



Financial Audit Presentation Year Ended June 30, 2023

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2023 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

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

GFC 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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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund: Total Fund Balance of \$11.0M at 6/30/2023
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

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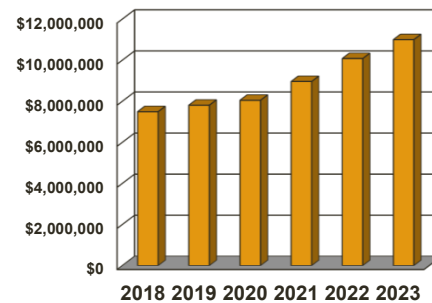


2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Total fund balance increased \$919k to \$11.0M.
- Nonspendable fund balance of \$1.1m (prepaid amounts)
- Restricted fund balance of \$256k primarily for debt service and victims services
- Committed fund balance of \$770k for capital projects
- Assigned fund balance of \$20k for William Bradley Memorial Fund

GENERAL FUND



Total Fund Balance

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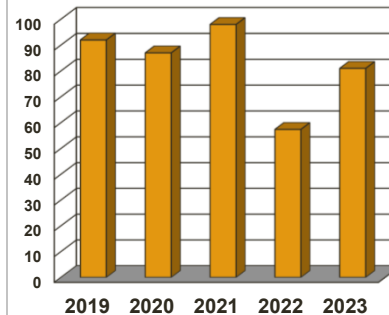


2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Unassigned fund balance is \$8.9M includes capital improvements reserve of \$2.4M and emergency reserve of \$2.1M
- Unassigned and unreserved fund balance is \$4.4M and represents 39.6% of FY2023 operating expenditures
- 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.

Unassigned Fund Balance as a % of General Fund Expenditures



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2023 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 an emergency reserve).

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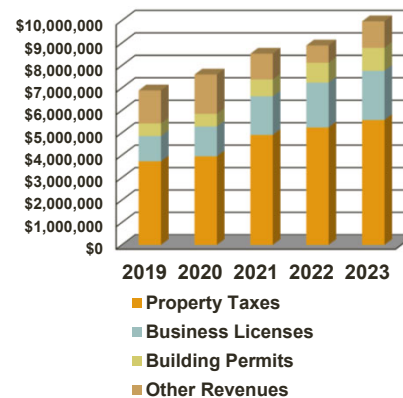


2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$10.0 million for 2023:
 - \$5.6m in property taxes
 - \$2.2m in business licenses
 - \$1.0m in building permits
 - \$391k in local option sales taxes
 - \$788k for all other revenues
- \$1.2m (11%) increase from 2022
 - Primarily due to increases of \$332k and \$195k in property taxes and business licenses, respectively
- \$1.4m (14%) better than budget
 - Primarily due to higher property taxes, business licenses, and permits than anticipated

GENERAL FUND
REVENUES



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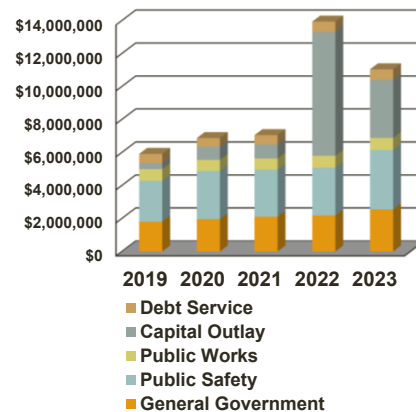


2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$11.0 million for 2023:
 - \$2.5m in general government
 - \$3.6m in public safety
 - \$728k in public works
 - \$3.5m in capital outlay
 - \$645k in debt service
- \$2.9m (26%) decrease from 2022
 - Current expenditures increased by \$1.1m or 19%
 - Capital outlay decreased by \$4.0m
- Current expenditures were \$55k below budget
- Capital outlay was primarily funded through IPRB proceeds (transfers in from Capital Projects fund) and thus was not included in the General Fund's operating budget

GENERAL FUND EXPENDITURES



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2023 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 certain upgrades and improvements, including improvements to the wastewater treatment plant and sewer collection system.
 - Capital Projects Fund – Reports the issuance of the bonds and use of proceeds (unspent proceeds of \$4.2M as of 6/30/2023).
 - Debt Service Fund – Reports principal and interest payments which are funded through General Fund transfers.
 - Expenditures and expenses related to projects financed through debt proceeds in FY2023 are reported in the Sewer Fund (sewer system rehabilitation) and the General Fund (fire station and storage facility).

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Water Fund** had an increase in net position of \$234k to \$5.7M (including \$2.0M invested in capital assets).
 - Total Water Fund revenues and expenses were consistent with prior year.
 - The Water Fund has \$3.8M in unrestricted cash at June 30, 2023.
 - The Water System is 63% depreciated at June 30, 2023 (cost of system was \$4.8M with accumulated depreciation of \$3.0M)
- **The Sewer Fund** had an increase in net position of \$74k to \$28.0M (including \$25.9M invested in capital assets).
 - Total sewer operating revenues and expenses were consistent with prior year.
 - Sewer Fund received transfers of \$532k from the Capital Projects Fund (IPRB proceeds) to fund the completion of the sewer system improvements project.
 - The Sewer Fund has \$2.3M in unrestricted cash at June 30, 2023.
- Debt coverage ratio for the Water and Sewer Bonds is approximately 9.35 as of June 30, 2023 (exceeds requirement of 1.10).

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$46.2M at 6/30/2023. Depreciation expense was \$1.9M.
- Significant additions included:
 - Sewer system improvement project completed and transferred to depreciable assets (\$3.0m)
 - Construction in progress related to the completion of the fire station and storage facility construction as well as boardwalk improvements totaling \$9.9m transferred to depreciable assets.
 - Property acquired by the Town prior to 2003 is reported at a value of zero in accordance with GAAP

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total long-term obligations outstanding at 6/30/2023 were \$41.4M – decrease of \$1.2m from 6/30/2022:
 - Total principal payments on debt and capital leases were \$1.1m.
 - Net pension liability of \$6.3M as of June 30, 2023 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, PEBA approved continuing rate increases of 1% each year through July 1, 2023 which will result in a final employer rate of 18.56% and 21.24% for the SCRS and PORS, respectively. Those increases have a direct impact on the Town's operating budgets.

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2023 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.

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2023 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Summary

- Unmodified opinion on the Financial Statements from GFC
- Good financial condition as of June 30, 2023