



Financial Audit Presentation Year Ended June 30, 2024

Emily Sobczak, Partner

Emily.Sobczak@gfc.cpa

Greene Finney Cauley, LLP



2024 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



2024 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



2024 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund: Total Fund Balance of \$11.5M at 6/30/2024

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 (requires formal action by Council prior to fiscal year-end)
- Assigned – available for spending only for specific purposes due to constraints imposed by Town Council (assignments may be made through the report date)
- Unassigned – available for future spending

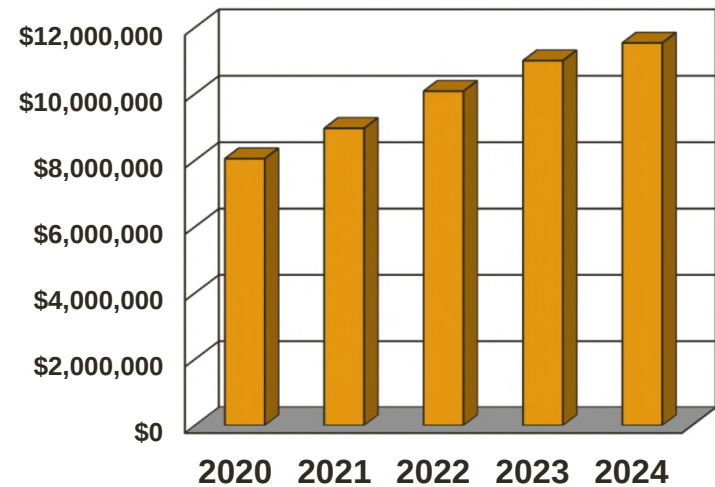


2024 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Total fund balance increased \$534k to \$11.5m.
- Nonspendable fund balance of \$1.1m (prepaid amounts)
- Restricted fund balance of \$195k 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
- Unassigned fund balance of \$9.4m

GENERAL FUND



Total Fund Balance

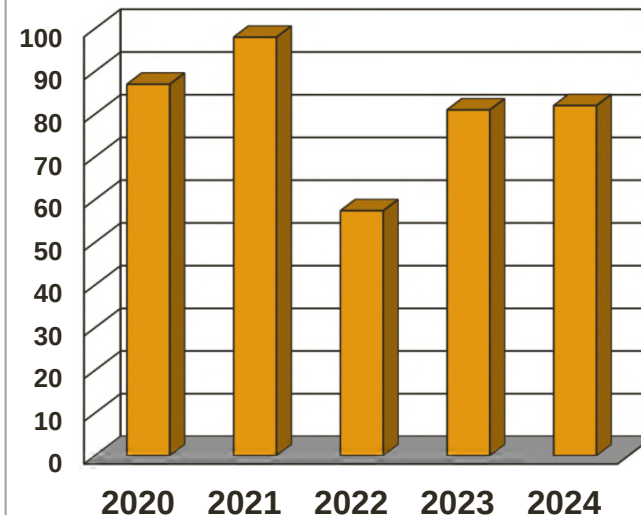


2024 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Unassigned fund balance is \$9.4M & includes capital improvements reserve of \$2.5M and emergency reserve of \$3.0M
- Unassigned fund balance represents 85% of FY2024 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**





2024 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).

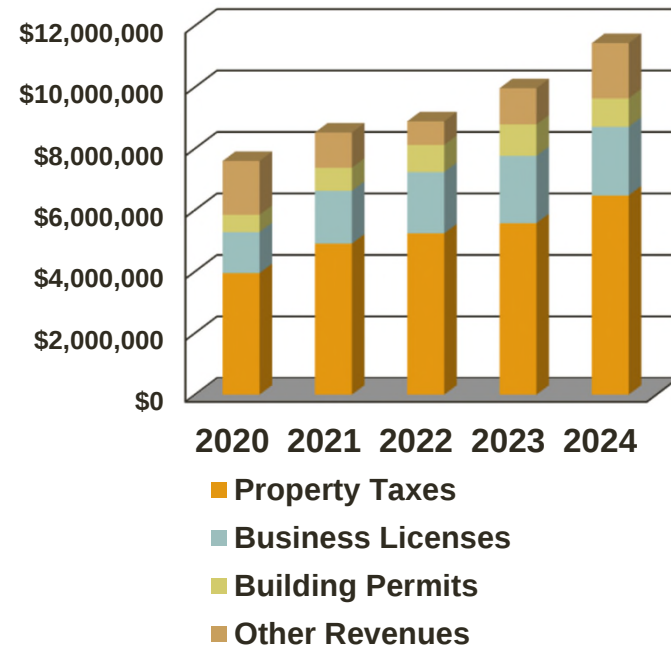


2024 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$11.4 million for 2024:
 - \$6.4m in property taxes
 - \$2.2m in business licenses
 - \$0.9m in building permits
 - \$398k in local option sales taxes
 - \$1.4m in all other revenues
- \$1.4m (14%) increase from 2023
 - Primarily due to increases in revenue of \$903k and \$313k related to property taxes and interest income, respectively
- \$1.9m (19%) better than budget
 - Primarily due to revenues from property taxes, grant income and interest income being higher than anticipated
- In addition to revenues, the General Fund reported transfers from other funds of \$1.9m

