

TOWN OF SURFSIDE BEACH, SOUTH CAROLINA

Financial Audit Presentation
Year Ended June 30, 2015



TOWN OF SURFSIDE BEACH

2015 FINANCIAL AUDIT

HIGHLIGHTS

- Unmodified opinion
- General Fund Balance decreased approximately \$857k primarily due to the transfer of the street improvement reserve to the Capital Projects Fund
- Implemented GASB #68/71 on Pension Accounting



TOWN OF SURFSIDE BEACH

2015 FINANCIAL AUDIT

OPINION

- The Town's responsibility:
 - Effective internal controls
 - Financial statements
- GF&H responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
- Issued unmodified opinion
 - **BEST OPINION THE TOWN CAN RECEIVE**
 - “Emphasis of Matter” Paragraph included for change in Pension Accounting



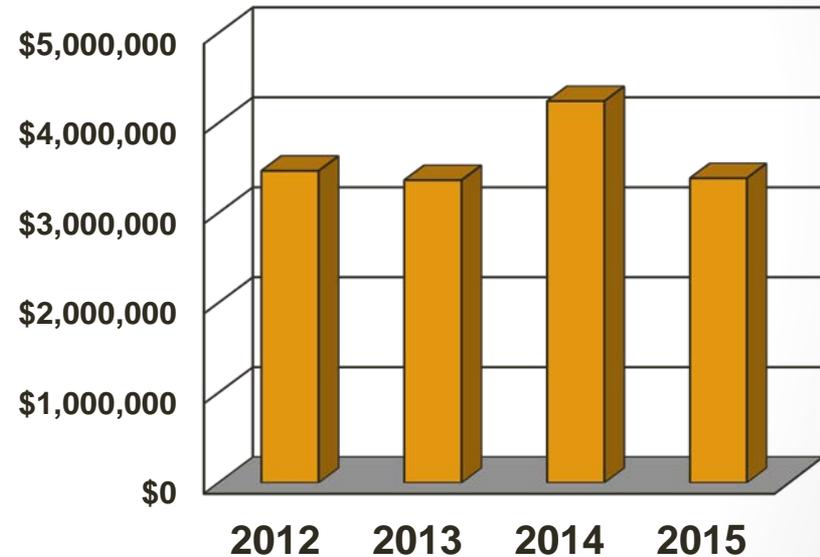
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2015 FINANCIAL AUDIT

General Fund

- Total fund balance decreased \$857k
- Nonspendable fund balance of \$414k (prepaids, inventories, and advances)
- Restricted fund balance of \$45k for Victim's Advocate
- Assigned fund balance of \$1.4m for capital replacements, land, meters, and parking, and disaster recovery

GENERAL FUND



Total Fund Balance



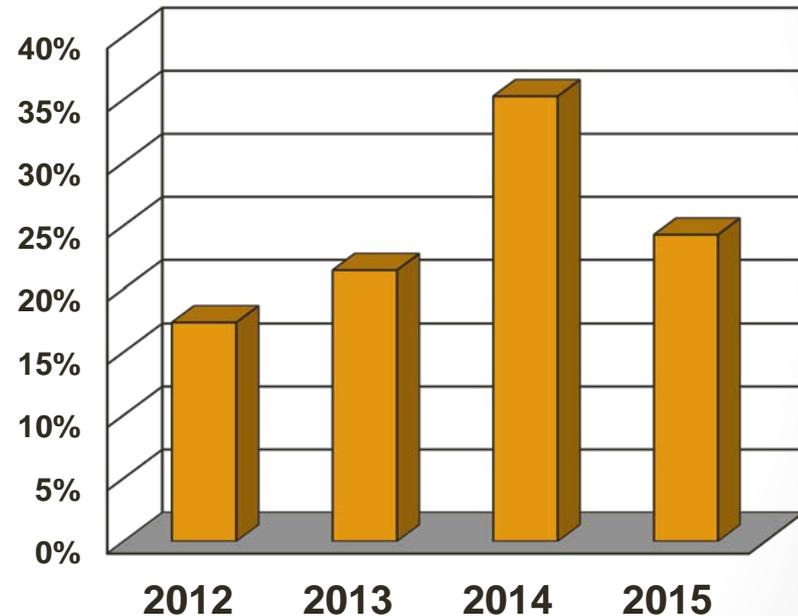
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2015 FINANCIAL AUDIT

