

Town of Sullivan's Island

Financial Audit Presentation Year Ended June 30, 2015

Greene, Finney & Horton, CPAs



2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

- **HIGHLIGHTS**

- Unmodified opinion
- General Fund – fund balance increased \$1.8m mainly due to proceeds from sale of five lots for \$3.3m, offset by the purchase of the fire truck for \$1m and initial Town Hall costs of \$.4m.

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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

• OPINION

- Town's responsibility:
 - Effective internal controls
 - Financial statements
- GF&H responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
- Issued unmodified opinion
- **BEST OPINION THE TOWN CAN RECEIVE**

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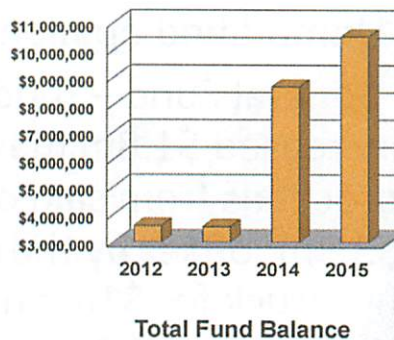


2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

• General Fund

- Total fund balance increased \$1.8m.
- Restricted Fund balance of \$3.2m for Capital Projects, Victims Services, Confederate Memorial, and the Land Trust.
- Committed: \$3.9m for Capital Projects.
- Assigned fund balance of \$20k for William Bradley Memorial Fund.

GENERAL FUND



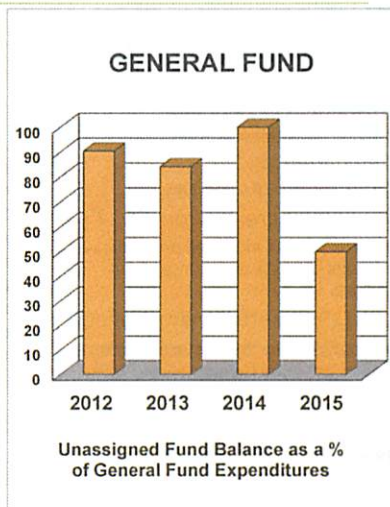
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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

• **General Fund**

- Unassigned fund balance is \$3.3 million, which covers 50% of 2015 actual expenditures and 67% of 2016 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months), but we believe the Town's fund balance should be higher...see next slide.



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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.
- Significant emergencies and unanticipated expenditures (Town has an emergency reserve).
- Flexibility for discretionary funding needs (Town has capital reserve)
- Potential for better interest rates on debt issues (can save the Town money).
- To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of the change in legislation (i.e. as when residential property taxes from operations were eliminated and replaced by the state with a one cent sales tax increase ("Act 388")).
- Unique requirements for a beach coastal municipality (Town has emergency reserve).
- Extremely important given the still somewhat uncertain economic times.

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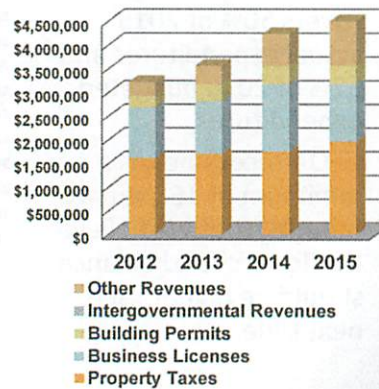


2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$4.5 million for 2015:
 - \$1.97m from property taxes
 - \$1.22m in business licenses
 - \$383k in permits
 - \$932k for all other revenues
- \$270k (6%) increase from 2014
 - Primarily due to increased property tax revenue of \$211k due to increase in millage.
- \$712k (19%) better than budget
 - Primarily due to fire rescue boat grant of \$233k, property tax increase of \$189k, Charleston County Greenbelt funds of \$81k for Station 16 nature trail, and \$41k contribution by SI Park Foundation for Citadel tennis courts.

GENERAL FUND REVENUES



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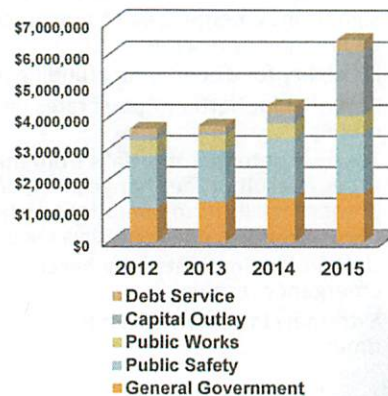


2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$6.46 million for 2015:
 - \$1.56m in general government
 - \$1.92m in public safety
 - \$59k in public works
 - \$2.04m in capital outlay
 - \$35k in debt service
- \$2.1m (48%) increase from 2014
 - Majority due to a \$1.76m increase in capital outlay.

