



# Financial Audit Presentation Year Ended June 30, 2022



# CITY OF FOLLY BEACH

## 2022 FINANCIAL AUDIT

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### **OPINION**

- The City's responsibility:
  - Maintain effective internal controls
    - There are limitations on internal controls.
    - Regular risk assessment is important, including assessing the risk of fraud.
  - Financial Statements
    - Accuracy, completeness, and propriety of balances, amounts, and disclosures



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- Greene Finney Cauley, LLP's ("GFC") responsibility:
  - Opinion – reasonable assurance that financial statements are materially correct
    - Does not address the financial condition of the Organization
  - Purpose of the audit is not to detect fraud. GFLLP cannot take responsibility for finding fraud, if it existed
- Issued unmodified opinion



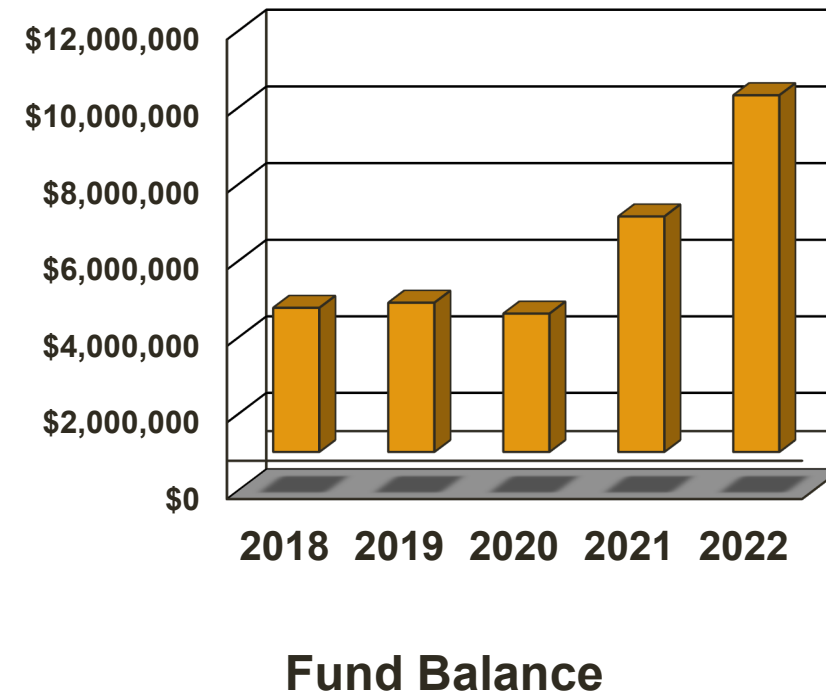
# CITY OF FOLLY BEACH

## 2022 FINANCIAL AUDIT

### General Fund

- Total fund balance increased \$3.2M to \$10.3M
- Restricted fund balance of \$25k for Victims Services.
- Committed fund balance (including the City's reserve accounts) of \$2.1M for future capital outlay; claims, judgements, and contingencies, and other items
- Assigned fund balance of \$595k for FY23 budget appropriations
- Unassigned fund balance of \$7.6M

