



Financial Audit Presentation Year Ended June 30, 2019



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

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.
- Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

GFLP 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



2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund: Total Fund Balance of \$7.8m at 6/30/19

Fund Balance Classifications:

- Nonspendable – unavailable for spending (prepaids, inventories, etc.)
- Restricted – available for spending only for specific purposes due to external constraints (such as debt covenants or legislation)
- Committed – available for spending only for specific purposes due to constraints imposed by Town Council (action must be taken prior to fiscal year-end)
- Assigned – available for spending only for specific purposes due to constraints imposed by Town Council (action may be taken through report date)
- Unassigned – available for future spending



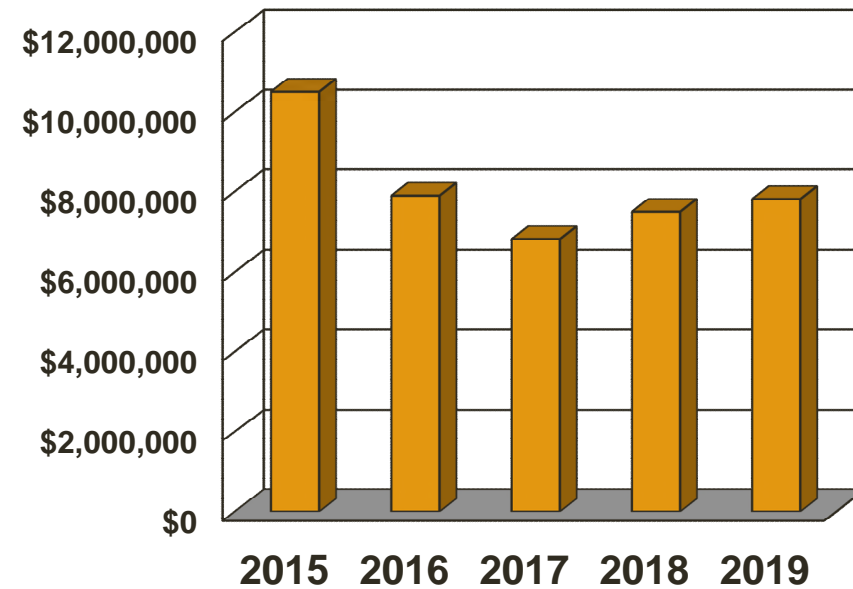
2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund

- Total fund balance increased \$315k to \$7.8m.
- Nonspendable fund balance of \$673k (prepaid amounts)
- Restricted Fund balance of \$56k for Victims Services, Confederate Memorial, and the Land Trust
- Committed Fund balance of \$1.6m for capital projects
- Assigned fund balance of \$20k for William Bradley Memorial Fund

GENERAL FUND



Total Fund Balance

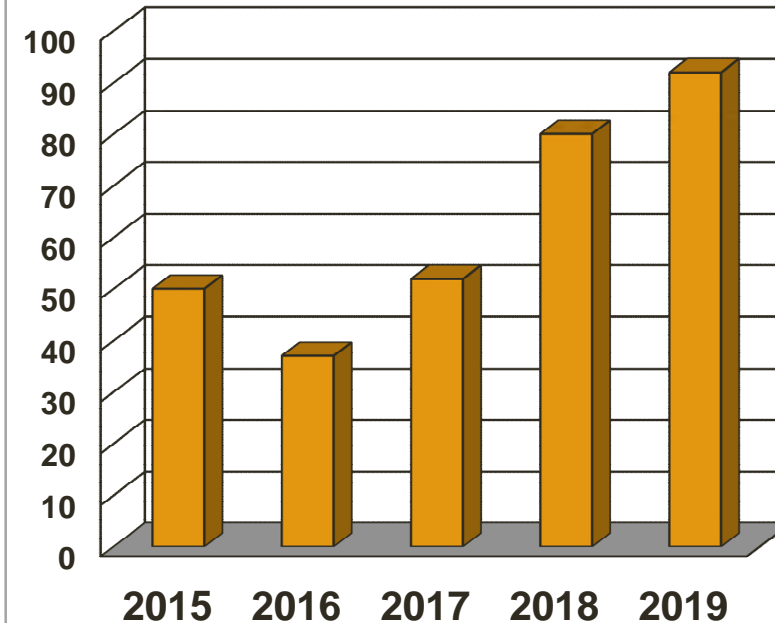


2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Unassigned fund balance is \$5.5m, which covers 93% of actual 2019 expenditures; includes capital improvements reserve of \$551k and emergency reserve of \$1.25m
- GFOA recommends a minimum of 16.7% (two months), but we believe the Town's unassigned fund balance should be higher than two months – see next slide.

