

City of Folly Beach

Fiscal Year Ended June 30, 2021

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Objective of This Discussion

- Audit objectives and opinion
- Financial statement highlights
- Other reporting required under Government Auditing Standards
- Questions

Objective and Opinion

- The objective of our procedures was the issuance of an opinion
- Unmodified opinion on the financial statements for the year ended June 30, 2021
- Highest level of assurance we can provide

Required Communications about the Financial Statement Audit

Professional and regulatory standards require the auditor to communicate certain matters related to the conduct of an audit to those who has responsibility for the oversight of the financial reporting process. The following summarizes these communications.

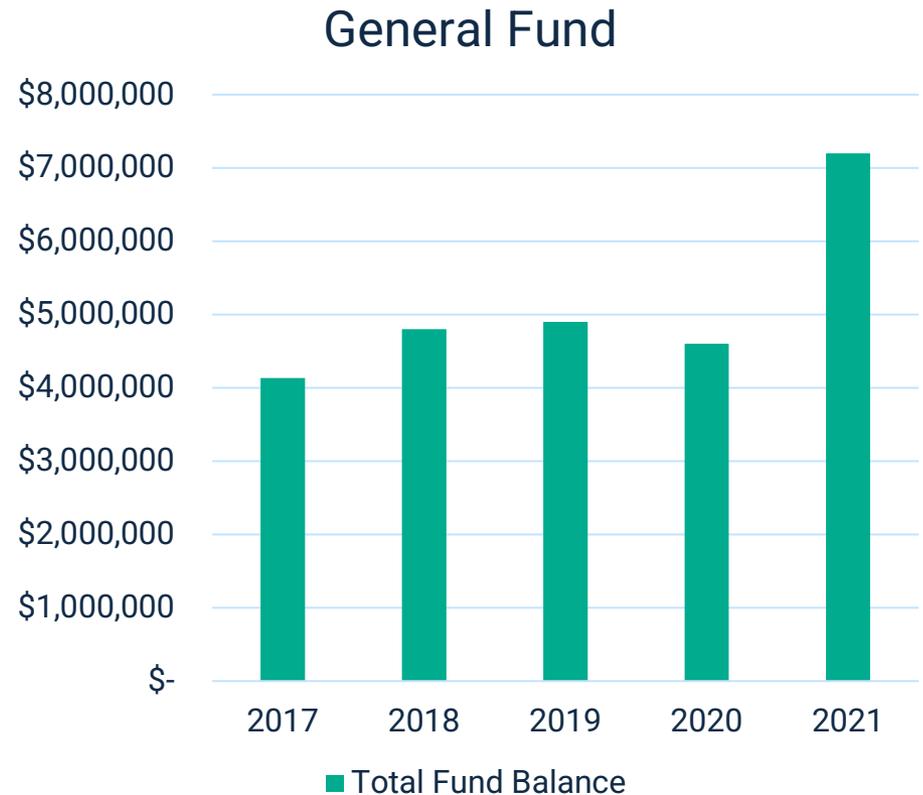
- Audit Planning Process
- Materiality in Planning and Executing the Audit
- Auditor's Responsibility Under Professional Standards
- Significant Accounting Policies
- Management Judgments and Accounting Estimates

Required Communications about the Financial Statement Audit

- Financial Statement Disclosures
- Uncorrected and Corrected Misstatements
 - Audit Adjustments
- Management Representations
- Disagreements with Management
- Significant Issues Discussed with Management
- Significant Deficiencies
 - 2021-001 Year-end Accrual Procedures
 - 2021-002 Segregation of Duties

General Fund

- Total fund balance increased \$2.5 million (m) to \$7.2 million (m)
- Restricted fund balance of \$31k for Victims Services
- Committed fund balance (including the City's reserve accounts) of \$3.7m for future capital outlay, claims and judgements, and other items
- Unassigned fund balance of \$3.3m (33% of FY21 expenditures)

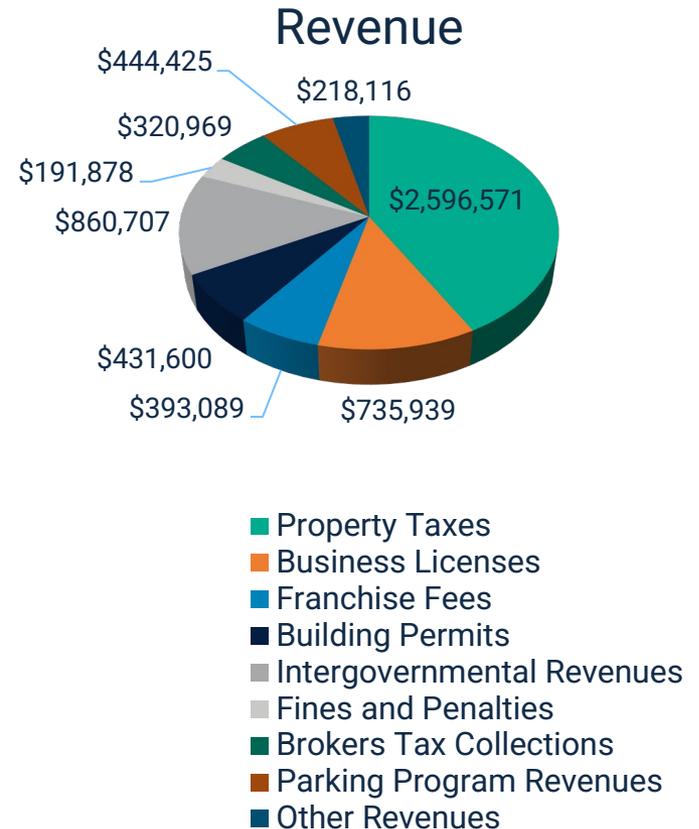


Major reasons to maintain an adequate Fund Balance:

