Overview Of Municipal Budgeting And Financial Reporting

S.C. Press Association Workshop
February 9, 2017

Bill Taylor, Field Services Manager

Field Services Managers
Assigned a specific region of the state, two field services managers provide technical assistance, discuss municipal issues and coordinate resources with the Association’s 270 cities and towns. Also, they communicate with municipal officials about key legislative issues.
Annual Budget - Legal Requirements

- State law requires municipalities to adopt balanced budgets. *Article X, Section 7(b) - S.C. Constitution.*

- No expenditures may be permitted unless authorized by the budget ordinance or by Council via a subsequent resolution. *Article X, Section 8 - S.C. Constitution.*

- However, local codes may provide discretion for moving funds among line items during the fiscal year to achieve the goals of the budget.

Fiscal Management: Council’s Responsibilities

- Responsible for the overall fiscal management of the local government unless specifically delegated elsewhere by law. *Section 5-7-160.*

- Must develop and maintain budget enforcement standards.

- Approves borrowing and other financing options, including financing capital improvements.
**Fiscal Management: Council’s Responsibilities**

- Ultimately responsible for establishment and utilization of financial reporting systems and standards.
- Establishes policies for the investment and management of cash assets.
- Selects / approves CPA or independent public accountant to perform annual independent audit.

**Who Prepares The Budget?**

- Responsibility for **budget preparation** varies among the forms of government:

<table>
<thead>
<tr>
<th>Form of Government</th>
<th>Responsible Party</th>
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<tbody>
<tr>
<td>Council-Manager</td>
<td>Manager</td>
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<td>Mayor-Council</td>
<td>Mayor</td>
</tr>
<tr>
<td>Council</td>
<td>Council’s discretion</td>
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</tbody>
</table>
Establishing The Budget Process

- The most important step to a successful budget is to agree up front on the process.
- All cities and towns basically have the same budget process.
- The complexity and formality of the budget process tends to vary based on size.
- And smaller communities naturally have fewer people involved in the process.
- However, regardless, cities must have a plan.

The Budget Cycle

- There are four stages of the budget cycle:
  - Preparation
  - Adoption
  - Implementation
  - Review
Preparation

Preparing The Budget

- Develop the budget calendar
- Fiscal years may vary
- Cities and towns set their fiscal year by local ordinance
- Preliminarily discuss goals, needs and the outlook for the coming year
- Set some parameters for staff to make requests
Preparing The Budget

- Develop the budget calendar
- Fiscal years may vary
- Cities and towns set their fiscal year by local ordinance
- Preliminarily discuss goals, needs and the outlook for the coming year
- Set some parameters for staff to make requests
Cities generally concentrate in the beginning on any major planning and programming for service delivery.

Their revenues and expenditures must equal one another – net of a contribution to, or use of, fund balance.

Ideally, current expenditures are funded with current revenues.

There are instances where it is appropriate to balance the budget with a use of fund balance.

Preparing The Budget

- Generally we start with Expenditures.

- What is an Expenditure?
  - The amount of cash paid for a service rendered, goods received, or an asset purchased.

- There are three main categories of expenditures (usually presented by department):
  - Personnel (Salaries, benefits)
  - Operating (Office supplies, utilities, contracts)
  - Capital (computers, vehicles, infrastructure)
## EXPENDITURE FORM

**CITY OF NEWBERY**

**2013-2014**

**ORIGINAL BUDGET**

**DEPT: POLICE**

**CODE: 4420**

<table>
<thead>
<tr>
<th>ACCOUNT NAME</th>
<th>2011-2012 ACTUAL</th>
<th>2012-2013 ORIGINAL BUDGET</th>
<th>BUDGET ADJUSTMENTS</th>
<th>2012-2013 BUDGET AS ADJUSTED</th>
<th>YEAR TO DATE EXPENDITURES (JANUARY - JUNE)</th>
<th>PROJECTED YEAR END EXPENDITURES</th>
<th>DEPARTMENT HEAD REQUEST</th>
<th>MANAGER RECOMMENDED BUDGET</th>
<th>COUNCIL APPROVED BUDGET</th>
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Preparing The Budget