General Fund

- Unassigned fund balance is \$1.5m, which is 23% of FY 16 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months)

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures



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2015 FINANCIAL AUDIT

- Major Reasons To Maintain An Adequate Fund Balance:
 - Cash flow through second half of calendar year; property taxes and business licenses are cyclical
 - Unique requirements for a beach coastal municipality
 - Significant emergencies and unanticipated expenditures
 - Flexibility for discretionary funding needs
 - Potential for better interest rates on debt issues, which can save the Town money
 - To cover potential shortfalls from the state



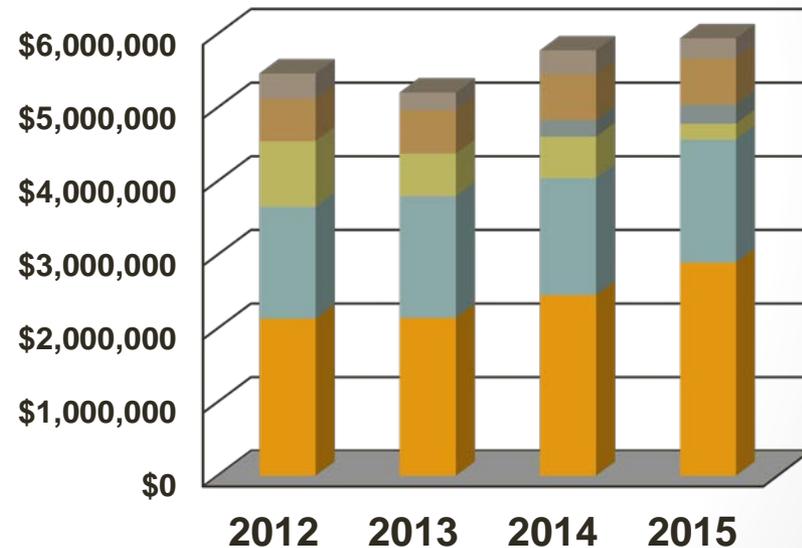
TOWN OF SURFSIDE BEACH

2015 FINANCIAL AUDIT

General Fund Revenues:

- **\$5.9m for 2015:**
 - \$2.9m from property taxes
 - \$1.7m in licenses and permits
 - \$628k from franchise fees
 - \$256k in parking revenues
 - \$218k in intergovernmental revenues
 - \$276k for all other revenues

GENERAL FUND REVENUES



- Property Taxes
- Licenses and Permits
- Intergovernmental
- Parking Meters
- Franchise Fees
- Other Revenues



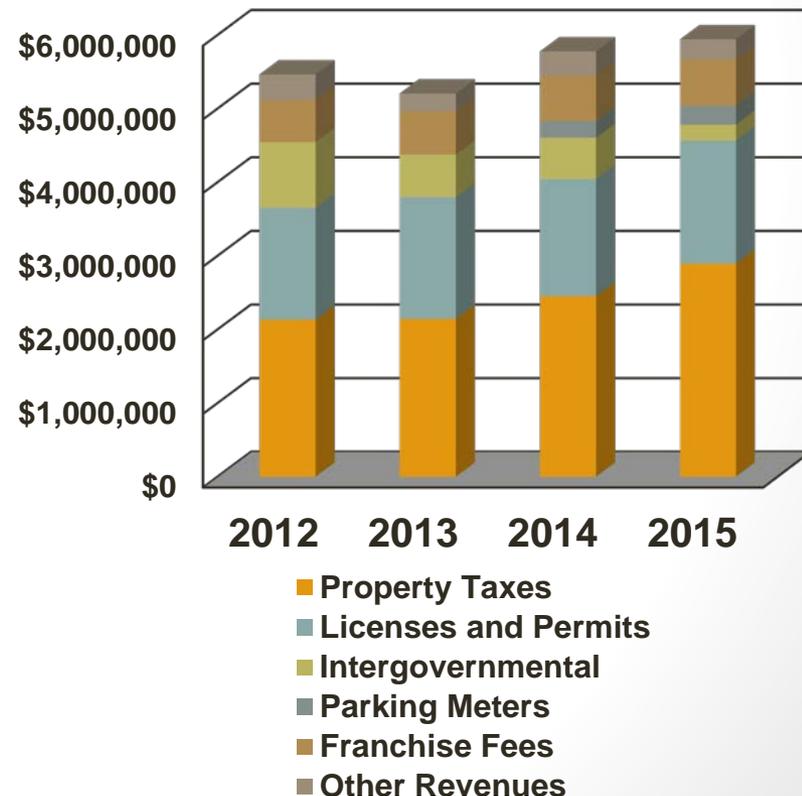
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2015 FINANCIAL AUDIT

