

**TOWN OF SULLIVAN'S ISLAND,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

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**TOWN OF SULLIVAN'S ISLAND,
SOUTH CAROLINA**

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED JUNE 30, 2015

MAYOR

Pat O'Neil

TOWN COUNCIL MEMBERS

Chauncey Clark, Mayor Pro Tem

Sarah Church

Mark Howard

Rita Langley

Susan Middaugh

Bachman Smith, IV

APPOINTED OFFICIALS

Town Administrator	Andy Benke
Deputy Administrator/Comptroller	Jason Blanton
Building Official	Randy Robinson
Zoning Administrator	Joe Henderson
Fire Chief	Anthony Stith
Chief of Police	Dan Howard
Water & Sewer, General Manager	Greg Gress
Town Attorney	Lawrence Dodds

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Sullivan's Island
Sullivan's Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sullivan's Island, South Carolina (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sullivan's Island, South Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I.B. to the financial statements, in 2015 the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 68, “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” and Governmental Accounting Standards Board Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison schedule – General Fund, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 27, 2015

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

As management of the Town of Sullivan's Island ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and notes to the financial statements to enhance their understanding the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$13,799,000 (*net position*). Of this amount, approximately \$5,929,000 and \$7,870,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) were approximately \$3,168,000 for its governmental activities and approximately \$1,366,000 for its business-type activities.
- The government's total net position increased by approximately \$3,994,000 for governmental activities and increased by approximately \$99,000 for business-type activities, as total revenues of approximately \$10,211,000 exceeded total expenses of approximately \$6,118,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$11,132,000, an increase of approximately \$2,003,000 over the prior year's fund balance. Approximately 31% of this total amount, or approximately \$3,259,000, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, \$1,075,000 of the General Fund's unassigned portion of the Fund's balance was allocated to the Emergency Reserve.
- At the end of the current fiscal year, approximately \$414,000 of the General Fund's unassigned portion of the Fund's balance was allocated to the Capital Improvement Reserve Fund.
- At the end of the current fiscal year, unassigned, unallocated fund balance of the General Fund was approximately \$1,770,000 or 27% of total General Fund expenditures for the year ended June 30, 2015.
- The Town's total capital assets increased by approximately \$3,154,000 (43%) during the current fiscal year primarily due to depreciation expense of approximately \$492,000 offset by capital asset additions of approximately \$3,646,000. Capital asset additions included construction in progress for the new Town Hall and the Wastewater Collection System Rehabilitation Project – Phase I, a new ladder fire truck, and a new fire and rescue boat.
- The Town's total debt increased by approximately \$1,268,000 (23%) during the current year due to the issuance of a revenue bond of \$1,680,000 of which approximately \$1,451,000 was drawn, and reduced by scheduled principal payments on prior outstanding debt. The proceeds of the revenue bond are to finance the Wastewater Collection System Rehabilitation – Phase I.
- The Town implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") in 2015. These Statements require the Town to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures.

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2014 for its government-wide and proprietary financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the Town's government-wide financial statements, Water Fund and Sewer Fund as of July 1, 2014 was decreased by approximately \$3,529,000, \$140,000, and \$108,000, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the Town's retirement plans.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – the Financial Section (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information), and Compliance Section.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows (if any), liabilities and deferred inflows (if any), with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include public works, public safety, and general government. Taxes, business licenses, building permits, fines, and state and federal grant revenues finance most of these activities. The business-type activities are the Town's water and sewer operations for which it charges its customers a fee to provide.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintained five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, State Accommodations Tax Fund, Local Accommodations Tax Fund, Local Hospitality Tax Fund, and the Tree Bank Fund. The governmental fund financial statements can be found as listed in the table of contents.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town uses two enterprise funds to account for both its water and sewer operations. The proprietary fund financial statements can be found as listed in the table of contents.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. *Agency Funds* are used to account for assets the Town holds on behalf of others. The Town's Volunteer Fire Department Fund is used by the Town to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by insurance companies. Agency funds are custodial in nature and do not present results of operations. The financial statement of the fiduciary fund can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the Town's major governmental funds, the Town adopts an annual budget for its General Fund, as required by the General Statutes. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget. Required supplementary information can be found as listed in the table of contents.

Supplementary information, which includes a budgetary schedule of expenditures for the General Fund, enterprise budgetary comparison schedules, and a schedule of fines, assessments, and surcharges, is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the Town of Sullivan’s Island Government-Wide and Fund Financial Statements				
	Government-Wide Financial Statements	Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds	
Scope	Entire Town government (except fiduciary funds).	The activities of the Town that are not proprietary or fiduciary.	Activities the Town operates similar to private businesses.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of net position ▪ Statement of activities 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ▪ Statement of net position ▪ Statement of revenues, expenses, and changes in net position ▪ Statement of cash flows 	<ul style="list-style-type: none"> ▪ Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All balance sheet types, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) expected to be used up and liabilities and deferred inflows of resources (if any) that come due during the year or soon thereafter; no capital assets or long-term debt included	All balance sheet types, both financial and capital, and short-term and long-term	All balance sheet types, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The following table provides a summary of the Town’s net position for 2015 compared to 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and Other Assets	\$ 11,278,225	9,368,507	2,137,648	1,573,465	13,415,873	\$ 10,941,972
Capital Assets, Net	3,257,011	1,345,008	7,204,656	5,962,630	10,461,667	7,307,638
Contributed Capital, Net	-	-	990,017	1,097,548	990,017	1,097,548
Total Assets	14,535,236	10,713,515	10,332,321	8,633,643	24,867,557	19,347,158
Deferred Outflows of Resources:						
Deferred Pension Charges	335,232	226,030	22,484	14,063	357,716	240,093
Liabilities:						
Long-Term Obligations	5,137,404	5,261,741	1,816,051	404,328	6,953,455	5,666,069
Net Pension Liability	3,299,900	3,506,690	251,577	262,094	3,551,477	3,768,784
Other Liabilities	172,917	235,307	396,448	210,473	569,365	445,780
Total Liabilities	8,610,221	9,003,738	2,464,076	876,895	11,074,297	9,880,633
Deferred Inflows of Resources:						
Deferred Pension Credits	330,910	-	21,210	-	352,120	-
Net Position:						
Net Investment in Capital						
Assets	2,065,865	1,082,134	6,390,504	6,669,092	7,711,369	6,836,226
Restricted	695,532	537,649	113,270	-	808,802	537,649
Unrestricted (1)	3,167,940	316,024	1,365,745	1,101,719	5,278,685	2,332,743
Total Net Position, Restated	\$ 5,929,337	1,935,807	7,869,519	7,770,811	13,798,856	\$ 9,706,618

(1) The total for Net Investment in Capital Assets and Unrestricted Net Position for both years does not add/foot across. See Note III.F for details. Certain amounts in the prior year have been restated due to the change in accounting principle - GASB #68.