- Personnel (largest category):
  - Detailed list of staff and salaries
  - Any proposed cost of living adjustments or merit pay increases
  - Overtime, callback, training and holiday pay
  - Allowances for vacancies, increases for certifications, etc.
  - Health insurance – employer share
  - Retirement contributions – employer share
  - Workers’ Compensation Premiums
  - Payroll Taxes (Employer share Social Security, Medicare and state)
  - Unemployment

### GENERAL FUND REVENUE

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL FY11-12</th>
<th>FY13 ORIGINAL BUDGET</th>
<th>FY13 BUDGET ADJUSTMENTS</th>
<th>DEPT HEAD REQUEST FY13-14</th>
<th>MANAGER RECOMMENDED FY13-14</th>
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Preparing The Budget

- Operating (Non-personnel):
  - Office supplies, printing, postage
  - Tools and small equipment purchases and repairs
  - Employee training & travel
  - Safety training and supplies
  - Gasoline and Diesel
  - Utilities and telecommunication
  - General Liability Insurance (Property, Auto, Liability)
  - Professional & contract services, leases, etc.
  - Debt service

Preparing The Budget

- Capital:
  - Machines, equipment and vehicles
  - Buildings, parking and recreation facilities
  - Infrastructure

Expenditures are classified as capital expenditures based on capitalization thresholds and the asset(s) they are replacing, enhancing or upgrading (when in doubt, ask auditor).

- They may be funded with recurring or nonrecurring revenue or debt proceeds.

- Ideally capital expenditures are forecast in a CIP
Preparing The Budget

- Estimating Expenditures:
  - Utilize year to date performance (monthly financial statements)
  - Audits from previous years
  - Any known increases, such as:
    - Insurance premiums
    - Utility rates
    - Scheduled increases in contracts
    - Forecasts such as the EIA’s Short Term Energy Outlook
  - New activities
Preparing The Budget

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    - Utility rates
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  - New activities

Preparing The Budget

- Following (or paralleling) the estimation of expenditures, revenues are projected.

- What is Revenue?
  - Income generated by taxes, business licenses, user fees, fines and forfeitures, investments, reimbursements, or other miscellaneous sources.

- Good revenue forecasting is a combination of good information and good judgment - often refined through years of experience.
Preparing The Budget

Projectiong Revenue:

- Historical Trends
- Expected changes to revenues
  - New construction
  - Business openings and closings
  - Automobile tax base
  - Investment yields
  - Projected impact of weather on water, sewer and electric sales
- Potential new revenue from tax, fee or charge increases
- New sources of revenue

### CITY OF NEWBERRY, FINANCIAL STATUS (UNAUDITED)
Period Ending March 31, 2013, With Comparative Data from March 31, 2012