General Fund Revenues:

- \$165k (3%) increase from 2014
 - \$440k increase in property tax revenues (6.2 mill increase over prior year)
 - \$82k increase in license and permit revenues
 - \$346k decrease in intergovernmental revenues as a result of vehicle registration fees being recorded in the Capital Projects Fund in the current year
- \$315k (6%) over budget
 - Property tax revenues were \$123k over budget
 - License and permit revenues were \$118k over budget

GENERAL FUND REVENUES



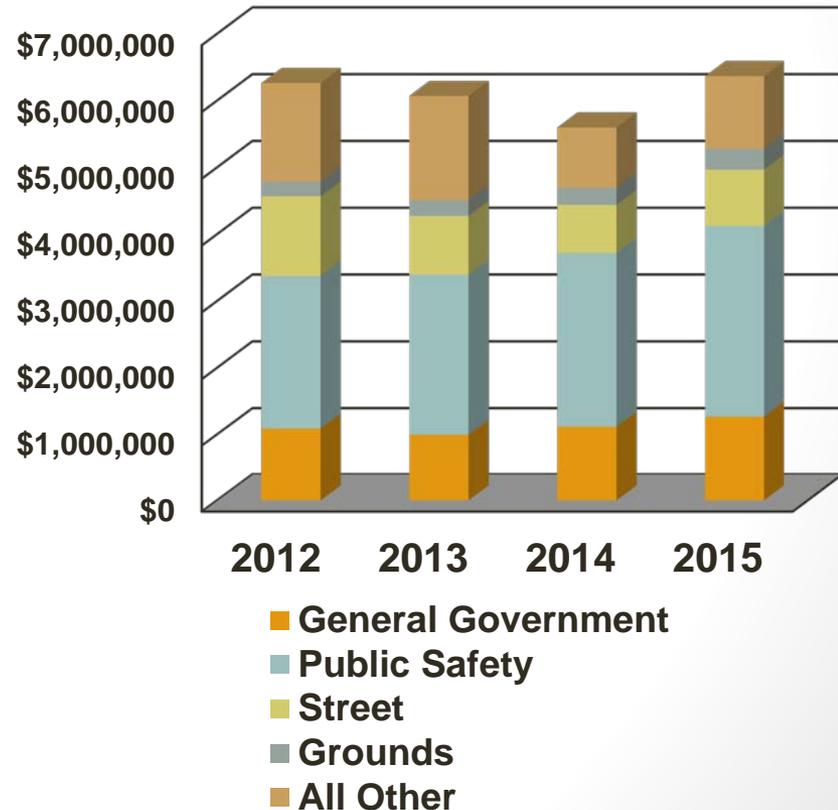
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2015 FINANCIAL AUDIT

General Fund Expenditures:

- **\$6.4m for 2015:**
 - \$1.3m in general government
 - \$2.9m in public safety
 - \$249k in building and zoning
 - \$314k in grounds
 - \$841k in street
 - \$86k in debt service
 - \$751k in other expenditures