The following discussion is based on the comparison above which restates the 2014 net position due to the adoption of GASB #68. The Town’s total assets of approximately \$24,868,000 increased approximately \$5,520,000 over the prior year. The increase is primarily due to the sale of Town owned lots for \$3,285,000 and the construction in progress for the Wastewater Collection System Rehabilitation Project – Phase I of approximately \$1,484,000. Total liabilities increased by approximately \$1,194,000 from the prior year primarily due to the issuance of the Waterworks and Sewer System Revenue Bond, Series 2014 for the rehabilitation project.

The Town’s net position increased by approximately \$4,092,000 during the current fiscal year due to current year revenues exceeding current year expenses. Please see discussion following the next table regarding this increase.

The Town’s assets exceeded liabilities by approximately \$13,799,000 at June 30, 2015. The largest portion of the Town’s net position of approximately \$7,711,000 (approximately 56%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, water/sewer infrastructure, etc.) less any related outstanding debt/lease purchase obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town’s net position of approximately \$809,000 (approximately 6%) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source (i.e. hospitality tax, accommodations tax, etc.).

The remaining portion of the Town’s net position is unrestricted net position of approximately \$5,279,000 (approximately 38%) may be used to meet the government’s ongoing obligations to citizens and creditors.

The following table shows the changes in the Town’s net position for fiscal year 2015 compared to 2014:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 448,158	401,311	1,959,137	1,739,806	2,407,295	\$ 2,141,117
Capital Grants and Contributions	355,249	56,930	-	-	355,249	56,930
General Revenues:						
Taxes	3,857,907	3,786,550	-	-	3,857,907	3,786,550
Other	3,588,076	961,689	2,024	2,172	3,590,100	963,861
Total Revenues	8,249,390	5,206,480	1,961,161	1,741,978	10,210,551	6,948,458
Expenses:						
Public Works	601,599	624,124	-	-	601,599	624,124
Public Safety	2,049,829	2,020,920	-	-	2,049,829	2,020,920
General Government	1,578,924	1,354,911	-	-	1,578,924	1,354,911
Interest on Long-Term Obligations	138,099	42,398	-	-	138,099	42,398
Water	-	-	864,309	758,607	864,309	758,607
Sewer	-	-	885,553	802,579	885,553	802,579
Total Expenses	4,368,451	4,042,353	1,749,862	1,561,186	6,118,313	5,603,539
Change in Net Position Before Transfers	3,880,939	1,164,127	211,299	180,792	4,092,238	1,344,919
Transfers In (Out)	112,591	199,683	(112,591)	(199,683)	-	-
Change in Net Position	3,993,530	1,363,810	98,708	(18,891)	4,092,238	1,344,919
Net Position - Beg. of Yr. as Previously Reported	5,216,467	3,852,657	8,018,842	8,037,733	13,235,309	11,890,390
Restatement of Net Position - GASB #68	(3,280,660)	-	(248,031)	-	(3,528,691)	-
Net Position - Beginning of Year	1,935,807	3,852,657	7,770,811	8,037,733	9,706,618	11,890,390
Net Position - End of Year	\$ 5,929,337	5,216,467	7,869,519	8,018,842	13,798,856	\$ 13,235,309

Governmental Activities: Governmental activities increased the Town’s net position by approximately \$3,994,000 in the current year.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues increased by approximately \$3,043,000, or 58%, over the prior year due in part to the sale of lots. See Capital Assets.
- Total governmental activities expenses increased by approximately \$326,000, or 8%, over the prior year due in part to the design costs of the new Town Hall.
- The transfers-out for the governmental activities is a combination of transfers to and from the business activities. Approximately \$200,000 was transferred from the business activities for the payment of the 2003 General Obligation Bond.

Business-Type Activities: Net position for business-type activities (water and sewer services) increased by approximately \$30,000.

Council passed the budgets for the business-type activities with the expectation a surplus would be generated. The surplus was for capital projects and to fund payments to Charleston Water System (CWS) for the Town's capital capacity.

Other contributing factors for the increase in the net position for water and sewer were:

- Increase in usage in part due to the Sullivan's Island Elementary School becoming fully operational.
- Increase in the rates for FY 2015.
- Transfer of money into the Sewer Fund from the General Fund to establish the debt service reserve which is required under the bond agreement with the State Revolving Fund.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$11,132,000, an increase of approximately \$2,003,000 from the prior year fund balance. The increase in fund balance was primarily the result of selling lots for \$3,285,000.

Approximately 29% or \$3,259,000 of the total governmental fund balance of approximately \$11,132,000 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it is nonspendable (1) for prepaid expenses and inventory (\$113,000), restricted (2) for tourism related expenditures or operating expenses incurred to serve tourists (\$580,000), for expenditures related to capital projects (\$3,100,000), and other outside restrictions (\$116,000), committed for (3) expenditures related to the Tree Fund (\$54,000), and future capital projects (\$3,890,000) and assigned (4) by Council in the amount received from the Estate of William Bradley (\$20,000).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$10,498,000. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$3,259,000) represents approximately 31% of total General Fund expenditures for 2015. Of the unassigned fund balance, Council has established a reserve for emergency expenditures which at the end of 2015 has a balance of \$1,075,000 and a reserve for capital improvements of \$414,500.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

Points of interest for the General Fund were as follows:

- During 2015 the General Fund’s fund balance increased by approximately \$1,832,000.
- During 2015 the Town spent approximately \$2,146,000 on the design of the new town hall, a fire truck, and a fire rescue boat.
- Property taxes came in over \$189,000 more than projected.

Proprietary Fund. The Town’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net position of the Water and Sewer Enterprise Funds at the end of the fiscal year amounted to approximately \$7,869,000. Please see the earlier discussion of the business-type activities change in net position in the government-wide financial analysis section of this MD&A for more details.

Fiduciary Funds. The Town’s Volunteer Fire Department Fund is used by the Town to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held for custody of others of approximately \$166,000 at June 30, 2015.