#### GENERAL FUND

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<th>FY13 Budget</th>
<th>Collected To Date</th>
<th>% Collected</th>
<th>FY12 Collected</th>
<th>FY12 %</th>
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<tr>
<td>Permits, Inspect, Lot Clear, Zoning Court Fines &amp; Forefeiture</td>
<td>61,930</td>
<td>61,930</td>
<td>100%</td>
<td>61,930</td>
<td>100%</td>
</tr>
<tr>
<td>(W/Current Mo. V&amp;B)</td>
<td>624,030</td>
<td>624,030</td>
<td>100%</td>
<td>624,030</td>
<td>100%</td>
</tr>
<tr>
<td>Other Police Dept. Revenue</td>
<td>5,000</td>
<td>5,000</td>
<td>100%</td>
<td>5,000</td>
<td>100%</td>
</tr>
<tr>
<td>Recreation Fees</td>
<td>36,500</td>
<td>36,500</td>
<td>100%</td>
<td>36,500</td>
<td>100%</td>
</tr>
<tr>
<td>Garbage Fees &amp; Bin Rentals</td>
<td>607,000</td>
<td>607,000</td>
<td>100%</td>
<td>607,000</td>
<td>100%</td>
</tr>
<tr>
<td>Merchant's Inventory Remb</td>
<td>58,352</td>
<td>58,352</td>
<td>100%</td>
<td>58,352</td>
<td>100%</td>
</tr>
<tr>
<td>Local Government Fund</td>
<td>189,577</td>
<td>189,577</td>
<td>100%</td>
<td>189,577</td>
<td>100%</td>
</tr>
<tr>
<td>Other State Revenue</td>
<td>265,000</td>
<td>265,000</td>
<td>100%</td>
<td>265,000</td>
<td>100%</td>
</tr>
<tr>
<td>Co. Rec City Expenses</td>
<td>18,000</td>
<td>18,000</td>
<td>100%</td>
<td>18,000</td>
<td>100%</td>
</tr>
<tr>
<td>Co. Fire Allocation</td>
<td>112,256</td>
<td>112,256</td>
<td>100%</td>
<td>112,256</td>
<td>100%</td>
</tr>
<tr>
<td>Co. Contribution-Fire Aerial</td>
<td>26,149</td>
<td>26,149</td>
<td>100%</td>
<td>26,149</td>
<td>100%</td>
</tr>
<tr>
<td>CANSA</td>
<td>495,000</td>
<td>495,000</td>
<td>100%</td>
<td>495,000</td>
<td>100%</td>
</tr>
<tr>
<td>Economic Dev Grant - PMPA</td>
<td>20,000</td>
<td>20,000</td>
<td>100%</td>
<td>20,000</td>
<td>100%</td>
</tr>
<tr>
<td>Co. School Systems-Security</td>
<td>5,200</td>
<td>5,200</td>
<td>100%</td>
<td>5,200</td>
<td>100%</td>
</tr>
<tr>
<td>Federal Stimulus Grant-HVAC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Grant - LEN</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transferred From VR-Office Rent</td>
<td>61,500</td>
<td>61,500</td>
<td>100%</td>
<td>61,500</td>
<td>100%</td>
</tr>
<tr>
<td>A&amp;T Franchise</td>
<td>750</td>
<td>750</td>
<td>100%</td>
<td>750</td>
<td>100%</td>
</tr>
<tr>
<td>NEC Franchise-26219</td>
<td>4,000</td>
<td>4,000</td>
<td>100%</td>
<td>4,000</td>
<td>100%</td>
</tr>
<tr>
<td>NEC Franchise-Fireworks</td>
<td>10,000</td>
<td>10,000</td>
<td>100%</td>
<td>10,000</td>
<td>100%</td>
</tr>
<tr>
<td>Sale of Unservicable Equipment</td>
<td>5,500</td>
<td>5,500</td>
<td>100%</td>
<td>5,500</td>
<td>100%</td>
</tr>
<tr>
<td>Interest Earned</td>
<td>2,500</td>
<td>2,500</td>
<td>100%</td>
<td>2,500</td>
<td>100%</td>
</tr>
</tbody>
</table>
Preparing The Budget

- **Projecting Property Tax Revenue:**
  - The initial assessment from the county will be wrong
  - However, that number will refine
  - Calculate expected tax revenues after adjusting the initial assessment
  - New construction may not make the tax rolls
  - Council sets property tax rate, not county auditor
Calculating **Residential** Property Taxes:

- $100,000 \times 4\% = $4,000 \text{ Assessed Value}
- $4,000 \times 0.090 = $360 \text{ Tax Due}
- $360 \times 0.090 = $324 \text{ Tax Collected}

Calculating **Commercial** Property Taxes:

- $100,000 \times 6\% = $6,000 \text{ Assessed Value}
- $6,000 \times 0.090 = $540 \text{ Tax Due}
- $540 \times 0.090 = $486 \text{ Tax Collected}
Property Tax Increases *(Section 6-1-320)*:

- Can increase millage at a rate no greater than the increase in Consumer Price Index (CPI) and population growth last year.
- Can override this limitation (cap) by 2/3 vote of council for the following reasons:
  - Offset a prior year deficit
  - Recover from a disaster
  - Loss of 10%+ of property tax base
  - Comply with a court order
  - Comply with a state or federal regulation or order

This limitation (or cap) does not affect millage that is levied to pay:

- Bonded indebtedness
- Lease purchase agreements
- Maintain a reserve account
Preparing The Budget

- Property Tax In A Reassessment Year:
  - Legislative intent - calculation of a millage rate that does not result in a hidden tax increase or windfall to the local government
  - The reassessment formula is designed to establish a "roll back" millage (property tax rate) that yields a revenue neutral figure plus tax revenue from growth (investment that has occurred within the community since the last reassessment).