GENERAL FUND EXPENDITURES



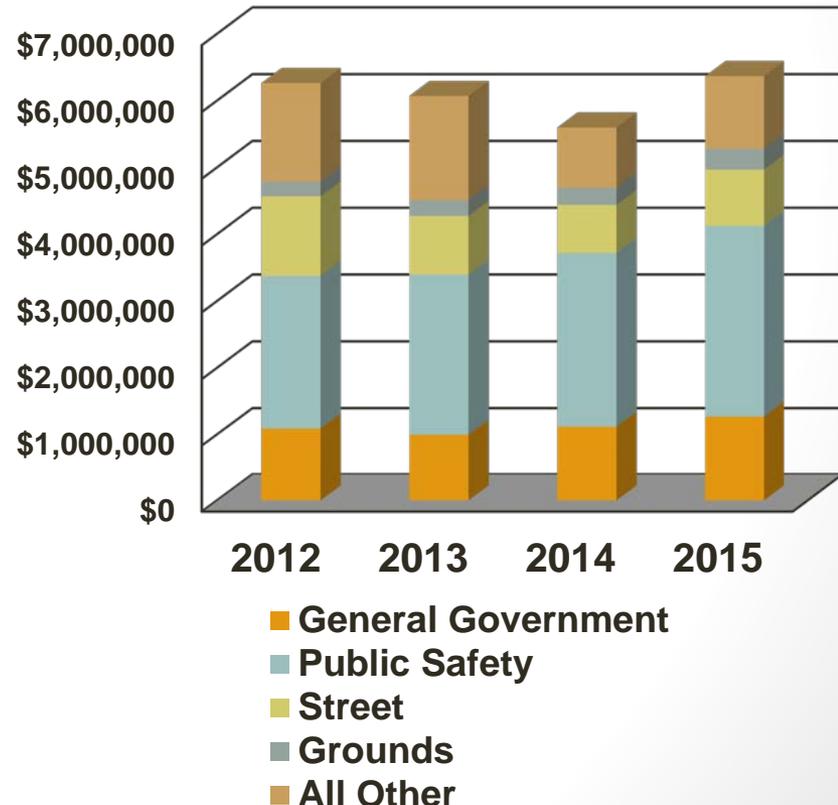
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2015 FINANCIAL AUDIT

General Fund Expenditures:

- \$34k (0.5%) under budget
- \$770k (14%) increase from 2014 primarily due to:
 - Increased salaries and benefits as a result of a 2% cost of living adjustment, slightly higher headcount, PTO payout, and increased retirement contribution rates
 - Increased capital outlay due to the purchase of a dump truck and various vehicles in the current year

GENERAL FUND EXPENDITURES



TOWN OF SURFSIDE BEACH

2015 FINANCIAL AUDIT

Accommodations Tax Fund

- Fund balance of \$91k.
- State Accommodations tax revenues were higher than the prior year by \$60k
- Transfers out increased by \$125k primarily due to a transfer of \$79k to the Capital Projects Fund for beach renourishment in the current year

Hospitality Fund

- Fund balance of \$555k
- Revenues were higher than the prior year by \$67k

Local Accommodations Tax Fund

- Fund balance of \$32k
- Revenues were higher than the prior year by \$15k



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2015 FINANCIAL AUDIT

Capital Projects Fund

- The **Capital Projects Fund** had an increase in fund balance of \$573k compared to an increase of \$28k in the prior year:
 - Revenues of \$516k increased by \$451k over the prior year, primarily due to reimbursements received from the State for road paving projects and vehicle registration fees (which were previously reported in the General Fund)
 - Expenditures increased by approximately \$1.1m to \$1.3m. Capital outlay expenditures increased by approximately \$1.1m related to the drainage project and street paving
 - The Capital Projects Fund received transfers from the General Fund of approximately \$770k related to the street improvement reserve and \$300k for the drainage project. The Capital Projects Fund also received transfers from the Hospitality Fund and Accommodations Tax Fund of \$250k and \$79k, respectively, for beach renourishment