General Fund Budgetary Highlights: If budget amendments are made they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The Town did not amend the budget during 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s investment in capital assets as of June 30, 2015 and June 30, 2014, amounted to approximately \$10,462,000 and \$7,308,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, sewer/water lines, and other infrastructure. The Town’s capital assets (net of depreciation) as of June 30, 2015 and 2014 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 37,392	37,392	-	-	37,392	\$ 37,392
Construction in Progress	1,021,165	106,828	-	-	1,021,165	106,828
Building and Improvements	204,989	223,398	-	-	204,989	223,398
Machinery and Equipment	482,496	465,955	-	-	482,496	465,955
Vehicles and Vehicle Equipment	1,224,346	212,546	-	-	1,224,346	212,546
Vehicles, Machinery, and Equipment	-	-	167,434	139,922	167,434	139,922
Fire and Emergency Command System	286,623	298,889	-	-	286,623	298,889
Water/Sewer System	-	-	7,037,222	5,822,708	7,037,222	5,822,708
Total	\$ 3,257,011	1,345,008	7,204,656	5,962,630	10,461,667	\$ 7,307,638

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The total increase in the Town’s investment in capital assets for the current fiscal year was approximately \$3,154,000 or approximately 43%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$2,094,000 for governmental activities which consisted primarily of the following:
 - Construction in progress for the new Town Hall of approximately \$424,000.
 - Purchase of new ladder fire truck for approximately \$1,007,000.
 - Purchase of a new fire rescue boat for approximately \$376,000.
 - Construction in progress for the Citadel tennis courts for approximately \$114,000.
- Capital asset additions of approximately \$1,552,000 for business-type activities which consisted primarily of the following:
 - Wastewater Collection System Rehabilitation Project – Phase I in construction in progress.
- Depreciation expense of approximately \$182,000 for governmental activities and \$310,000 of depreciation expense for business-type activities.
- During April 2013, Town Council made the decision to sell four parcels of land in order to fund a portion of the cost of future capital projects and an additional 3 lots were added to the list during FY 2015. During FY 2015, five of those lots were sold for approximately \$3,285,000. The lots have no book value per the financial statements even though they do have a market value. Since the book value is zero, there is no decrease in the line item for land.

Additional information regarding the Town’s capital assets can be found in Note III.D in the notes to the financial statements.

Debt Administration

As of June 30, 2015 and June 30, 2014, the Town had total outstanding debt of approximately \$6,833,000 and \$5,565,000, respectively. Of the Town’s total long-term obligations, approximately \$4,845,000 was general obligation debt which is backed by the full faith and credit of the Town. The Town’s total debt as of June 30, 2015 and 2014 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Debt:						
General Obligation Bonds	\$ 4,845,000	5,015,000	-	-	4,845,000	\$ 5,015,000
Revenue Bond	-	-	1,729,433	338,000	1,729,433	338,000
Capital Leases	183,758	159,125	74,736	53,086	258,494	212,211
Total Debt	<u>\$ 5,028,758</u>	<u>5,174,125</u>	<u>1,804,169</u>	<u>391,086</u>	<u>6,832,927</u>	<u>\$ 5,565,211</u>

The total increase in the Town’s debt obligations for the current fiscal year was approximately \$1,268,000 or 23%. Major events during the current fiscal year included the following:

- The Town obtained a Waterworks and Sewer System Revenue Bond, Series 2014 to finance the Wastewater Collection System Rehabilitation – Phase I. As of June 30, 2015, approximately \$1,451,000 had been drawn of the \$1,680,000.
- The Town’s governmental activities made scheduled principal payments on debt obligations of approximately \$242,000.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

- The Town's business-type activities made scheduled principal payments on debt obligations of approximately \$86,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at June 30, 2015 was approximately \$5,213,000. The Town had \$4,845,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$368,000.

Additional information regarding the Town's long-term obligations can be found in Note III.E in the notes to the financial statements.

ECONOMIC FACTORS AND 2015-2016 BUDGETS AND RATES FOR THE TOWN

The Town's elected officials and staff considered many factors when setting the fiscal year 2016 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs, and the best interests of the Town's residents were all taken into account. Key budget highlights were as follows:

- Property tax increase to help replenish the fund balance, pay for additional capital projects and cover the debt service for the 2014 General Obligation Bond.
- There was an increase in water and sewer rates.
- Continue reducing intrusion and infiltration of rain water and ground water into the sewer system.
- Continuation of the water line replacement project.
- Three new vehicles are budgeted to be replaced for fiscal year 2016, including one vehicle for the Fire Department, one for the Maintenance Department and one water and sewer vehicle.
- The Water and Sewer Department budgeted to replace a skid steer.
- The three vehicles and the tractor will be purchased through a lease purchase agreement.
- \$120,000 has been budgeted for recreational capital projects.

REQUESTS FOR TOWN INFORMATION

This financial report is designed to provide a general overview of the Town of Sullivan's Island's finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Comptroller, Post Office Drawer 427, Sullivan's Island, South Carolina 29482.

Basic Financial Statements

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,941,744	1,448,284	\$ 8,390,028
Cash and Cash Equivalents - Restricted	3,683,776	132,420	3,816,196
Investments	150,019	-	150,019
Taxes Receivable, Net	43,823	-	43,823
Other Receivables, Net	345,776	253,036	598,812
Intergovernmental Accounts Receivable	-	284,086	284,086
Prepaid Expenses	112,156	19,822	131,978
Inventories	931	-	931
Capital Assets:			
Non-Depreciable	1,058,557	1,533,774	2,592,331
Depreciable, Net	2,198,454	5,670,882	7,869,336
Capacity Capital Contribution, Net	-	990,017	990,017
TOTAL ASSETS	14,535,236	10,332,321	24,867,557
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	335,232	22,484	357,716
LIABILITIES			
Accounts Payable	44,412	311,109	355,521
Accrued Interest	34,162	3,810	37,972
Other Accrued Liabilities	94,343	10,724	105,067
Customer Deposits	-	19,150	19,150
Unearned Revenue	-	-	-
Retainage Payable	-	51,655	51,655
Net Pension Liability	3,299,900	251,577	3,551,477
Long-Term Obligations:			
Due Within One Year	744,297	128,810	873,107
Due in More Than One Year	4,393,107	1,687,241	6,080,348
TOTAL LIABILITIES	8,610,221	2,464,076	11,074,297
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	330,910	21,210	352,120
NET POSITION			
Net Investment in Capital Assets	2,065,865	6,390,504	7,711,369
Restricted For:			
Tourism Related Expenditures	579,917	-	579,917
Other	115,615	113,270	228,885
Unrestricted	3,167,940	1,365,745	5,278,685
TOTAL NET POSITION	\$ 5,929,337	7,869,519	\$ 13,798,856