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

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 (Town has an emergency reserve).
- Flexibility for discretionary funding needs (Town has capital improvements reserve)
- Potential for better interest rates on debt issues (can save the Town money).
- Unique requirements for a beach coastal municipality (Town has emergency reserve).
- Extremely important given the still somewhat uncertain economic times.



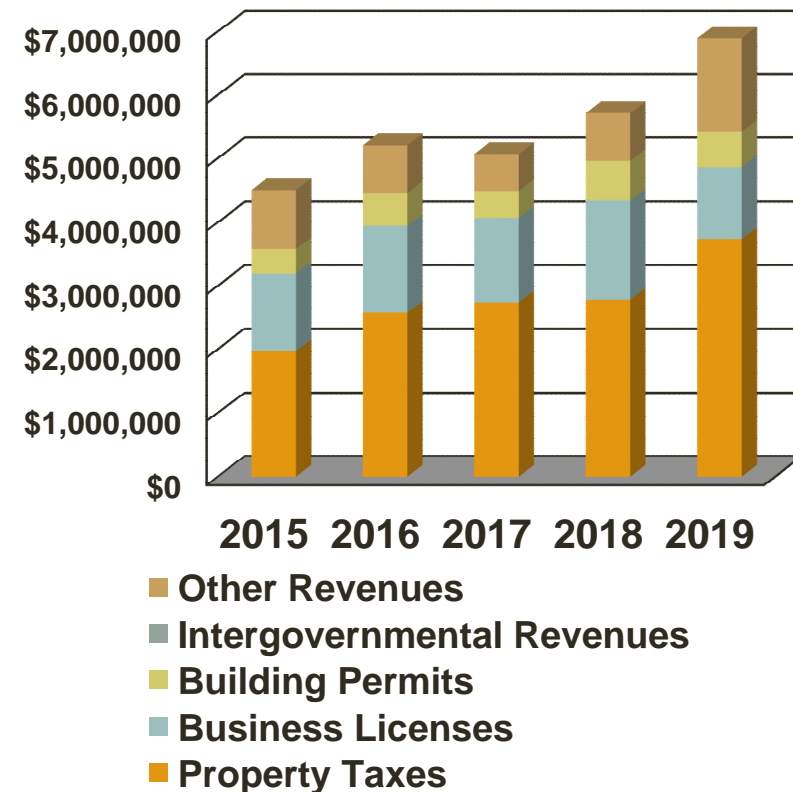
2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$6.9 million for 2019:
 - \$3.7m in property taxes
 - \$1.1m in business licenses
 - \$580k in franchise fees
 - \$562k in permits
 - \$965k for all other revenues
- \$1.2m (17%) increase from 2018
 - Primarily due to a \$143k increase in business licenses and a \$951k increase in property taxes
- \$1.8m (34%) better than budget
 - Primarily due to licenses and franchise fees exceeding budget by \$331k and property taxes exceeding budget by \$976k