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2015 FINANCIAL AUDIT

Enterprise Funds

- The **Sanitation Enterprise Fund** had an increase in net position of \$265k compared to an increase of \$285k in the prior year:
 - Sanitation Fund operating revenues were flat, increasing approximately \$19k, or 1%, from the prior year
 - Sanitation Fund operating expenses were also flat, increasing \$14k, or 1%, from the prior year (primarily due to higher depreciation expense)
 - Non-operating revenues decreased \$73k due to the Town receiving a non-recurring FEMA grant in the prior year



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2015 FINANCIAL AUDIT

Enterprise Funds (Continued)

- The **Pier Enterprise Fund** had an increase in net position of \$208k compared to an increase of \$210k in the prior year:
 - Pier Fund operating revenues increased approximately \$59k, or 16%, from the prior year
 - Pier Fund operating expenses increased approximately \$25k, or 15%, from the prior year
 - The Pier Fund had net transfers out in the current year of approximately (\$29k) versus net transfers in of approximately \$11k



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2015 FINANCIAL AUDIT

Change in Accounting Principle:

- Implemented Statement No. 68 *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”* and GASB Statement No. 71 *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”* in 2015:
 - The Town participates in the state cost sharing multiple-employer plans – South Carolina Retirement System (“SCRS”) and South Carolina Police Officers Retirement System (“PORS” and collectively the “Plans”)
 - The Town was required to record its pro-rata portion of the net pension liability and deferred outflows/inflows of resources associated with these plans in its Statements of Net Position which has significantly decreased the Town’s beginning net position by approximately \$5.4m (\$4.7m for governmental activities and \$675k for the business-type activities/Sanitation Fund)
 - Significant new note disclosures (Note IV.B) and required supplementary information provided on these Plans
 - Our opinion has an “Emphasis of Matter” paragraph on this subject



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2015 FINANCIAL AUDIT

Town-Wide (GASB #34)

- Assets & Deferred Outflows- \$24.9m
 - \$17.7m in capital assets
 - \$5.5m in cash and investments
 - \$1.7m in other assets & deferred outflows
- Liabilities & Deferred Inflows- \$7.3m
 - \$776k in long-term obligations
 - \$5.5m in net pension liabilities
 - Accounts Payable, Other Accrued Liabilities, Unearned Revenue, and deferred inflows of \$1m

Town-Wide (GASB #34)

- Net Position - \$17.6m
 - \$16.7m Net Investment in Capital Assets
 - \$1.3m Restricted
 - (\$421k) Unrestricted Deficit
- Revenues - \$9.9m
- Expenses - \$8.6m
 - \$1.1m in non-cash depreciation



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2015 FINANCIAL AUDIT

Other Items of Note:

- Total capital assets after depreciation were \$17.7m at June 30, 2015 – increase of \$0.9m from June 30, 2014
 - Key capital asset events for FY 15 were as follows:
 - Additions of \$2.1m included:
 - Drainage project- \$643k
 - Street paving - \$578k
 - Sanitation trucks - \$391k
 - Other vehicles, equipment, etc. - \$484k
 - Depreciation expense - \$1.1m
- Total long-term obligations outstanding at June 30, 2015 were \$776k – decrease of \$202k from June 30, 2014:
 - The Town made scheduled principal payments on capital leases of \$73k
 - Compensated absences outstanding at June 30, 2015 were \$338k – decrease of \$128k primarily due to the change in the Town's accrued leave policy during the current year.



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2015 FINANCIAL AUDIT

Auditing/Accounting Update:

- No significant Changes in Auditing and Accounting Principles at this time.

Compliance

- A prior period restatement was required related to the prior year reporting of interfund balances at the government-wide level; as a result, a finding was reported in the financial statements
- Because the Town's Federal grant expenditures did not exceed \$500k during 2015, a Single Audit was not required

Management Letter

- Required communications to management and those charged with governance – no comments



TOWN OF SURFSIDE BEACH

2015 FINANCIAL AUDIT

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Strong financial condition as of June 30, 2015
- Implemented GASB #68/71 (pension accounting) in 2015