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
Public Works	\$ 601,599	-	-	-	(601,599)	-	(601,599)
Public Safety	2,049,829	45,175	-	-	(2,004,654)	-	(2,004,654)
General Government	1,578,924	402,983	-	355,249	(820,692)	-	(820,692)
Interest on Long Term Obligations	138,102	-	-	-	(138,102)	-	(138,102)
Total Governmental Activities	4,368,454	448,158	-	355,249	(3,565,047)	-	(3,565,047)
Business-Type Activities:							
Water	864,309	1,083,202	-	-	-	218,893	218,893
Sewer	885,553	875,935	-	-	-	(9,618)	(9,618)
Total Business-Type Activities	1,749,862	1,959,137	-	-	-	209,275	209,275
TOTAL - PRIMARY GOVERNMENT	\$ 6,118,316	2,407,295	-	355,249	(3,565,047)	209,275	(3,355,772)
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes					1,957,910	-	1,957,910
Local Option Sales Taxes					214,846	-	214,846
Hospitality Taxes					388,980	-	388,980
Accommodation Taxes					75,365	-	75,365
Business License Taxes					722,183	-	722,183
Franchise Taxes					498,623	-	498,623
Intergovernmental					81,283	-	81,283
Interest Income					11,267	2,024	13,291
Gain on Disposal of Capital Assets					3,298,500	-	3,298,500
Miscellaneous					197,029	-	197,029
Transfers In (Out)					112,591	(112,591)	-
Total General Revenues and Transfers					7,558,577	(110,567)	7,448,010
CHANGE IN NET POSITION					3,993,530	98,708	4,092,238
NET POSITION, Beginning of Year - As Previously Reported					5,216,467	8,018,842	13,235,309
Cumulative Change in Accounting Principle - GASB #68 and GASB #71					(3,280,660)	(248,031)	(3,528,691)
NET POSITION, Beginning of Year, Restated					1,935,807	7,770,811	9,706,618
NET POSITION, End of Year					5,929,337	7,869,519	\$ 13,798,856

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
ASSETS		
Cash and Cash Equivalents	\$ 6,887,427	-
Cash and Cash Equivalents - Restricted	3,215,533	683
Investments	150,019	-
Investments - Restricted	-	-
Taxes Receivable, Net	43,823	-
Accounts Receivable, Net	234,102	11,058
Prepaid Expenses	112,156	-
Inventory	931	-
TOTAL ASSETS	10,643,991	11,741
LIABILITIES		
Accounts Payable	44,412	-
Other Accrued Liabilities	94,343	-
TOTAL LIABILITIES	138,755	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue, Property Taxes	7,500	-
TOTAL DEFERRED INFLOWS OF RESOURCES	7,500	-
FUND BALANCES		
Nonspendable:		
Prepaid Expenses	112,156	-
Inventory	931	-
Restricted:		
Capital Projects	3,099,918	-
Tourism Related Expenditures	-	11,741
Victims Services	75,266	-
Confederate Memorial	5,231	-
Land Trust	35,118	-
Committed:		
Tree Bank	-	-
Capital Projects	3,890,000	-
Assigned:		
William Bradley Memorial Fund	20,000	-
Unassigned	3,259,116	-
TOTAL FUND BALANCES	10,497,736	11,741
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,643,991	11,741

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	LOCAL HOSPITALITY TAX FUND	TREE BANK FUND	TOTAL GOVERNMENTAL FUNDS
-	-	54,317	\$ 6,941,744
64,797	402,763	-	3,683,776
-	-	-	150,019
-	-	-	-
-	-	-	43,823
12,492	88,124	-	345,776
-	-	-	112,156
-	-	-	931
77,289	490,887	54,317	11,278,225
-	-	-	44,412
-	-	-	94,343
-	-	-	138,755
-	-	-	7,500
-	-	-	7,500
-	-	-	112,156
-	-	-	931
-	-	-	3,099,918
77,289	490,887	-	579,917
-	-	-	75,266
-	-	-	5,231
-	-	-	35,118
-	-	54,317	54,317
-	-	-	3,890,000
-	-	-	20,000
-	-	-	3,259,116
77,289	490,887	54,317	11,131,970
77,289	490,887	54,317	\$ 11,278,225

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TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 11,131,970
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes that will be collected in the future but are not available soon enough to pay for the current period's expenditures are deferred in the funds.	7,500
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$4,901,797 and the accumulated depreciation was \$1,644,786.	3,257,011
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(3,295,578)
Accrued interest payable was recognized for governmental activities but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(34,162)
Long-term obligations, including bonds payable and lease purchases, are not due or payable in the current period and therefore are not reported in the governmental funds.	
Long -Term Debt	(4,845,000)
Lease Purchases	(183,758)
Compensated Absences	(108,646)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 5,929,337</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND
REVENUES		
Property Taxes	\$ 1,965,410	-
Local Option Sales Taxes	214,846	-
Accommodation Taxes	-	11,058
Hospitality Taxes	-	-
Licenses	1,220,806	-
Magistrate and Recorder Fines	38,301	-
State Shared Revenues	109,142	-
Permits	383,297	-
Victims' Services	6,875	-
Interest	10,668	-
Grant Income	233,049	-
Other	319,228	-
TOTAL REVENUES ALL SOURCES	4,501,622	11,058
EXPENDITURES		
Current:		
Public Works	485,489	-
Public Safety	1,915,845	-
General Government	1,557,254	1,434
Capital Outlay	2,146,385	-
Debt Service:		
Principal	242,371	-
Interest	114,682	-
TOTAL EXPENDITURES	6,462,026	1,434
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,960,404)	9,624
OTHER FINANCING SOURCES (USES)		
Transfers In	487,686	-
Transfers Out	(90,507)	(4,588)
Proceeds from Lease Purchases	97,004	-
Proceeds from Sale of Capital Assets	3,298,500	-
TOTAL OTHER FINANCING SOURCES (USES)	3,792,683	(4,588)
NET CHANGES IN FUND BALANCES	1,832,279	5,036
FUND BALANCES, Beginning of Year	8,665,457	6,705
FUND BALANCES, End of Year	\$ 10,497,736	11,741

