 2020, the City entered a financed purchase agreement in the total amount of \$291,611 for the purpose of acquiring two garbage trucks. The agreement is payable in five annual installments of principal and interest of \$63,971, including interest at 1.50% per annum, due on November 9<sup>th</sup> each year. The outstanding principal balance at June 30, 2022 was \$246,567.

In September 2021, the City entered a financed purchase agreement in the total amount of \$159,278 for the purpose of acquiring bunker gear. The agreement is payable in four annual installments of principal and interest of \$33,645, including interest at 1.50% per annum, due on September 22<sup>nd</sup> each year. The outstanding principal balance at June 30, 2022 was \$159,278.

The financed purchases outstanding at June 30, 2022, includes the following:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 264,508	\$ 16,753	\$ 281,261
2024	170,485	12,730	183,215
2025	173,180	10,035	183,215
2026	175,919	7,295	183,214
2027	54,243	4,510	58,753
2028 – 2032	114,064	11,474	125,538
2033	24,509	598	25,107
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 976,908</u>	<u>\$ 63,395</u>	<u>\$ 1,040,303</u>

Capital assets acquired under financed purchases fall in the machinery and equipment and vehicles and related equipment classes and total \$1,207,316 for governmental activities with accumulated depreciation of \$368,668.

Financed Purchase obligations incurred during the current year are reported in the General Fund and the Capital Projects Fund. Future payments will be paid by either the General Fund or the Capital Projects Fund.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters. For all these risks, the City is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The City is also subject to risks of loss from providing health, life, accident, and other medical benefits to employees, retirees, and their dependents. The City has enrolled substantially all its employees in health and life insurance plans administered by a commercial insurance company. In addition, the City ensures the risk of job-related injury or illness to its employees through a workers' compensation insurance public entity risk pool operating for the City's benefit, paying an annual premium for its workers compensation insurance coverage.

Given the lack of coverage available, the City has no coverage for potential losses from environmental damages, although it does have insurance coverage through the State Insurance Reserve Fund with regard to potential liabilities related to underground storage tanks. The coverage limits and the deductibles for all the above risk management programs have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded insurance coverage for the last several years. For each of the insurance programs and the public entity risk pools in which they participate, the City has effectively transferred all risk with no liability for unfunded claims.

### **NOTE 8. CONTINGENT LIABILITIES**

The City is party to various legal proceedings, which normally occur, in governmental operations. Although the outcomes are not presently determinable, it is the opinion of legal counsel that resolution of these matters, individually or in the aggregate, in excess of insurance coverage will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. Management has not been informed of any significant matters of noncompliance with grant provisions or planned grantor audits.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS

#### *Overview*

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

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

PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the 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 allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Plan Description (Continued)***

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 allowances and other benefits for police officers and firemen of the state and its political subdivisions.

#### ***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 described below.

**SCRS** – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**PORS** – To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

#### ***Benefits***

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Benefits (Continued)***

**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 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Contributions***

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the 1% increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule, from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

Required employee contribution rates for the fiscal year ended June 30, 2022, are as follows:

#### **South Carolina Retirement System**

9.00% of earnable compensation from January 1st through June 30th  
9.00% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the fiscal year ended June 30, 2022, are as follows:

#### **South Carolina Retirement System**

16.41% of earnable compensation from January 1st through June 30th  
16.41% of earnable compensation from July 1st through December 31st  
Employer incidental death benefit: 0.15% of earnable compensation

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Contributions (Continued)***

Required employee contribution rates for the fiscal year ended June 30, 2022, are as follows:

#### **Police Officers' Retirement System**

9.75% of earnable compensation from January 1st through June 30th

9.75% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the fiscal year ended June 30, 2022, are as follows:

#### **Police Officers' Retirement System**

18.84% of earnable compensation from January 1st through June 30th

18.84% of earnable compensation from July 1st through December 31st

Employer incidental death benefit: 0.20% of earnable compensation

Employer accidental death program: 0.20% of earnable compensation

#### ***Net Pension Liability***

The net pension liability ("NPL") is calculated separately for each system and represents that particular Systems' total pension liability determined in accordance with GASB No. 67 less that Systems' fiduciary net position. NPL totals, as of the June 30, 2021 measurement date, for SCRS and PORS, are presented in the following table:

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employer's Net Pension Liability</b>	<b>Plan Fiduciary Net Position as a Percentage of the Pension</b>	<b>Town's Proportionate Share of the Collective Net Pension Liability</b>
SCRS	\$ 11,434,291	\$ 6,945,908	\$ 4,488,383	60.7%	0.020740%
PORS	\$ 19,470,669	\$ 13,702,252	\$ 5,768,417	70.4%	0.224198%

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Net Pension Liability (Continued)***

At June 30, 2022, the City reported liabilities of \$4,488,383 and \$5,768,417 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2021, and the total pension liabilities for the plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to the plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the City's SCRS proportion was 0.020740%, which was an increase of 0.000070% from its proportion measured as of June 30, 2020. At the June 30, 2021 measurement date, the City's PORS proportion was 0.224198%, which was an increase of 0.013271% from its proportion measured as of June 30, 2020.

#### ***Actuarial Assumptions and Methods***

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

The June 30, 2021 total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2021, using generally accepted actuarial principles. The General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in the South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2021:

	<b>SCRS</b>	<b>PORS</b>
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)
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Actuarial Assumptions and Methods (Continued)***

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC"), was developed using the Retirement 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
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 rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% inflation component.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### *Long-Term Expected Rate of Return (Continued)*

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
	100%		
	Total expected real return		5.18%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		7.43%



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the City'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 total pension liability.

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

#### **Sensitivity of the Net Position Liability to Changes in the Discount Rate**

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's portion - SCRS	\$ 5,879,223	\$ 4,488,383	\$ 3,332,308
City's portion - PORS	\$ 8,369,235	\$ 5,768,417	\$ 3,637,949

#### ***Pension Expense***

For the year ended June 30, 2022, the City recognized its proportionate share of collective pension expense of \$516,426 and \$825,283 for the SCRS and PORS, respectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

***Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 76,454	\$ 6,058
Changes of assumptions	245,679	-
Net difference between projected and actual earnings on pension plan investments	-	651,996
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	205,704	-
Employer contributions subsequent to the measurement date	395,026	-
Total	<u>\$ 922,863</u>	<u>\$ 658,054</u>

<b>PORS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 196,237	\$ 17,965
Changes of assumptions	411,431	-
Net difference between projected and actual earnings on pension plan investments	-	1,293,254
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	500,320	-
Employer contributions subsequent to the measurement date	701,046	-
Total	<u>\$ 1,809,034</u>	<u>\$ 1,311,219</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE RETIREMENT SYSTEM AND PLANS (CONTINUED)

***Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

The amounts of \$395,026 and \$701,046 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>SCRS</u>
2023	\$ 106,766
2024	59,780
2025	(52,794)
2026	(243,969)

  

<u>Year ending June 30,</u>	<u>PORS</u>
2023	\$ 168,761
2024	88,090
2025	(14,549)
2026	(445,533)

***Aggregate Amounts***

Aggregate amounts for all pension plans are as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Net pension liability	\$ 4,488,383	\$ 5,768,417	\$ 10,256,800
Deferred outflows	922,863	1,809,034	2,731,897
Deferred inflows	658,054	1,311,219	1,969,273
Pension expense	516,426	825,283	1,341,709

***Pension Plan Fiduciary Net Position***

Detailed information regarding the fiduciary net position of the plan 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 Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan under a program administered by the South Carolina Deferred Compensation Commission. The multiple-employer deferred compensation plan offers employees the choice of four plans: The Internal Revenue Code Section 457 plan; the Internal Revenue Service Code Section 401(k) plan; the Roth 401(k) plan; and the Roth 457 plan. The plan, available to all regular City employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed \$19,500 for both the 457 plan and for the 401(k) plan with an additional \$6,500 catch-up provision for employees over age 50 with pre-tax contributions. The Roth 401(k) and Roth 457 plans offer employees the opportunity to contribute on an after-tax basis. Employee after-tax contributions for Roth 401(k) and Roth 457 participants must be combined with pre-tax contributions and cannot exceed these annual limits. The deferred compensation is not available to an employee until termination, retirement, disability, death, or approved hardship. The City has no obligation to make contributions to these plans and made no contributions during the year.