GENERAL FUND REVENUES





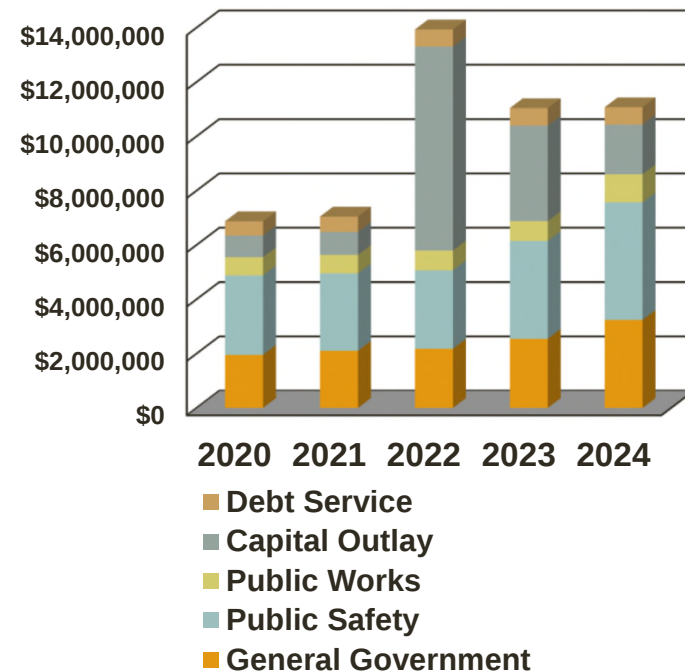
2024 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$11.1 million for 2024:
 - \$3.2m in general government
 - \$4.3m in public safety
 - \$1.0m in public works
 - \$1.8m in capital outlay
 - \$640k in debt service
- \$0.1m (<1%) increase from 2023
- Current expenditures were \$576k over budget primarily as a result of increases in public safety personnel and equipment costs
- Capital outlay was primarily funded through IPRB proceeds (transfers in from Capital Projects fund) and hospitality taxes and thus was not included in the operating budget (\$1.8M in 2024)
- Expenditures over budget were offset by higher than budgeted revenues and transfers in, resulting in an increase to fund balance of \$534k

GENERAL FUND EXPENDITURES





2024 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 \$3.1M as of 6/30/2024).
 - 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 FY2024 were primarily reported in the General Fund (boardwalk improvements).



2024 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Water Fund** had an increase in net position of \$228k to \$5.9M (including \$2.8M invested in capital assets).
 - Total Water Fund revenues and expenses were consistent with the prior year.
 - The Water Fund has \$3.2M in unrestricted cash at June 30, 2024.
 - The Water System was 65% depreciated at June 30, 2024 (cost of system was \$4.8M with accumulated depreciation of \$3.1M)
- **The Sewer Fund** had a decrease in net position of \$215k to \$27.8M (including \$25.1M invested in capital assets).
 - Total sewer operating revenues and expenses were consistent with the prior year.
 - Sewer Fund received transfers of \$7k from the Capital Projects Fund (IPRB proceeds) to fund the completion of the sewer system improvements project.
- Debt coverage ratio for the Water and Sewer Bonds is approximately 9.48 as of June 30, 2024 (exceeds requirement of 1.10).



2024 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$46.9M at 6/30/2024. Depreciation expense was \$2.0M.
- Significant additions included:
 - Construction-in-progress additions related to boardwalk improvements totaling \$1.4M of which \$1.0M was completed during 2024 and transferred to depreciable assets.
 - CWS Capacity Capital Contribution of \$1.0M is being amortized over the life of the agreement



2024 FINANCIAL AUDIT

TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total long-term obligations outstanding at 6/30/2024 were \$41.5M – decrease of \$4.2M from 6/30/2023:
 - Total principal payments on debt and capital leases were \$1.0M.
 - Net pension liability of \$6.6M as of June 30, 2024 on the full accrual statements. As required for all participants in the retirement system, this represents the Town's proportionate share of the total net pension liability for the State pension plans.
 - The contribution rates for FY2024 were 18.56% and 21.24% for the SCRS and PORS, respectively.



2024 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2024 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.



2024 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Summary

- Unmodified opinion on the Financial Statements from GFC
- Good financial condition as of June 30, 2024