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	LOCAL HOSPITALITY TAX FUND	TREE BANK FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	\$ 1,965,410
-	-	-	214,846
36,448	-	-	47,506
-	388,980	-	388,980
-	-	-	1,220,806
-	-	-	38,301
-	-	-	109,142
-	-	19,686	402,983
-	-	-	6,875
81	463	55	11,267
-	-	-	233,049
-	-	-	319,228
36,529	389,443	19,741	4,958,393
-	-	-	485,489
-	-	-	1,915,845
-	-	-	1,558,688
-	-	-	2,146,385
-	-	-	242,371
-	-	-	114,682
-	-	-	6,463,460
36,529	389,443	19,741	(1,505,067)
-	-	-	487,686
(30,000)	(250,000)	-	(375,095)
-	-	-	97,004
-	-	-	3,298,500
(30,000)	(250,000)	-	3,508,095
6,529	139,443	19,741	2,003,028
70,760	351,444	34,576	9,128,942
77,289	490,887	54,317	\$ 11,131,970

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TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,003,028
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property taxes that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are therefore deferred in the funds.	(7,500)
Bond principal payments and lease purchase payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	242,371
Bond and lease purchase proceeds provide current financial resources to governmental funds, but issuing debt or entering into lease purchases increases long-term obligations in the Statement of Net Position.	(97,004)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This adjustment relates to the change in accrued interest from the prior year.	(23,420)
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(14,918)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(21,030)
Governmental funds report capital asset additions as expenditures of \$2,094,488. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation of \$182,485. This is the amount by which capital asset additions exceeded depreciation expense in the current period.	1,912,003
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 3,993,530

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

JUNE 30, 2015

	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,166,365	281,919	\$ 1,448,284
Cash and Cash Equivalents - Restricted	19,150	113,270	132,420
Accounts Receivable, Net	144,810	108,226	253,036
Intergovernmental Accounts Receivable	-	284,086	284,086
Prepaid Expenses	8,921	10,901	19,822
Total Current Assets	1,339,246	798,402	2,137,648
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	2,663	1,531,111	1,533,774
Depreciable, Net	2,699,326	2,971,556	5,670,882
Capacity Capital Contribution, Net	990,017	-	990,017
Total Noncurrent Assets	3,692,006	4,502,667	8,194,673
TOTAL ASSETS	5,031,252	5,301,069	10,332,321
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	12,651	9,833	22,484
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,627	288,482	311,109
Accrued Interest	395	3,415	3,810
Other Accrued Liabilities	5,367	5,357	10,724
Customer Deposits	19,150	-	19,150
Compensated Absences Liability	5,941	5,941	11,882
Retainage Payable	-	51,655	51,655
Lease Purchase Payable - Current Portion	21,265	21,265	42,530
Revenue Bond Payable - Current Portion	-	74,398	74,398
Total Current Liabilities	74,745	450,513	525,258
Noncurrent Liabilities:			
Net Pension Liability	141,552	110,025	251,577
Lease Purchase Payable - Net of Current Portion	16,103	16,103	32,206
Revenue Bond Payable - Net of Current Portion	-	1,655,035	1,655,035
TOTAL LIABILITIES	232,400	2,231,676	2,464,076
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	11,934	9,276	21,210
NET POSITION			
Net Investment in Capital Assets	3,654,638	2,735,866	6,390,504
Restricted for Capital Projects	-	113,270	113,270
Unrestricted	1,144,931	220,814	1,365,745
TOTAL NET POSITION	\$ 4,799,569	3,069,950	\$ 7,869,519

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2015

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 1,039,035	869,335	\$ 1,908,370
Meter Connections, Sewer Tie-In Fees, and Other Revenue	44,167	6,600	50,767
TOTAL OPERATING REVENUES	1,083,202	875,935	1,959,137
OPERATING EXPENSES			
Salaries	196,381	196,246	392,627
Payroll Taxes	14,211	14,211	28,422
Hospitalization Insurance	25,266	25,298	50,564
Retirement	22,524	22,240	44,764
Gas and Oil - Vehicles	3,395	3,643	7,038
Diesel Fuel and Equipment	1,705	8,754	10,459
Repairs and Maintenance - Diesel Equipment	4,355	-	4,355
Vehicle Repairs	4,319	3,201	7,520
Supplies and Tools	17,200	8,938	26,138
Office Supplies	8,322	8,768	17,090
Lab Supplies	3,078	6,158	9,236
Telephone	6,184	6,283	12,467
Power and Lights	3,467	59,460	62,927
Insurance	17,057	19,392	36,449
System Repairs and Improvements	121,735	72,628	194,363
Sludge Disposal	-	53,059	53,059
Grit Disposal	-	2,580	2,580
Property and Equipment < \$5000	-	675	675
Dues and Certifications	5,548	4,851	10,399
Training and Seminars	1,258	1,118	2,376
Professional Engineering Fees	2,000	158,346	160,346
Professional Services	5,000	5,000	10,000
Lab Analysis, Inspection, and Chemicals	9,774	28,056	37,830
Wholesale Water Purchase	126,808	-	126,808
Depreciation and Amortization Expense	261,692	158,556	420,248
Miscellaneous	2,553	2,793	5,346
TOTAL OPERATING EXPENSES	863,832	870,254	1,734,086
OPERATING INCOME (LOSS)	219,370	5,681	225,051
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,433	591	2,024
Interest Expense	(477)	(15,299)	(15,776)
TOTAL NONOPERATING REVENUES (EXPENSES)	956	(14,708)	(13,752)
INCOME (LOSS) BEFORE TRANSFERS	220,326	(9,027)	211,299
Transfers In	-	90,507	90,507
Transfers Out	(203,098)	-	(203,098)
CHANGE IN NET POSITION	17,228	81,480	98,708
NET POSITION, Beginning of Year as Previously Reported	4,921,898	3,096,944	8,018,842
Cumulative Change in Accounting Principle - GASB #68 and GASB #71	(139,557)	(108,474)	(248,031)
NET POSITION, Beginning of Year, Restated	4,782,341	2,988,470	7,770,811
NET POSITION, End of Year	\$ 4,799,569	3,069,950	\$ 7,869,519