GENERAL FUND REVENUES





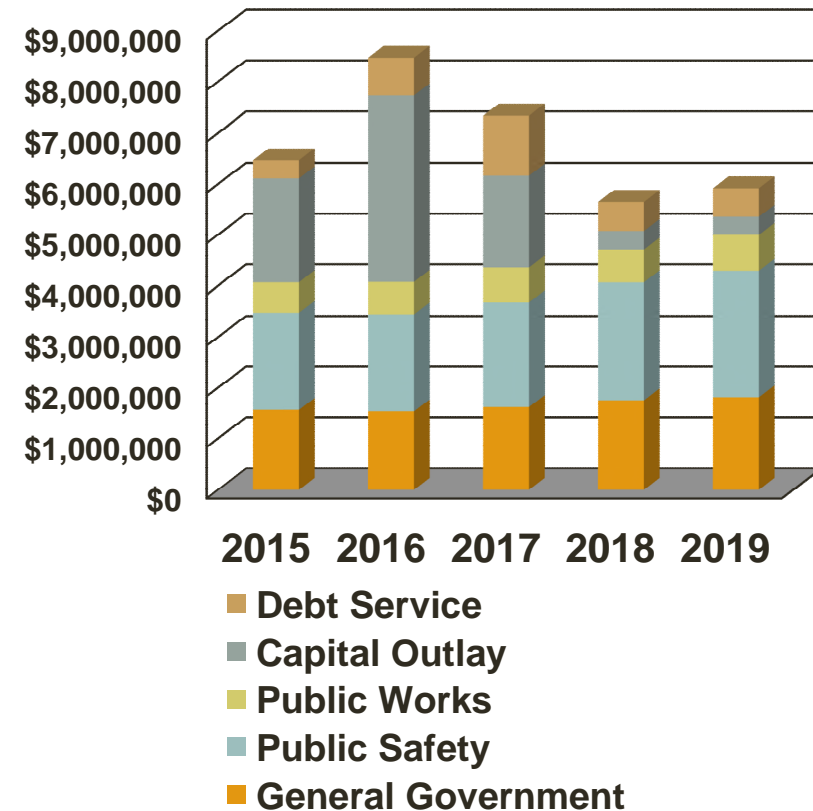
2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$5.9 million for 2019:
 - \$1.8m in general government
 - \$2.5m in public safety
 - \$710k in public works
 - \$356k in capital outlay
 - \$562k in debt service
- \$273k (5%) increase from 2018
 - Primarily due to a \$164k increase in public safety expenditures primarily related to vehicles purchased with lease proceeds.
- \$133k (2%) over budget
 - Police and Fire expenditures exceeded budget by \$198k and \$61k, respectively (amounts approved by Council but not included in operating budget)
 - Maintenance expenditures were \$93k under budget related to deferred projects

GENERAL FUND EXPENDITURES





2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Public Facilities Corporation

- The Corporation was created for the purpose of issuing debt to finance the cost of upgrades and improvements to the Town's wastewater treatment plant and sewer collection system.
 - Installment Purchase Revenue Bonds of \$19.5m with premium of \$884k issued in FY19.
 - Capital Projects Fund – Reports the issuance of the bonds and use of proceeds (unspent proceeds of \$17.2m as of 6/30/19).
 - Debt Service Fund – Reports principal and interest payments which are funded through General Fund transfers.
 - The projects financed through debt proceeds in FY19 are reported in the Sewer Fund.



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Water Fund** had an increase in net position of \$195k to \$4.8m (including \$2.8m invested in capital assets).
 - Total Water Fund revenues and expenses were consistent with prior year.
 - The Water Fund has \$2.1m in unrestricted cash at June 30, 2019.
 - The Water System is 53% depreciated at June 30, 2019 (cost of system was \$4.7m with accumulated depreciation of \$2.5m)



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Sewer Fund** had an increase in net position of \$4.0m to \$7.5m (including \$7.2m invested in capital assets).
 - Total sewer operating revenues and expenses were consistent with prior year.
 - Sewer Fund received transfers of \$3.8m from the Capital Projects Fund (IPRB proceeds).
- Debt coverage ratio for the Water and Sewer Bonds is approximately 5.57 as of June 30, 2019 (exceeds requirement of 1.10).



2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$18.8m at 6/30/19. Depreciation expense was \$905k.
- Significant additions included:
 - Machinery and Equipment additions of approximately \$97k
 - Public Safety vehicle additions of \$153k
 - IT software and equipment additions of approximately \$95k
 - Construction in progress related to the sewer system improvements of \$4.4m
 - Property acquired by the Town prior to 2003 is reported at a value of zero in accordance with GAAP



2019 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total long-term obligations outstanding at 6/30/19 were \$24.8m – increase of \$19.7m from 6/30/18:
 - Total principal payments on debt and capital leases were \$863k
 - Issuance of \$19.5m in IPRBs with premium of \$884k
 - Issuance of \$190k lease purchase for Public Safety vehicles
 - Net pension liability of \$5.3M as of June 30, 2019 on the full accrual statements. This is the Town's proportionate share of the total net pension liability for the State pension plans. The liability does not directly affect the Town's cash flows; however, employer contribution rates are increasing 1% annually through FY2023.



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2019 based on federal expenditures being less than \$750k.

Management Letter

- Required communications to management and those charged with governance – no issues to report as management has done a good job of addressing issues noted in past years. We discussed several oral recommendations with the Mayor, Town Administrator and Comptroller.



2019 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Summary

- Unmodified opinion on the Financial Statements from GFLLP
- Good financial condition as of June 30, 2019