Preparing The Budget

- Projecting Other Revenue Sources:
  - Local Option Sales Tax
  - Business License
  - Local Hospitality Tax
  - Local Accommodations Tax
  - Fines and Forfeitures
  - Fees (Sanitation, Public Works, etc)
  - Charges (water, sewer, electric, etc.)
Preparing The Budget

- Projecting Other Revenue Sources:
  - Local Option Sales Tax
  - Business License
  - Local Hospitality Tax
  - Local Accommodations Tax
  - Fines and Forfeitures
  - Fees (Sanitation, Public Works, etc.)
  - Charges (water, sewer, electric, etc.)
Preparing The Budget

❖ Imposing a new fee (*Section 6-1-330*):

- Must provide notice of the new fee and hold a public hearing prior to final adoption of the fee that allows for public comment
- If fee generates 5% or more of prior year budget total, funds from fee must be segregated
- Must disclose if the fee is going to fund a service that was previously funded by property taxes
Adoption

Annual budget must be adopted by ordinance with the necessary number of readings as required by local code. *Section 5-7-260.*

Budget ordinance sets/provides:
- Property Tax (Millage) Rate
- Appropriation Levels
- Procedure for Amendment
- Debt Proceeds and Debt Service
- Short-term Borrowing
AN ORDINANCE OF THE TOWN OF BLUFFTON
ORDINANCE NO. 2016-06
FISCAL YEAR 2017 BUDGET
TO PROVIDE FOR THE LEVY OF TAX FOR THE TOWN OF BLUFFTON
FOR THE FISCAL YEAR BEGINNING JULY 1, 2016 AND ENDING JUNE
30, 2017; TO PROVIDE FOR EXECUTION OF AND TO PUT INTO
EFFECT THE CONSOLIDATED BUDGET; AND TO PROVIDE
BUDGETARY CONTROL OF THE TOWN’S FISCAL AFFAIRS.

BE IT ORDERED AND ORDAINED BY THE MAYOR AND COUNCIL OF THE
TOWN OF BLUFFTON, SOUTH CAROLINA:

SECTION 1. APPROPRIATION.
Funds are hereby appropriated as shown in the Consolidated Budget, the
documents attached hereto and incorporated for reference as Attachments A, B, C, D, E, and F establishing a Consolidated Budget of $36,529,292 consisting of the General Fund budget of $18,698,885; the Stormwater Fund of $2,901,495; the Capital Improvements Program Fund of $12,492,115; and the Debt Service Fund of $2,436,797.

SECTION 2. ESTABLISHMENT OF PROPERTY TAX LEVY
A tax to cover the period from July 1, 2016, through June 30, 2017, inclusive, for the
sums and in the manner hereinafter mentioned, is and shall be levied, collected and paid
into the Treasury of the Town of Bluffton for its use at a rate of mills on assessed value of real estate and personal property of every description in the Town of Bluffton, except
such property as is exempt from taxation under the United States Constitution and laws of the State of South Carolina. Said tax levy shall be collected by Beaufort County
Treasurer and paid into the County Treasury for the credit of the Town of Bluffton for its corporate purposes a general fund levy of 39.00 mills and a debt service fund levy of 3.35
mills or at a total levy of 42.35 mills.

SECTION 3. ESTABLISHMENT OF A MASTER FEE SCHEDULE.
A Master Fee Schedule listing all fees charged by the Town for Fiscal Year 2017 is
included and incorporated for reference as Attachment F.

SECTION 4. OUTSTANDING BALANCE APPROPRIATION AND ENCUMBRANCES.
The unobligated balance remaining from the prior fiscal year hereby remains in the
fund and will be available for Fiscal Year 2017 appropriations.

SECTION 5. TRANSFER OF FUNDS AND AMENDMENTS.
The Town Manager or his designee is authorized to transfer any sum from one budget line item to another or from one department or division to another
provided that no such transfer be made from one fund to another fund, conflict with any existing Bond ordinance, or conflict with any previously adopted policy
of Council. Changes or amendments that alter the total expenditures of any fund must be approved by Council.