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2015

	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,053,509	570,865	\$ 1,624,374
Cash Payments to Suppliers for Goods and Services	(489,339)	(124,145)	(613,484)
Cash Payments to Employees	(257,784)	(257,681)	(515,465)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>306,386</u>	<u>189,039</u>	<u>495,425</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer from (to) Other Funds	(203,098)	90,507	(112,591)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(203,098)</u>	<u>90,507</u>	<u>(112,591)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Issuance of Lease Purchase	23,998	1,191,345	1,215,343
Purchase of Capital Assets	(26,845)	(1,241,587)	(1,268,432)
Capacity Capital Contribution	(2,225)	-	(2,225)
Principal Paid on Debt and Lease Purchase	(13,173)	(73,173)	(86,346)
Interest Paid on Debt and Lease Purchase	(395)	(12,197)	(12,592)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(18,640)</u>	<u>(135,612)</u>	<u>(154,252)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	1,433	591	2,024
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,433</u>	<u>591</u>	<u>2,024</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,081	144,525	230,606
CASH AND CASH EQUIVALENTS, Beginning of Year	1,099,434	250,664	1,350,098
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,185,515</u>	<u>395,189</u>	<u>\$ 1,580,704</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 219,370	5,681	\$ 225,051
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation and Amortization Expense	261,692	158,556	420,248
Non-cash Pension Expense	1,278	994	2,272
Change Due to (Increase) Decrease in Operating Assets:			
Other Receivable	(27,043)	(20,984)	(48,027)
Intergovernmental Accounts Receivable	-	(284,086)	(284,086)
Prepaid Expenses	(580)	(884)	(1,464)
Change Due to Increase (Decrease) in Operating Liabilities:			
Other Payables	(145,001)	278,787	133,786
Compensated Absences	(680)	(680)	(1,360)
Retainage Payable	-	51,655	51,655
Customer Deposits	(2,650)	-	(2,650)
Net Cash Provided by Operating Activities	<u>\$ 306,386</u>	<u>189,039</u>	<u>\$ 495,425</u>
SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:			
Capital acquisitions included in Accounts Payable	\$ -	284,086	\$ 284,086
Debt issuance included in Accounts Receivable	\$ -	284,086	\$ 284,086

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND
TOWN OF SULLIVAN'S ISLAND VOLUNTEER FIRE DEPARTMENT

JUNE 30, 2015

ASSETS

Cash and Cash Equivalents	\$	166,481
TOTAL ASSETS	\$	166,481

LIABILITIES

Due To Volunteer Fire Department	\$	166,481
TOTAL LIABILITIES	\$	166,481

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

The Town of Sullivan's Island, South Carolina (the "Town") embraces an area of approximately five miles. The Town was originally incorporated in 1817 as Moultrieville and consists of approximately 2,000 residents. The Town operates under a Council form of government. The Mayor and six council members (the "Council") establish policy for the Town. Administrative functions are directed by the Town Administrator. The Town's major operations, as provided by its charter, include public safety (police and fire), highway and streets, sanitation, public improvements, planning and zoning, recreation, and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are collected within sixty (60) days of the end of the current fiscal period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease purchase are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Town has no non-major funds.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used as an aid to management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town.

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the proprietary funds) are accounted for through governmental funds.

The Town's governmental fund types and major funds are as follows:

The *General Fund, a major fund* and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following major special revenue funds:

- i) The *State Accommodations Tax Fund, a major fund* and an unbudgeted fund, is used to account for the accumulation of resources from the hotel/motel 2% fee levied by the State of South Carolina and remitted to the Town. These funds are to be spent only for support of tourism and tourist-related services.
- ii) The *Local Accommodations Tax Fund, a major fund* and an unbudgeted fund, is used to account for the accumulation of resources from the 1% fee imposed on the rental of any accommodations within the Town which is collected and allocated to the Town from Charleston County. These funds are to be spent only for support of tourism and tourist-related services.
- iii) The *Hospitality Tax Fund, a major fund* and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the Town's 2% tax on food and beverage sales that is restricted for tourism related expenditures.
- iv) The *Tree Bank Fund, a major fund* and an unbudgeted fund, is used to account for the money collected from tree permits, as well as from fines for violations of the Town's tree fund ordinance. These funds are to be used for the purchase of trees to be planted on the public property of the Town and for other related activities planned by the Tree Commission and approved by Town Council.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has two enterprise funds.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary fund types include the following funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has two major enterprise funds:

The **Water Enterprise Fund, a major fund** and a budgeted fund, is used to account for water services provided to the residents of the Town.

The **Sewer Enterprise Fund, a major fund** and a budgeted fund, is used to account for sewer services provided to the residents of the Town.

Fiduciary Fund Types include the *Agency Fund*. This fund is used to account for assets held by the Town on behalf of individuals, other governments, and/or other funds. The Town of Sullivan's Island Volunteer Fire Department is accounted for as an agency fund. The Agency Fund is custodial in nature and does not present results of operations.

Significant New Accounting Standards Adopted – Change in Accounting Principle

The Town implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" ("GASB #68") and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" ("GASB #71" and collectively "Statements") in 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered. In particular, these Statements require the Town to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans") cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statements of Net Position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("PEBA") who administers the Plans. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2014 for its government-wide and enterprise fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the Town's government-wide and enterprise fund financial statements as of July 1, 2014 was decreased by approximately \$3,529,000 and \$248,000, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the Town's retirement plans.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased, including money market mutual funds and investments in the South Carolina Local Government Investment Pool ("Pool"), to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not money market mutual funds or purchased from the Pool are reported as investments.

Investments

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments (Continued)

The Town's cash investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments:

- South Carolina Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.
- Government mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of less than one year and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of year end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Inventories and Prepaids

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as expenditures as they are used (consumed). Inventories of diesel fuel oil are valued at cost (first-in, first-out). Inventories and prepaid items in the governmental funds are offset by a fund balance reserve to reflect that portion of fund balance that is not an available expendable resource.

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. Capital Assets (Continued)

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. As allowed by GASB #34, the Town has elected to prospectively report public domain ("infrastructure") general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded, except for those accounted for in the proprietary funds. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town maintains a minimum capitalization threshold of \$5,000 for all capital assets.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities
Buildings	40-50 years
Building Improvements	7-25 years
Machinery and Equipment	5-15 years
Beach Walkovers	10-15 years
Fire Trucks	15-20 years
Vehicles	5 years
Water and Sewer Systems	10-99 years

5. Compensated Absences

The Town's general leave policy allows the accumulation of unused vacation leave up to a maximum of three work weeks. An unlimited amount of sick leave may be carried over from year to year. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the Town.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide financial statements. The portion of the liability that is applicable to the Town's water and sewer activities is also reported on the Town's proprietary funds. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year end that are expected to be paid within a short time subsequent to year end (if material).