### GENERAL FUND



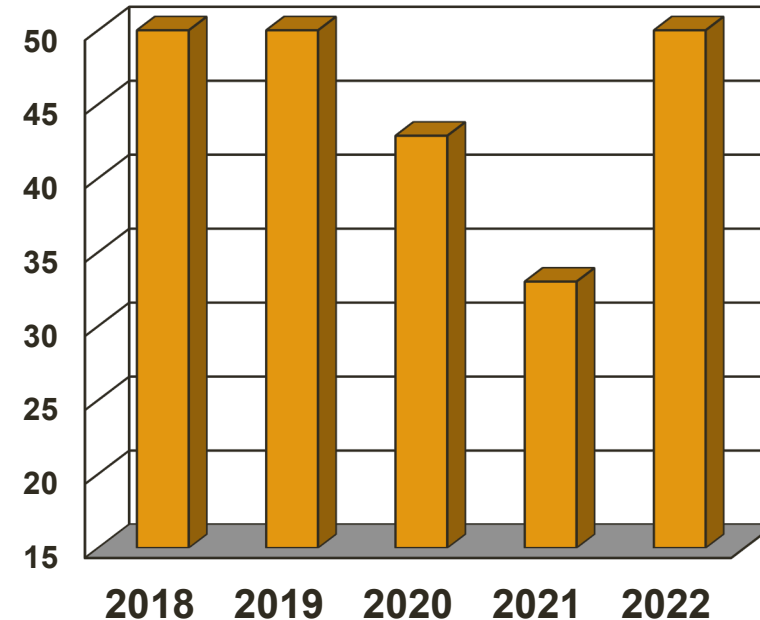


# CITY OF FOLLY BEACH 2022 FINANCIAL AUDIT

## General Fund

- Unassigned fund balance is \$7.6M, which is 77% of 2022 actual expenditures and 74% of 2023 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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- Major Reasons To Maintain An Adequate Fund Balance:
  - Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
  - Significant emergencies and unanticipated expenditures.
  - Flexibility for discretionary funding needs.
  - Potential for better interest rates on debt issues (can save the City money).
  - To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of the change in legislation
  - Important given the uncertain economic times.



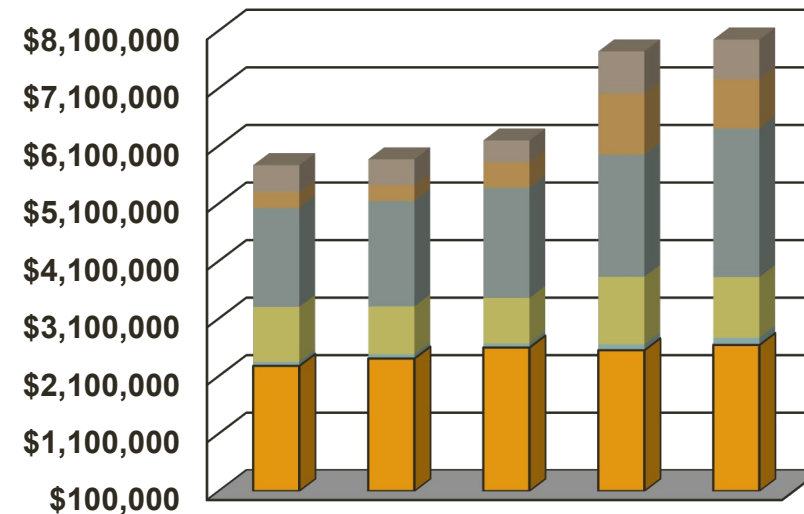
# CITY OF FOLLY BEACH

## 2022 FINANCIAL AUDIT

### General Fund Revenues:

- \$8.0 million for 2022:
  - \$2.6 million from property taxes
  - \$125 thousand in accommodation taxes
  - \$1.1 million in intergovernmental revenue
  - \$2.6 million in licenses, permits, and fees
  - \$858 thousand in parking program revenue
  - \$687 thousand for all other revenues
- \$240k (3%) increase from 2021
- \$1.4M (21%) better than budget
  - Primarily due to higher licenses, permits and fees, intergovernmental grants, and fines and penalties.
- \$5.1M in net other financing sources
  - \$1.6M in proceeds from financed purchase agreement
  - \$3.5M in transfers from other funds

### GENERAL FUND REVENUES



- 2018 2019 2020 2021 2022
- Other Revenue
  - Parking Program Revenues
  - Licenses, Permits, and Fees
  - Intergovernmental Revenues
  - Accommodation taxes
  - Property Taxes