SECTION 6. CONTRACTS.
The Town Manager or his designee is authorized to execute contracts on behalf of the Town within budgeted amounts. Contract amounts greater than that
budgeted shall be subject to Council approval. All contracts greater than $100,000 shall be subject to Council approval.

SECTION 7. RATE OF EXPENDITURES.
The Town Manager shall control the rate of expenditures within the Consolidated Budget so as not to exceed the amount of funds on hand. Any proposed tax
and/or revenue anticipation notes shall be subject to specific Council approval prior to issuance.

SECTION 8. RESERVE FUNDS.
The following Designated Reserve Funds are established and fully funded:

Emergency Recovery Fund – This fund shall be funded at an amount equal to or greater than fifteen (15%) percent of the current fiscal year General Fund expenditure amount. For Fiscal Year 2017, this amount is established at $2,804,833.

Vehicle and Equipment Replacement Reserve Fund – This reserve shall be funded at an amount equal to 105% of the designated assets’ prior completed fiscal
year’s depreciation cost from uncommitted Fund Balance. This funding will occur in years in which there is a positive net change in the prior year’s Fund Balance. In addition, any insurance proceeds from totaled vehicles and proceeds from the sale of vehicles and equipment will be designated as reserved for future vehicle or equipment purchases. Debt Service requirements (lease principal and interest payment) are charged to Department Cost Centers and reduce the Vehicle and Equipment Replacement Reserve each year. For Fiscal Year 2017, this amount is established at $632,940.

SECTION 10. SEVERABILITY
Should any section, phrase, sentence or portion of this Ordinance be found invalid by a court or competent jurisdiction, such finding shall not invalidate the
remaining portions.
SECTION 11. EFFECTIVE DATE
This Ordinance shall be effective on July 1, 2016.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF BLUFFTON ON THIS FOURTEENTH DAY OF JULY, 2016.

Lisa Sulka
Lisa Sulka, Mayor
Town of Bluffton, South Carolina

ATTEST:
Sandra Lunceford
Sandra Lunceford, Town Clerk
Town of Bluffton, South Carolina

First Reading: May 10, 2016
Public Hearing: June 14, 2016
Second and Final Reading: June 14, 2016

Adopting The Budget

- A public hearing must be held before adopting the budget. *Section 6-1-80.*
- May be held in conjunction with first or second reading of the budget ordinance, or at an isolated date/time.
- Public notice of the hearing must be published in a newspaper of general circulation.
- Notice must be given at least 15 days before the public hearing.
Adopting The Budget

- The public hearing notice must contain:
  - Name of the local government
  - Date, time and location of the hearing
  - Total operating revenues and expenditures in current fiscal year budget
  - Projected operating revenues and expenditures of next year’s budget
  - The percentage change
  - Millage for the current fiscal year
  - Estimated millage in dollars as necessary for next year’s budget
Key elements of cash flow management:

- Be very familiar with the municipality’s cash flow patterns.
- Have knowledge of the legal authority that grants investment practices.
- Evaluate the past, present, and future cash flow trends.
- Develop good relationships with the municipality’s banking institutions.
- Be familiar with investment markets and invest cash timely and wisely.
- Have a good, accurate accounting system.
- Prepare and analyze cash flow projections regularly.
Financial Controls & Reporting

❖ Keys to effective financial reporting
  o good account structure
  o effective internal controls
  o computerized accounting system

❖ Governmental accounting transactions should be recognized on either an accrual basis or modified accrual basis.

❖ However, results are reported on an accrual basis.

❖ The presentation of regular (monthly) financial reports, comparing actual to budget, to council is important.

❖ Reporting by fund is required.
Funding Accounting:

- An accounting system emphasizing **accountability** rather than **profitability**, used by state and local governments.
- Governments have special requirements to show, in financial statements, how money is spent, rather than how much profit was earned.
- Unlike profit oriented businesses, which use a single general ledger, cities can have more than one general ledger (or fund), depending on their financial reporting requirements.