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the proprietary funds is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements for the Primary Government, debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are recognized during the current period.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. *Deferred Outflows and Inflows of Resources*

As defined by GASB Concept Statement No. 4, "Elements of Financial Statements", deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources. The Town reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

The Town implemented GASB #54 "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB #54) in fiscal year 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Town classifies governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council assigns fund balance by an approved motion before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

In the unassigned fund balance, the Town has an Emergency Reserve that maintains a minimum balance of 20%, and no more than 30%, of the total audited cash disbursements (excluding any one-time event) for all combined Funds. No less than 25% of any year's surplus should be allocated to this reserve until the minimum amount has been obtained. At the conclusion of the most recent annual financial audit, Council will determine the amount of the surplus to allocate to the Emergency Reserve until the maximum amount allowed has been obtained. The balance as of June 30, 2015 is \$1,075,000.

In the unassigned fund balance, the Town also has a Capital Improvements Reserve. No less than 20% of any year's surplus shall be allocated to this reserve. At the conclusion of the most recent annual financial audit, Council will determine the amount of the surplus to allocate to the Capital Improvements Reserve. The balance as of June 30, 2015 is \$414,000.

The Town generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are incurred.

9. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Statement of Net Position. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

12. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town utilizes the following procedures in establishing the budgetary data reflected in the required supplementary information budgetary comparison schedule:

During the spring, the Town's Administration (with department input) develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in the local newspaper. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Budget accountability rests primarily with the operating departments of the Town. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned function, a department is obligated to stay within budget for its area. The Town Administrator has the authority to transfer funds across departments. Such transfers are entered on the Town’s records (if any). All unused expenditure appropriations lapse at year-end. Town Council must approve any revisions that alter the total expenditures of the General Fund.

The Town prepares the budget on a basis of accounting other than GAAP. Major differences between the budgetary basis and GAAP are (a) the proceeds related to new lease purchase obligations entered into during the year are not budgeted, (b) revenues from grants, contributions, and other unusual sources are not budgeted, and (c) capital expenditures that are made using bond proceeds are not budgeted. Expenditures related to non-budgeted revenues are not budgeted. Lease payments are budgeted as part of the capital budgets for the applicable departments.

There were no amendments to the original budgeted amounts for the General Fund. The budgetary comparison schedule is as originally adopted by Town Council.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2015, none of the Town’s bank balances of \$12,312,803 (with a carrying value of \$12,168,564) were exposed to custodial credit risk.

Investments

As of June 30, 2015, the Town had the following investments and maturities (as defined by GASB #40):

Investment Type	Fair Value	Maturity	Credit Rating
State Local Government Investment Pool	\$ 204,141	^	Unrated
JPMorgan Prime Money Market Fund Service	150,019	^	Unrated
Total	\$ 354,160		

^ Investments in 2a 7-like funds are not required to disclose interest rate risk.

Interest Rate Risk: The Town’s investment policy states that no more than seventy (70) percent of the portfolio will have a maturity in excess of one (1) year. In addition, the Town’s investment policy states that unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than five (5) years from the date of purchase.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment policy requires that a third party hold collateral in the Town’s name and shall provide the Town with evidence of ownership. None of the Town’s security investments were exposed to custodial credit risk at June 30, 2015.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy states that credit risk shall be mitigated by investing in safe institutions and by diversifying the fund so that the failure of any one issuer would not unduly harm the Town’s cash flow.

Concentration of Credit Risk for Investments: The Town’s investment policy limits investment in any one issuer greater than fifty (50) percent, with the exception of US government securities and the South Carolina Local Government Investment Pool. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash and cash equivalents of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2015 were those imposed by the revenue source (i.e. hospitality tax, accommodations tax, etc.).

Reconciliation to Financial Statements

<u>Statement of Net Position</u>	<u>Amount</u>
Unrestricted Current Assets:	
Cash and Cash Equivalents	\$ 8,390,028
Investments	150,019
Restricted Current Assets:	
Cash and Cash Equivalents, Restricted	3,816,196
	<u>12,356,243</u>
<u>Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund</u>	
Unrestricted Current Assets:	
Cash and Cash Equivalents	166,481
Total per the financial statements	<u><u>\$ 12,522,724</u></u>
<u>Notes</u>	
Carrying Value of Deposits	\$ 12,168,564
Investments	354,160
Total per the notes	<u><u>\$ 12,522,724</u></u>

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Deferred Inflows of Resources

The Town’s 2014 property taxes were levied on October 1, 2014 and were due beginning on this date based on the assessed valuation as of January 1, 2014. Property taxes were considered late on January 16, 2015. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

January 16 through February 1	- 3% penalty for tax due
February 2 through March 15	- 10% penalty for tax due
March 16 - Lien Date	- 15% penalty for tax due plus \$15 for a delinquent execution charge
Unpaid Taxes After One Year	- Property is sold by the County Tax Collector at the annual tax sale held the first Monday in November each year.

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The Town’s operating tax rate for the 2014 property tax year was 213.1 mills (181.6 mills for Charleston County and 31.5 mills for the Town). Town property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

The Town had receivables of approximately \$253,000 related to business-type activities at June 30, 2015 which consisted mainly of outstanding charges to customers for water and sewer services. No allowance for uncollectible accounts was considered necessary. An intergovernmental receivable of approximately \$284,000 was recorded in tandem with the 2014 Waterworks and Sewer System Revenue Bond draw for costs incurred through June 30, 2015 for the Wastewater Collection System Rehabilitation – Phase I project.

The Town had net receivables related to governmental activities at June 30, 2015, of the following:

	General Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Hospitality Tax Fund	Totals
Property Taxes	\$ 43,823	-	-	-	\$ 43,823
Accommodations Taxes	650	11,058	12,492	-	24,200
Hospitality Taxes	-	-	-	88,124	88,124
Franchise Fees	24,400	-	-	-	24,400
Local Options Sales Tax	38,269	-	-	-	38,269
Miscellaneous	170,783	-	-	-	170,783
Net Receivables	<u>\$ 277,925</u>	<u>11,058</u>	<u>12,492</u>	<u>88,124</u>	<u>\$ 389,599</u>

There were no material allowances for uncollectible amounts.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2015, the General Fund had \$7,500 in deferred inflows of resources related to property taxes that were not available.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

At June 30, 2015, there were no interfund receivables or payables.