GENERAL FUND EXPENDITURES



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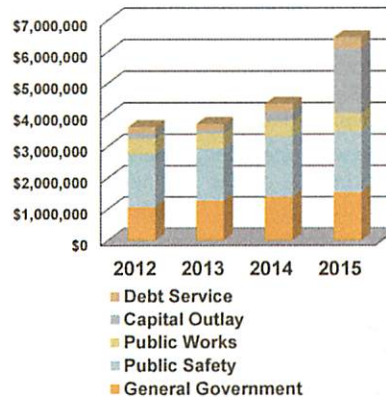


2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$2.04m (46%) more than budget
 - The fire truck of \$1m and the initial costs of the new Town Hall of \$425k were anticipated and were funded by the 2014 GO Bond, but were not included in the 2015 budget. The fire rescue boat of \$380k was also not included in the 2015 budget.
- After considering capital projects that were not budgeted, the General Fund expenditures were \$133k (2%) more than budget

GENERAL FUND EXPENDITURES



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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- The **Water Fund** had an increase in net position from current year operations of \$17k (similar to prior year).
 - Total Water Fund revenues increased approximately \$106k, or 11%, from the prior year due to increased consumption and rates.
 - Water operating expenses increased approximately \$106k, or 14%, mainly due to an increase in system repairs and maintenance.
 - The Water fund transferred \$203k to the General Fund for debt service.
- Water Fund net position decreased as a result of the implementation of GASB #68 which required a \$140k adjustment to beginning net position.
- The Water Fund has a net cash position of approximately 481 days. The bond world likes to see a minimum of 100 days in net cash position.

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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Sewer Fund** had an increase in net position of \$81k from current year operations (better than prior year, primarily due to a transfer of \$90k was made from the General Fund to the Sewer Fund during FY15 to set up the annual debt service account for the 2014 Waterworks and Sewer Revenue Bond).
 - Total sewer operating revenues increased approximately \$113k, or 13%, from the prior year primarily due to the rate increase which averaged approximately 11.4%.
 - Sewer operating expenses increased approximately \$80k, or 9%, primarily due to engineering fees related to applying for the FY16 federal grant for the sewer improvements.
- Net position decreased compared to prior year as a result of the implementation of GASB #68 which required a \$108k adjustment to beginning net position.
- The Sewer Fund has a net cash position of approximately 114 days. The bond world likes to see a minimum of 100 days in net cash position.

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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$10.5m at 6/30/15. Depreciation expense was \$493k.
- Significant additions included:
 - Sewer line rehabilitation of \$1.48m.
 - Fire truck purchase of \$1m.
 - Town Hall initial costs of \$425k.
- Remember that the land is shown at cost and/or market value at the time of donation, so actual value is much higher than what is on the Town's general ledger.

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Other Items of Note:

- Total long-term obligations outstanding at 6/30/15 were \$6.95m – increase of \$1.29m from 6/30/14:
 - Issuance of \$1.45m Revenue Bond for sewer rehabilitation line project
 - Issuance of \$145k capital lease for vehicles and ATV
 - \$328k of scheduled principal payments were made in 2015.
 - \$753k of debt service payments on outstanding debt expected for 2016.
 - Town pays interest only on \$4.1m GO Bond until March 2016.
 - Remaining legal debt margin is down to \$368 thousand

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Other Items of Note:

- Implemented Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" in 2015:
 - The Town participates in cost sharing multiple-employer plans – South Carolina Retirement System ("SCRS") and South Carolina Police Officers Retirement System ("PORS").
 - The Town was required to record its pro-rata portion of the net pension liability and deferred outflows/inflows of resources associated with these plans in its Statements of Net Position which has significantly decreased the Town's beginning net position by approximately \$3.5 million.
 - \$1.9 million for the SCRS
 - \$1.6 million for the PORS

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2015 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2015.

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, Administrator and Finance Director.

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Summary

- Unmodified opinion on the Financial Statements from GF&H (which is the best the Town can receive)
- Good financial condition as of June 30, 2015
- Note that outstanding debt is higher now

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