Fund:

- **Fund**: a self-balancing set of accounts, segregated for specific purposes in accordance with laws, regulations, special restrictions and/or limitations.
- A city must be able to produce reports that:
  - detail the expenditures and revenues for each individual fund (**fund statements**)
  - summarize financial activities across all of its funds (**government wide statements**)
- There are three broad categories of funds.
Governmental Funds: are used to account for most typical governmental functions (public safety, streets and sanitation, parks and rec, and admin)

Proprietary Funds: are used to account for a government's business type activities. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis.

Fiduciary Funds: are used to account for assets held in trust by the government for the benefit of individuals or other entities. SC’s employee pension funds, the S.C. Retirement System, are examples of fiduciary funds.

Financial Controls & Reporting

Governmental Funds
- General
- Special Revenue
- Capital Projects
- Debt Service
- Permanent

Proprietary Funds
- Enterprise
- Internal Service
Financial Controls & Reporting

- **Measurement focus:** what financial transactions and events will be recognized in the system and reported in the financial statements.
  - Current Financial Resources
  - Total Economic Resources

- **Basis of accounting:** when transactions and events will be recognized in the accounting system and presented in the financial statements.
  - Accrual
  - Modified Accrual
  - Cash
Financial Controls & Reporting

- Regular Financial Statements:
  - Compare actual results to budget on a regular, preferably monthly, basis
  - Present to and review with City Council with same frequency

- Council is **ultimately responsible** for ensuring that monthly reports are prepared and that the information is accurate.

- Monitor department expenditures by using monthly reports, general ledger and, when necessary, general ledger transaction reports

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**City of Rumber**

**Statement of Expenditures (Audited)**

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget</th>
<th>FY 2017</th>
<th>FY 2016</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2017</td>
<td>FY 2016</td>
<td>% YTD</td>
<td>% YTD</td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>2,462,391</td>
<td>1,021,464</td>
<td>19.2%</td>
<td>(1,390,927)</td>
</tr>
<tr>
<td>Technical Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineer and Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>2,462,391</td>
<td>1,021,464</td>
<td>19.2%</td>
<td>(1,390,927)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Adopted Budget</th>
<th>FY 2017</th>
<th>FY 2016</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2017</td>
<td>FY 2016</td>
<td>% YTD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,462,391</td>
<td>1,021,464</td>
<td>19.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1,390,927)</td>
</tr>
</tbody>
</table>

**Total General Fund**

<table>
<thead>
<tr>
<th>Adopted Budget</th>
<th>FY 2017</th>
<th>FY 2016</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2017</td>
<td>FY 2016</td>
<td>% YTD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,462,391</td>
<td>1,021,464</td>
<td>19.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1,390,927)</td>
</tr>
</tbody>
</table>

---

**Stormwater Fund**

<table>
<thead>
<tr>
<th>Adopted Budget</th>
<th>FY 2017</th>
<th>FY 2016</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>848,885</td>
<td>1,145,146</td>
<td>35.3%</td>
</tr>
</tbody>
</table>
Independent Audit:

- Independent annual audit is required under Section 5-7-240.
- Council must accept and review the audit annually.
- Must be made available for public inspection.
- Figures should be reflected on an accrual basis, but cash basis is common for smaller entities.

### Financial Controls & Reporting

### Local Accommodations Fees Fund

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget FY 2017</th>
<th>YTD Actual FY 2017</th>
<th>YTD % of Year Ended FY 2017</th>
<th>Variance Over/Under</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Expenses: Culture/Recreation</td>
<td>-</td>
<td>6,430</td>
<td>N/A</td>
<td>0 (450)</td>
</tr>
<tr>
<td>Other Quality of Life Projects</td>
<td>139,004</td>
<td>139,004</td>
<td>100%</td>
<td>(139,004)</td>
</tr>
<tr>
<td>Arterial Fund Projects</td>
<td>148,000</td>
<td>24,818</td>
<td>16.47%</td>
<td>(123,182)</td>
</tr>
<tr>
<td>Transfer to Tourism</td>
<td>548,000</td>
<td>23,333</td>
<td>16.63%</td>
<td>(524,667)</td>
</tr>
<tr>
<td>Total Local Accommodations Fees Fund</td>
<td>826,000</td>
<td>54,749</td>
<td>13.07%</td>
<td>(771,251)</td>
</tr>
</tbody>
</table>