- GFOA recommends a minimum fund balance of at least 16.7% (two months) of general fund operating expenditures
- Cash flow throughout the year; property taxes and business licenses are cyclical
- Demonstrates fiscal responsibility by those charged with governance
- Readiness for emergencies or unanticipated expenditures
- Flexibility for discretionary funding needs
- Potential for better interest rates on debt issuances
- To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of a change in legislation
- Extremely important given potential uncertainties in the economy

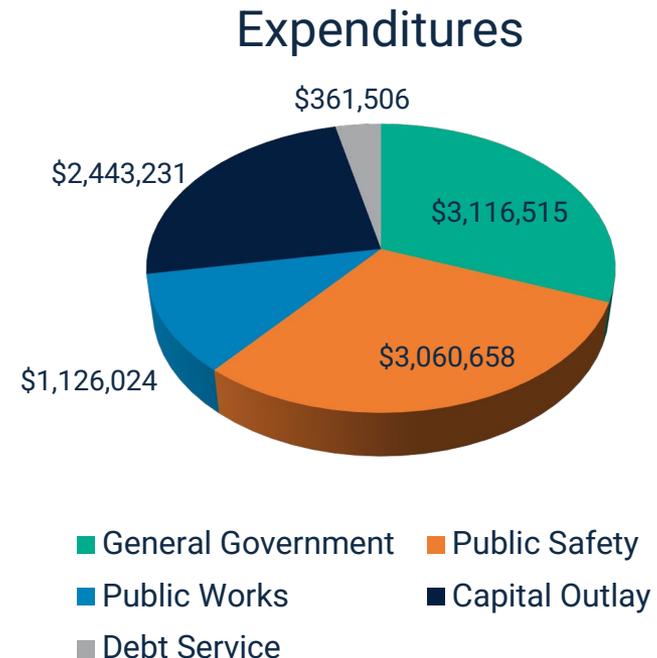
General Fund Revenues

- \$7.7m for 2021
- \$1.5m (25%) increase from 2020:
 - \$377k increase in fines and penalties revenue due to contract with third-part contractor to issue parking tickets
 - \$613k increase in parking program revenue
 - \$383k increase in intergovernmental revenue
- \$1.4m greater than budget:
 - \$419k greater than budget in fines and penalties
 - \$616k greater than budget in parking program revenue
 - \$221k greater than budget in licenses, permits and fees
- \$2.2m in transfers in from state accommodations tax, hospitality tax, and tourism funds



General Fund Expenditures

- \$10.1m for 2021:
 - \$3.12m in general government
 - \$3.06m in public safety
 - \$1.13m in public works
 - \$2.44m in capital outlay
 - \$362k in debt service
- \$2.9m (39%) increase from 2020:
 - \$2.2m increase use of reserves, primarily related to the City Hall renovation
 - \$394k increase in facilities due to roof replacement on the public safety building



Enterprise Funds

- Water Fund net position decreased \$119k to \$2.4m compared to an increase in net position of \$27k in the prior year:
 - Water charges for services increased approximately \$34k or 3% primarily due to a 4% increase in rates from the prior year
 - Water operating expenses increased approximately \$180k or 15% primarily due to an increase in pension expense that had previously been a pension benefit in the prior year
- Sewer Fund net position increased \$42k to \$2.2m compared to an increase in net position of \$194k in the prior year:
 - Sewer charges for services decreased approximately \$96k or 12% primarily due to decreases in consumption during lockdowns and travel restrictions caused by the COVID-19 pandemic
 - Sewer operating expenses increased approximately \$56k or 9% primarily due to an increase in pension expense that had previously been a pension benefit in the prior year

Other Funds

- The **State Accommodations Tax Fund** had an increase of \$421k or 41% in fund balance due to revenues of approximately \$999k exceeding expenditures and transfers out of approximately \$575k.
- The **Local Accommodations Tax Fund** reports no fund balance; however, revenues increased approximately \$665k or 60%.
- The **Local Hospitality Tax Fund** reports no fund balance; however, revenues increased approximately \$168k or 26%.
- The **Beach Preservation Fund** had an increase of \$900k or 14% in fund balance due to revenues of approximately \$80k and transfers in of approximately \$942k exceeding expenditures of approximately \$121k.
- The **Tourism Fund** had a increase of \$213k or 84% in fund balance due to revenues of approximately \$460k exceeding expenditures and transfers out of approximately \$247k.

Compliance Reporting

- No Single Audit was required for fiscal year 2021 as the federal expenditures were less than \$750k
- One additional opinion required under Government Auditing Standards
 - Based on our tests of the City's internal control and compliance with laws and regulations
 - Not an opinion regarding the City's Internal Control
- GAGAS findings:
 - Significant Deficiencies mentioned previously
- Opinion was unmodified

CITY OF FOLLY BEACH

Summary

- Unmodified opinion on the financial statements from Elliott Davis
- Sound financial condition as of June 30, 2021

STAY IN TOUCH



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Thank You!
