Financial Audit Presentation
Year Ended June 30, 2017
TOWN OF SURFSIDE BEACH
2017 FINANCIAL AUDIT

OPINION

➢ The Town’s responsibility:
  ➢ Maintain effective internal controls
    ➢ There are limitations on internal controls.
    ➢ Regular risk assessment is important, including assessing the risk of fraud.
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The Risk of Fraud

Need

Rationalization

Opportunity

The Fraud Triangle
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OPINION

➢ The Town’s responsibility:
  ➢ Financial Statements
  ➢ Accuracy, completeness, and propriety of balances, amounts, and disclosures
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➢ GF&H responsibility:
  ➢ Opinion – **reasonable assurance** that financial statements are **materially correct**
  ➢ Does not address the financial condition of the Town
  ➢ Purpose of the audit is not to detect fraud. We cannot take responsibility for finding fraud, if it existed.
  ➢ Issued unmodified opinion
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General Fund
- Total fund balance increased $924k
- Nonspendable fund balance of $262k (prepaid, inventories, and advances)
- Restricted fund balance of $48k for Victim’s Advocate and Police K-9 Dogs
- Committed fund balance of $400k for disaster recovery
- Assigned fund balance of $1m for indigent legal fees, capital replacements, land, meters, and parking
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General Fund

- Unassigned fund balance is $2.5m, which is 40% of 2017 expenditures
- GFOA recommends a minimum of 16.7% (two months)
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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
  • 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
General Fund Revenues:

- $6.4m for 2017:
  - $2.9m from property taxes
  - $1.8m from licenses and permits
  - $651k from franchise fees
  - $294k in parking revenues
  - $512k in intergovernmental revenues
  - $89k for all other revenues
- $392k (7%) increase from 2016
- $141k (2%) over budget
  - License and permit revenues were $134k over budget
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General Fund Expenditures:

• $6.8m for 2017:
  • $1.1m in general government
  • $2.9m in public safety
  • $349k in grounds
  • $931k in street
  • $891k in other expenditures

• $759k (11%) under budget

• $614k (9%) decrease from 2016 primarily due to:
  • Decreased capital outlay related to Willow Drive property and police radios purchased in prior year
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Totals for All Governmental Funds

- Includes General, Accommodations Tax, Hospitality, Local Accommodations Tax, Capital Projects, and Police Drug Funds
- Revenues - $9.3 million
- Expenditures - $8.5 million
  - Expenditures include capital outlay of $1.3 million related to the beach renourishment (50% reimbursed by the State)
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Enterprise Funds

- The Sanitation Enterprise Fund had an increase in net position of $247k compared to an increase of $265k in the prior year:
  - Sanitation Fund operating revenues were flat, decreasing $15k, or 1%, from the prior year
  - Sanitation Fund operating expenses increased $270k, or 28%, from the prior year primarily as a result of increased costs related to cleanup following Hurricane Matthew as well as overall increases to operating costs
  - Sanitation Fund grant revenue increased $139k from the prior year primarily due to FEMA reimbursements from Hurricane Matthew
Enterprise Funds (Continued)

- The **Pier Enterprise Fund** had a decrease in net position of $127k compared to an increase of $264k in the prior year:
  - Pier Fund operating revenues decreased $75k, or 15%, from the prior year
  - Pier Fund operating expenses were consistent with prior year, decreasing approximately $6k, or 3%
  - The Pier was significantly damaged by Hurricane Matthew in October 2016. The Town recognized a $446k loss related to the impairment of assets.
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Other Items of Note:
- Total capital assets after depreciation were $17.2m at June 30, 2017 – decrease of $1.2m from June 30, 2016
  - Key capital asset events for FY 17 were as follows:
    - Additions of $674k included:
      - Stormwater improvements - $193k
      - Capital Contribution of Land - $122k
      - Purchases of various vehicle, equipment, and other capital assets - $359k
    - Depreciation expense - $1.3m
    - Loss on Impairment of Pier Assets - $446k
  - Lease purchase obligations outstanding were $293k
  - Net pension liability of $7.2m
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Compliance
- No findings, significant deficiencies, or material weaknesses were noted.
- Because the Town’s Federal grant expenditures did not exceed $750k during 2017, a Single Audit was not required

Management Letter
- Required communications to management and those charged with governance
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Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2017