### **NOTE 11. OTHER POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, the City provides post-employment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with City ordinances and the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). Eligible employees are required to pay the full cost of post-employment benefits. The City does not currently provide any additional post-employment benefits for its employees.

### **NOTE 12. CONSTRUCTION COMMITMENTS**

The City had several incomplete construction projects at year-end. As of June 30, 2022, the City had outstanding construction commitments of \$7,734,335.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF HANAHAN, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS SOUTH CAROLINA RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

South Carolina Retirement System					
Plan Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.020740%	\$ 4,488,383	\$ 2,345,099	191.4%	60.7%
2020	0.020670%	5,281,676	2,306,074	229.0%	50.7%
2019	0.019474%	4,446,747	2,056,412	216.2%	54.4%
2018	0.018461%	4,136,558	1,913,090	216.2%	54.1%
2017	0.016878%	3,799,509	1,713,703	221.7%	53.3%
2016	0.016539%	3,532,706	1,577,542	223.9%	52.9%
2015	0.015735%	2,984,219	1,475,305	202.3%	57.0%
2014	0.016411%	2,825,430	1,516,945	186.3%	59.9%

**Note:** The assumptions used in the preparation of the above schedule is disclosed in Note 9 to the financial statements.

The above schedule will present 10 years of information once it is accumulated.

# CITY OF HANAHAN, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS SOUTH CAROLINA RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

South Carolina Retirement System						
Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll	
2022	\$ 395,026	\$ 395,026	\$ -	\$ 2,385,424	16.56%	
2021	364,897	364,897	-	2,345,099	15.56%	
2020	358,825	358,825	-	2,306,074	15.56%	
2019	299,414	299,414	-	2,056,412	14.56%	
2018	259,415	259,415	-	1,913,090	13.56%	
2017	198,104	198,104	-	1,713,703	11.56%	
2016	174,476	174,476	-	1,577,542	11.06%	
2015	160,808	160,808	-	1,475,305	10.90%	

**Note:** The above schedule will present 10 years of information once it is accumulated.

# CITY OF HANAHAN, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS POLICE OFFICERS' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

### Police Officers' Retirement System

Plan Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.224198%	\$ 5,768,417	\$ 3,371,640	171.1%	70.4%
2020	0.210927%	6,994,803	3,186,371	219.5%	58.8%
2019	0.205050%	5,876,544	2,974,133	197.6%	62.7%
2018	0.187200%	5,304,393	2,591,130	204.7%	61.7%
2017	0.186550%	5,110,733	2,512,264	203.4%	60.9%
2016	0.193780%	4,915,079	2,470,350	199.0%	60.4%
2015	0.188820%	4,115,238	2,339,165	175.9%	64.6%
2014	0.180920%	3,463,678	2,153,890	160.8%	67.6%

**Note:** The above schedule will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedule is disclosed in Note 9 to the financial statements.



# CITY OF HANAHAN, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS POLICE OFFICERS' RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

Police Officers' Retirement System						
Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll	
2022	\$ 701,046	\$ 701,046	\$ -	\$ 3,643,692	19.24%	
2021	614,987	614,987	-	3,371,640	18.24%	
2020	581,194	581,194	-	3,186,371	18.24%	
2019	512,741	512,741	-	2,974,133	17.24%	
2018	420,799	420,799	-	2,591,130	16.24%	
2017	357,746	357,746	-	2,512,264	14.24%	
2016	339,426	339,426	-	2,470,350	13.74%	
2015	313,682	313,682	-	2,339,165	13.41%	

**Note:** The above schedule will present 10 years of information once it is accumulated.

## **OTHER SUPPLEMENTARY INFORMATION**

# CITY OF HANAHAN, SOUTH CAROLINA

## UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96) FOR THE FISCAL YEAR ENDED JUNE 30, 2022

### FOR THE STATE TREASURER'S OFFICE:

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	N/A	N/A	\$ 668,507	\$ 668,507
Court fines and assessments remitted to State Treasurer	N/A	N/A	152,916	152,916
<b>Total Court Fines and Assessments retained</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 515,591</b>	<b>\$ 515,591</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	N/A	N/A	\$ 3,420	\$ 3,420
Assessments retained	N/A	N/A	18,967	18,967
<b>Total Surcharges and Assessments retained for victim services</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 22,387</b>	<b>\$ 22,387</b>

### FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	<u>Municipal</u>	<u>County</u>	<u>Total</u>
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>\$ 4,098</b>	<b>N/A</b>	<b>\$ 4,098</b>
<b><u>Victim Service Revenue:</u></b>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	18,967	N/A	18,967
Victim Service Surcharges Retained by City/County Treasurer	3,420	N/A	3,420
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 26,485</b>	<b>N/A</b>	<b>\$ 26,485</b>

(Continued)

# CITY OF HANAHAN, SOUTH CAROLINA

## UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96) FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE (CONTINUED):

<b><u>Expenditures for Victim Service Program:</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Salaries and Benefits	\$ -	N/A	\$ -
Operating Expenditures	23,746	N/A	23,746
<b>Victim Service Contract(s):</b>			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter	-	N/A	-
(2) Rape Crisis Center	-	N/A	-
(3) Other local direct crime victims service agency	-	N/A	-
Transferred to General Fund	-	N/A	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>23,746</b>	<b>N/A</b>	<b>23,746</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	2,739	N/A	2,739
<b>Less: Prior Year Fund Deficit Repayment</b>	-	N/A	-
<b>Carryforward Funds – End of Year</b>	<b>\$ 2,739</b>	<b>N/A</b>	<b>\$ 2,739</b>

## **COMPLIANCE SECTION**



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

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**Honorable Mayor and Members  
of the City Council  
City of Hanahan, South Carolina  
Hanahan, 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 and each major fund of the City of Hanahan, South Carolina (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

---

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly prominent.

Savannah, Georgia  
January 5, 2023



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

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Honorable Mayor and Members  
of the City Council  
City of Hanahan, South Carolina  
Hanahan, South Carolina

### Report on Compliance for Each Major Federal Program

#### ***Opinion on Each Major Federal Program***

We have audited City of Hanahan, South Carolina's (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2022. The City's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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



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### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

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### **Report on Internal Control Over Compliance**

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

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

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

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

Savannah, Georgia  
January 5, 2023

*Mauldin & Jenkins, LLC*

# CITY OF HANAHAN, SOUTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<b>Federal Grantor/ Pass-Through Program Title</b>	<b>Assistance Listing Number</b>	<b>Grant ID Number</b>	<b>Federal Expenditures</b>	<b>Passed-Through to Subrecipients</b>
<b>U.S. Department of Justice</b>				
<b>Direct</b>				
Bullet Proof Vest Grant	16.607	412008901	\$ 1,823	\$ -
Total U.S. Department of Justice			1,823	-
<b>U.S. Department of the Treasury</b>				
<b>Direct</b>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	SC0195	3,856,608	-
Total U.S. Department of the Treasury			3,856,608	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,858,431</b>	<b>\$ -</b>

See Notes to Schedule of Expenditures of Federal Awards.

# CITY OF HANAHAN, SOUTH CAROLINA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

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### **NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hanahan, South Carolina (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **NOTE 2. NON-CASH ASSISTANCE AND LOANS**

There were no federal awards expended in the form of non-cash assistance during the year. There were also no loans or loan guarantees outstanding at year-end.

### **NOTE 3. DE MINIMIS INDIRECT COST RATE**

The City did not use the 10% de minimis indirect cost rate.

### **NOTE 4. SUBRECIPIENTS**

The City did not pass through any grant funds to subrecipients for the year ended June 30, 2022.

# CITY OF HANAHAN, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued on whether the financial statements  
audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses?

☐ Yes ☒ No

Noncompliance material to financial statements noted?

☐ Yes ☒ No

#### **Federal Awards**

Internal control over major programs:

Material weaknesses identified?

☐ Yes ☒ No

Significant deficiencies identified not considered  
to be material weaknesses?

☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs  
for major programs

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with 2 CFR 200.566(a)?

☐ Yes ☒ No

Identification of major program:

AL Number

21.027

Name of Federal Program or Cluster

**U.S. Department of the Treasury**  
Coronavirus State and Local  
Fiscal Recovery Funds

Dollar threshold used to distinguish between  
Type A and Type B programs?

\$750,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

# **CITY OF HANAHAN, SOUTH CAROLINA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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### **SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

### **SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

### **SECTION IV SCHEDULE OF PRIOR YEAR FINDINGS**

None reported.