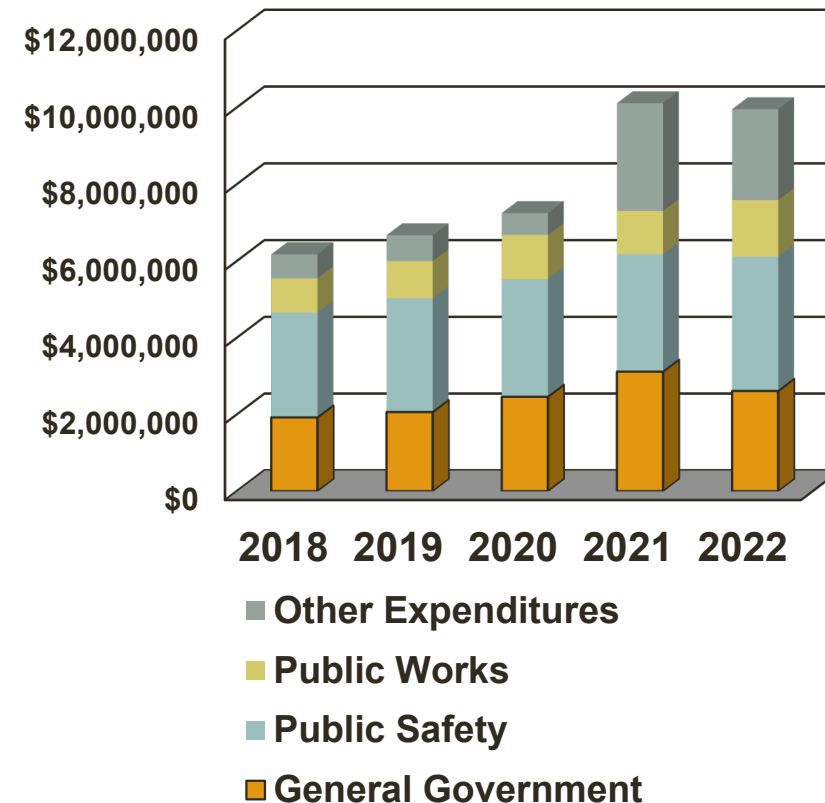


# CITY OF FOLLY BEACH 2022 FINANCIAL AUDIT

## General Fund Expenditures:

- \$10.0 million for 2022:
  - \$2.6 million in general government
  - \$3.5 million in public safety
  - \$1.5 million in public works
  - \$2.1 million in other expenditures
- \$156k (2%) decrease from 2021
  - Primarily due to a decrease in capital outlay
- \$493k (5%) under budget

## GENERAL FUND EXPENDITURES





# CITY OF FOLLY BEACH 2022 FINANCIAL AUDIT

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## **Totals for All Governmental Funds**

- Includes General Fund, State and Local Accommodations Funds, Beach Preservation Fund, Local Hospitality Fund and Tourism Fund
  - Revenues – \$12.9M
  - Expenditures – \$10.9M
  - Net Other Financing Sources – \$1.6M



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### Enterprise Fund

- The **Water Fund** had an increase in net position of \$46k – total net position of \$2.4M as of 6/30/22 (including \$1.3M invested in capital assets):
  - Water Fund operating revenues increased approximately \$147k, or 12%, from the prior year. The increase was primarily due to an increase in water fees.
  - Water Fund operating expenses decreased approximately \$20k, or 1%.
- The **Sewer Fund** had an increase in net position of \$107k – total net position of \$2.3M as of 6/30/22 (including \$580k invested in capital assets):
  - Sewer Fund operating revenues increased approximately \$78k, or 11%, from the prior year. The increase was primarily due to an increase in sewer fees.
  - Sewer Fund operating expenses increased approximately \$9k, or 1%.



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### **Pension Accounting**

- Relates to the City's proportionate shares of the net pension liabilities and deferred outflows/inflows of resources related to the City's participation in the South Carolina Retirement System and the SC Police Officers Retirement System ("Plans").
- Net pension liability of \$5.7M as of 6/30/2022.
- Impacts the City's proprietary and government-wide financial statements (full accrual)
- PEBA approved continuing rate increases of 1% each year through July 1, 2023 which will result in a final employer rate of 18.56% and 21.24% for the SCRS and PORS, respectively.



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### Other Items of Note

- **Capital Assets**

- Total capital assets were \$13.8 million at June 30, 2022 – increase of \$2.1 million from June 30, 2021:

- Total capital asset additions of \$2.9 million which consisted of:
  - Purchase of motor vehicles, including a fire apparatus and pumper truck of \$1.8 million.
  - Public safety building roof and mechanicals project and other building projects - \$325 thousand.
  - Construction in progress - \$220 thousand
  - Purchase of equipment and other capital assets - \$117 thousand.
- Depreciation expense of \$800 thousand.



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### Other Items of Note (Continued)

- **Long-Term Obligations**

- Total long-term obligations outstanding at June 30, 2022 were \$3.9 million – increase of \$1.2 million from June 30, 2021:
  - Issued finance purchase agreement of \$1.6 million during 2022 (fire trucks).
  - Principal payments of \$433 thousand made during 2022.
  - Compensated absences outstanding at June 30, 2022 – \$258 thousand (including \$34k in compensatory time and \$224k in vacation leave).
- Total debt service payments (principal and interest) for FY 2023 on outstanding debt obligations is expected to be \$439 thousand.



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### **Compliance**

- No findings, significant deficiencies, or material weaknesses were noted
- No Single Audit was required for fiscal year 2022 as the federal expenditures were less than \$750k.

### **Management Letter**

- Required communications to management and those charged with governance – no matters to report.



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## **Summary**

- Unmodified opinion on the Financial Statements from GFC
- Good financial condition as of June 30, 2022