### Hospitality Fees Fund

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget FY 2017</th>
<th>YTD Actual FY 2017</th>
<th>YTD % of Year Ended FY 2017</th>
<th>Variance Over/Under</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Life Projects</td>
<td>1,108,832</td>
<td>116,229</td>
<td>10.48%</td>
<td>(992,603)</td>
</tr>
<tr>
<td>Arterial Fund Projects</td>
<td>1,135,000</td>
<td>107,812</td>
<td>14.27%</td>
<td>(1,027,188)</td>
</tr>
<tr>
<td>Transfer to Debt Service Fund</td>
<td>266,706</td>
<td>44,361</td>
<td>16.67%</td>
<td>(222,345)</td>
</tr>
<tr>
<td>Total Hospitality Fees Fund</td>
<td>3,500,538</td>
<td>528,302</td>
<td>15.92%</td>
<td>(3,972,236)</td>
</tr>
</tbody>
</table>

### Total Viable Assistance Fund

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget FY 2017</th>
<th>YTD Actual FY 2017</th>
<th>YTD % of Year Ended FY 2017</th>
<th>Variance Over/Under</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42,162</td>
<td>4,859</td>
<td>11.27%</td>
<td>(37,303)</td>
</tr>
</tbody>
</table>

### Total Budget

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget FY 2017</th>
<th>YTD Actual FY 2017</th>
<th>YTD % of Year Ended FY 2017</th>
<th>Variance Over/Under</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL BUDGET</td>
<td>82,587,668</td>
<td>11,325,700</td>
<td>13.11%</td>
<td>(71,261,968)</td>
</tr>
</tbody>
</table>
Financial Controls & Reporting

- **Independent Audit:**
  - Must submit annual audit to State Treasurer by thirteenth month of fiscal year end (budget proviso 76.10) or state funds will be withheld
  - Must submit annual Local Government Report to the Budget and Control Board, along with a copy of the annual audit by January 15 (Sec. 6-1-50) or 10% of state aid will be withheld
  - Submit annual audit to creditors, local banking institution

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Financial Controls & Reporting

- **Independent Audit:**
  - The auditor must be selected within 30 days of the beginning of the fiscal year (Section 5-7-240).
  - Auditors must be appointed for no more than 4 year terms and should be rotated.
  - The council may or may not use competitive bids to select their auditor, and there is no limit to the number of terms the council appoints the same auditor to.
What Auditors Do:

- Engaged to render an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.
- Provides users (the public, creditors and bond holders) with an enhanced degree of confidence in the financial statements.
- Expresses an opinion on whether the financial statements are free of material misstatement, whether due to fraud or error.
- Auditor gathers appropriate and sufficient evidence and observes, tests, compares and confirms until gaining reasonable assurance.

What Auditors Don’t Do:

- Auditors do not take responsibility for the financial statements on which they form an opinion.
- Responsibility for financial statement presentation lies squarely in the hands of the entity being audited.
- Auditors are not a part of management.
- Auditor are not able to report with certainty that fraud has not occurred.
The Audit Equation:

- Is the balance between auditing and bookkeeping.
- Staff needs to enter basic accounting data, reconcile bank statements and prepare the financial statements.
- If staff fails to do the bookkeeping, then the auditors must prepare the financial statements to audit.
- Result: the audit cost increases.
- Sometimes this impairs the auditor’s independence and, in extreme cases, may prevent the issuance of an opinion.

Financial Controls & Reporting

- Cities are finding unique ways to provide financial information to the public.
- Often they will tie their budget to the goals and objectives of their comprehensive plan and make it available on their website.
Material Resources

Government Finance Officers Association (GFOA)
www.gfoa.org

International City-County Management Association (ICMA)
www.icma.org

Municipal Association of South Carolina
www.masc.sc

Resources (Continued)

www.cityofbeaufort.org
www.townofbluffton.sc.gov
www.cityofclemson.org
www.cityofmyrtlebeach.com
www.cityofnewberry.com
www.cityofrockhill.com
www.sumtersc.gov