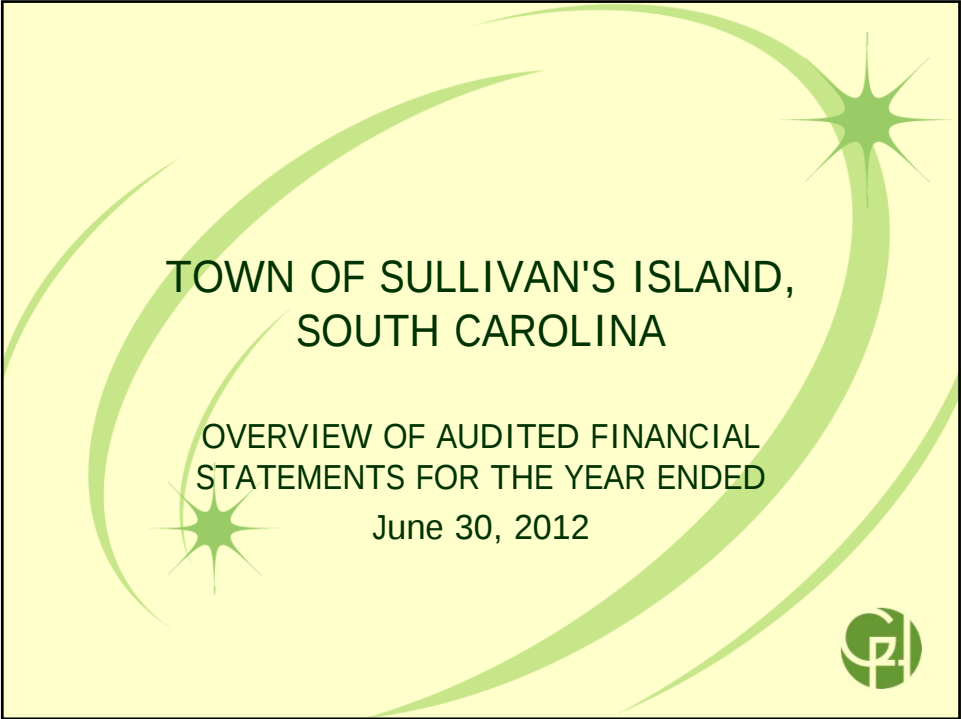
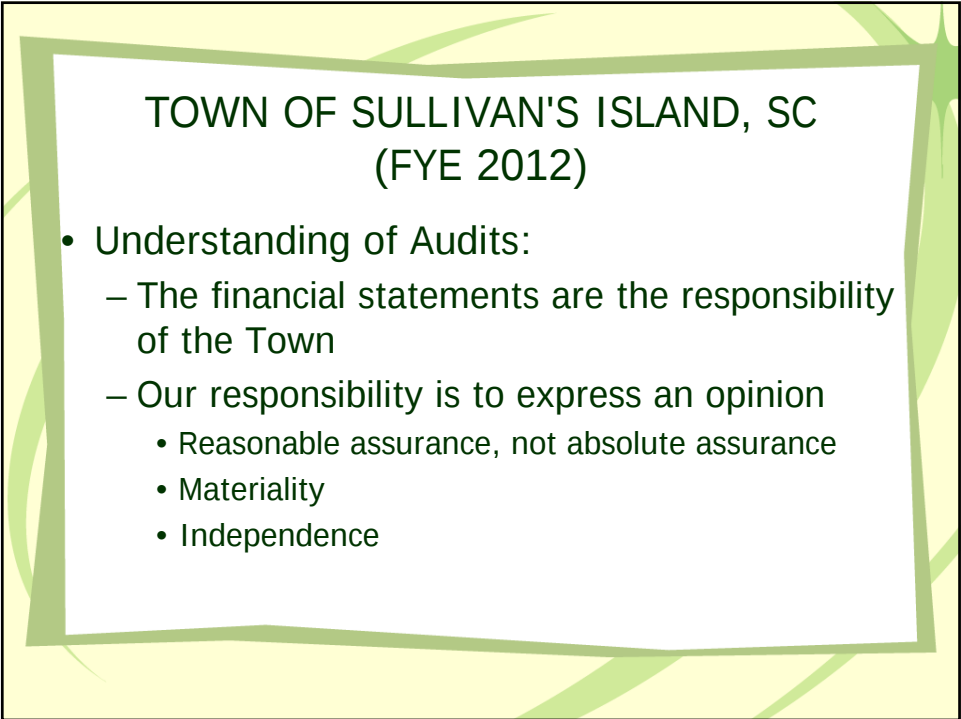




TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

OVERVIEW OF AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED

June 30, 2012



TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

- Understanding of Audits:
 - The financial statements are the responsibility of the Town
 - Our responsibility is to express an opinion
 - Reasonable assurance, not absolute assurance
 - Materiality
 - Independence

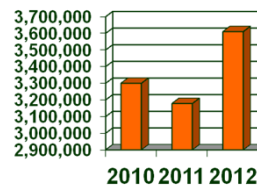
TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

- Audit opinion is “Unqualified”
 - Financial statements are fairly stated in all material respects
 - Best opinion the Town can receive

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

GENERAL FUND

- The fund balance for the General Fund increased by approximately \$.4 million from \$3.2 million to \$3.6 million.
- The unassigned fund balance for the General Fund is approximately \$3.3 million which is approximately 90% of 2012 General Fund expenditures. Of the unassigned balance, the reserve for emergency expenditures has a balance of \$1 million and for capital improvements has a balance of \$.25 million.



TOWN OF SULLIVAN'S ISLAND, SC

- 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
 - SAVE FOR PLANNED EXPENDITURES
 - POTENTIAL FOR BETTER INTEREST RATES ON DEBT ISSUES (SAVE THE TOWN MONEY)
 - UNIQUE NEEDS OF BEACH COMMUNITY

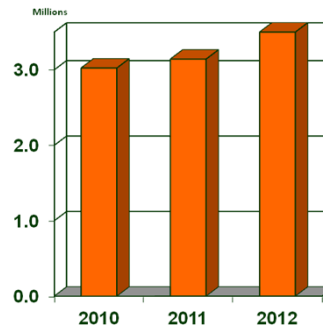
TOWN OF SULLIVAN'S ISLAND, SC

- SPECIFIC REASONS TO MAINTAIN AN ADEQUATE FUND BALANCE FOR SULLIVAN'S ISLAND:
 - CASH FLOW UNTIL DECEMBER/JANUARY
 - RISK OF ACT OF GOD
 - CASH FLOW (FEMA REIMBURSEMENT CAN BE SLOW)
 - TOWN MUST PAY 20% OF TOTAL COSTS
 - RISK OF UTILITY INFRASTRUCTURE REPAIR AND REPLACEMENT, ESPECIALLY SEWER
 - GOAL SHOULD BE PAY AS YOU GO WITH CAPITAL OUTLAY (VEHICLES, EQUIPMENT, ETC.)
 - GENERAL SAVINGS FOR OPERATIONAL CHANGES
 - LOWER THAN EXPECTED REVENUES
 - EMERGENCY OR HIGHER THAN EXPECTED EXPENDITURES
 - PLANNED NONRECURRING EXPENDITURES

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

GENERAL FUND

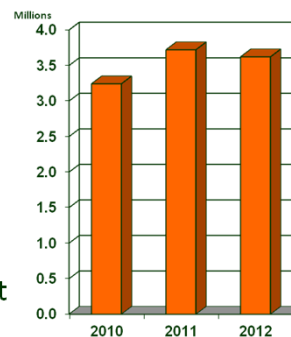
- Total General Fund revenues were \$3.5 million, \$.4 million higher than the prior year
- Major changes:
 - Licenses & Permits – increased by \$106k
 - Property Taxes – increased by \$130k
 - Other Revenues – increased by \$185k, mainly due to the \$175k impact fee received from Chas. Co. School District



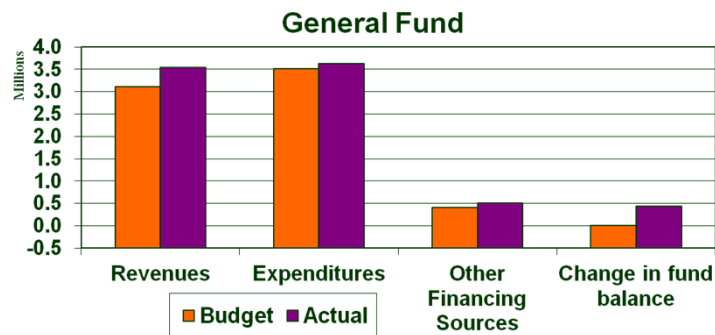
TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

GENERAL FUND

- General Fund Expenditures decreased \$100k (3%) to \$3.6 million
- The decrease in General Government of \$208k was mainly due to :
 - Decrease in Town Hall relocation expenditures
 - Decrease in accreted land lawsuit expenditures
- Capital outlay expenditures of \$177k included 1 police car replacement, 2 boat pumps & motor, walkway extensions, ramp at Island Club, and equipment.



TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)



TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

General Fund Budget to Actual

- Revenues were higher than budget by approximately \$441k primarily due to the following:
 - Other revenue includes \$175k for the Chas Co School District impact fee that was unbudgeted.
 - Licenses were higher than budgeted by \$121k.
 - Property taxes were higher than budgeted by \$45k.
 - One-time payment by Chas Co of \$40k to help offset additional public safety expenses for the summer was unbudgeted.
- Expenditures were higher than budget by \$103k primarily due to the following:
 - Town Hall relocation expenses of \$88k were unbudgeted since the majority of these expenses were incurred in the prior year.

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

Water & Sewer

- Net assets increased \$77k to \$7.8 million, \$973 thousand of which is unrestricted
- 2012 revenues increased by \$85k, primarily due to rate increases and a Sewer Federal Grant of \$59k.
- 2012 expenses increased by \$41k over the prior year, primarily due to the Sewer Federal Grant expenses.
- There were \$197k in transfers to the General Fund for reimbursement of expenses paid by general fund.

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

Water & Sewer

- Unrestricted Cash increased \$278k in the Water fund and increased \$38k in the Sewer fund
- Cash balances now represent approximately 11.5 months of Water operating expenses and 4 months of Sewer operating expenses

TOWN OF SULLIVAN'S ISLAND, SC
(FYE 2012)

OTHER FUNDS

- Fund balances at June 30, 2012:
 - State Accommodations Tax Fund – \$0
 - Local Accommodations Tax Fund – \$58k
 - Hospitality Tax Fund – \$220k
 - Tree Bank Fund - \$38k

TOWN OF SULLIVAN'S ISLAND, SC
(FYE 2012)

Government-Wide Financial Statements

- Total assets-\$13.4 million
 - \$4.4 million in cash and investments
 - \$7.1 million in net capital assets
 - \$1.2 million in capacity capital contribution
 - \$0.7 million in other assets
- Total liabilities-\$2.0 million
 - \$0.2 million in accounts payable & accrued liabilities
 - \$1.8 million in long-term obligations

TOWN OF SULLIVAN'S ISLAND, SC
(FYE 2012)

Government-Wide Financial Statements

- Total net assets - \$11.4 million
 - \$6.6 million in “Invested in Capital Assets Net of Related Debt”
 - \$0.4 million in “Restricted Net Assets”
 - \$4.4 million in “Unrestricted Net Assets”
- Total revenues - \$5.5 million
- Total expenses - \$4.8 million

TOWN OF SULLIVAN'S ISLAND, SC
(FYE 2012)

CAPITAL ASSETS & DEBT

- **Major capital asset additions:**
 - Replaced one police vehicle
 - Purchased 2 boat pumps & motor
 - Sewer system manhole, other improvements
 - Water line project
- **Debt**
 - Principal balance at June 30, 2012:
 - Governmental – GO Bond \$1.230 million
 - Business-type – Sewer Revenue Bond \$451k

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

OTHER MATTERS

- Commitments and contingencies:
 - Outstanding lawsuits.
 - Town's constructions commitments were approximately \$65,000 related to the Raven Dr. infrastructure improvements.
- Subsequent Events:
 - In July 2012, the Town entered into a contract to replace the tennis courts and basketball court for \$168k.
 - In August 2012, the Town passed a resolution to accept a capital lease with BB&T for the purchase of vehicles & a backhoe.

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

FUND BALANCE

- Town implemented GASB #54 in the prior year.
 - Nonspendable: Prepaid Expenses \$86k
 - Restricted: Tourism Related, Victims Services, Other \$105k
 - Committed: Tree Bank, Tennis & Basketball Courts Replacement, Island Club Repairs \$128k
 - Assigned: William Bradley Memorial Fund \$20k
 - Unassigned: Total is \$3.3 million, of which \$1 million is allocated for Emergency Reserve and \$250k is allocated for Capital Improvements

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

Recommendations for improvement

- Management Letter – No written comments, only a few oral comments. Council adopted new vacation policy effective July 1, 2012, which was in response to the prior year's written management letter comment. New policy appears reasonable and resolved the issue.

TOWN OF SULLIVAN'S ISLAND, SC (FYE 2012)

SUMMARY

- Overall financial condition looks healthy at June 30, 2012,
- We encourage the Town to continue to increase its fund balance for the reasons mentioned earlier in this presentation
 - Sewer fund is especially a higher risk for the Town
- Good financial management.
 - Management of expenses
 - Compensating controls for lack of segregation of duties due to small number of personnel