Transfers between funds for the year ended June 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 487,686	\$ 90,507
State Accommodations Tax Fund	-	4,588
Local Accommodations Tax Fund	-	30,000
Local Hospitality Tax Fund	-	250,000
<u>Major Enterprise Funds:</u>		
Water Fund	-	203,098
Sewer Fund	90,507	-
Totals	<u>\$ 578,193</u>	<u>\$ 578,193</u>

The transfers to the General Fund were primarily from the Local Accommodations Tax and Local Hospitality Tax Funds to cover a portion of tourism related operating expenditures in accordance with State law and Town ordinances, and from the Water Fund to cover the debt service payments on the 2003 General Obligation Bonds. The General Fund transferred the annual debt service requirement to the Sewer Fund for the 2014 Waterworks and Sewer System Revenue Bond.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 37,392	-	-	\$ 37,392
Construction In Progress	106,828	914,337	-	1,021,165
Total Capital Assets, Non-Depreciable	<u>144,220</u>	<u>914,337</u>	<u>-</u>	<u>1,058,557</u>
Capital Assets, Depreciable:				
Buildings and Improvements	503,466	-	-	503,466
Machinery and Equipment	473,884	31,287	-	505,171
Playground Equipment	496,989	53,800	-	550,789
Vehicles	1,051,909	1,095,064	411,260	1,735,713
Fire and Emergency Command Center	548,101	-	-	548,101
Total Capital Assets, Depreciable	<u>3,074,349</u>	<u>1,180,151</u>	<u>411,260</u>	<u>3,843,240</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	280,068	18,409	-	298,477
Machinery and Equipment	346,914	32,294	-	379,208
Playground Equipment	158,004	36,252	-	194,256
Vehicles	839,363	83,264	411,260	511,367
Fire and Emergency Command Center	249,212	12,266	-	261,478
Total Accumulated Depreciation	<u>1,873,561</u>	<u>182,485</u>	<u>411,260</u>	<u>1,644,786</u>
Total Capital Assets, Depreciable, Net	<u>1,200,788</u>	<u>997,666</u>	<u>-</u>	<u>2,198,454</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,345,008</u>	<u>1,912,003</u>	<u>-</u>	<u>\$ 3,257,011</u>

Depreciation expense for the Town's governmental activities was charged to functions/programs as follows:

Functions/Programs	Amount
Governmental Activities:	
Public Works	\$ 11,537
Public Safety	115,037
General Government	55,911
Total Depreciation Expense - Governmental Activities	<u>\$ 182,485</u>

The cost of vehicles and equipment under lease purchase was approximately \$244,000 at June 30, 2015. Accumulated amortization on these assets was approximately \$98,000 at June 30, 2015. Amortization of these assets has been included with depreciation expense.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

	Beginning Balance [^]	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable				
Construction in Progress	\$ 49,930	1,483,844	-	\$ 1,533,774
Total Capital Assets, Non-Depreciable	<u>49,930</u>	<u>1,483,844</u>	<u>-</u>	<u>1,533,774</u>
Capital Assets, Depreciable				
Water System	4,615,337	-	-	4,615,337
Sewer System	5,039,733	-	-	5,039,733
Lab Equipment	20,869	-	-	20,869
Vehicles and Equipment	850,926	68,674	45,176	874,424
Total Capital Assets, Depreciable	<u>10,526,865</u>	<u>68,674</u>	<u>45,176</u>	<u>10,550,363</u>
Less: Accumulated Depreciation for:				
Water System	1,838,754	129,423	-	1,968,177
Sewer System	2,043,538	139,907	-	2,183,445
Lab Equipment	17,468	609	-	18,077
Vehicles and Equipment	714,405	40,553	45,176	709,782
Total Accumulated Depreciation	<u>4,614,165</u>	<u>310,492</u>	<u>45,176</u>	<u>4,879,481</u>
Total Capital Assets, Being Depreciated, Net	<u>5,912,700</u>	<u>(241,818)</u>	<u>-</u>	<u>5,670,882</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,962,630</u>	<u>1,242,026</u>	<u>-</u>	<u>\$ 7,204,656</u>

[^] Certain amounts in the prior year have been reclassified to agree to the current presentation.

Depreciation expense for the Town’s Business-Type Activities was charged to functions/programs as follows:

Functions/Programs	Amount
Business-Type Activities:	
Water	\$ 151,936
Sewer	158,556
Total Depreciation Expense - Business-Type Activities	<u>\$ 310,492</u>

The cost of vehicles and equipment under lease purchase was approximately \$127,000 at June 30, 2015. Accumulated amortization on these assets was approximately \$31,000 at June 30, 2015. Amortization of these assets has been included with depreciation expense.

Capacity Capital Contribution

The Town entered into a contract with the Commissioners of Public Works in July 1994 to purchase water for a 30 year period. As a part of this agreement, the Town paid \$1,986,216 as an initial capacity capital contribution from the Water Fund. The Town has paid additional capital contributions of \$635,338 since fiscal year 2005, for a total of \$2,621,554 as of June 30, 2015. This asset is being amortized over 30 years. The accumulated amortization is \$1,631,537, and the net unamortized asset is \$990,017 as of June 30, 2015. The amortization expense for fiscal year 2015 was \$109,756.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the Town. Revenue Bonds are obligations of the Town that are secured by revenue from a specific source. Lease Purchase obligations are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds or lease purchase obligations nor the interest thereon.

Details on the Town's outstanding debt issues and lease purchase obligations for the governmental activities and business-type activities as of June 30, 2015 are as follows:

	Principal Outstanding at Year End
<u>General Obligation Bonds</u>	
\$2,250,000 General Obligation Bonds (October 2003) were issued to finance initial stages of the water line replacement and upgrade project. Principal is payable annually and interest is payable semi-annually at a rate of 3.99%. Debt service requirements range from \$199,152 - 203,990 per year through October 1, 2018 and are funded with resources from the General Fund.	<u>\$ 745,000</u>
\$4,100,000 General Obligation Bonds (February 2014) were issued to finance the construction of the new town hall and police building, park improvements, the purchase of a fire truck, and improvements to the Town's water and sewer system. Principal is payable annually and interest is payable semi-annually at a rate of 1.80%. Debt service requirements range from \$77,695 - 478,460 per year through March 1, 2025 and are funded with resources from the General Fund.	<u>\$ 4,100,000</u>
<u>Revenue Bonds</u>	
\$553,000 Waterworks and Sewer System Revenue Bond, Series 2010 (November 2010) refinanced the remaining balance on the \$800,000 Revenue Bonds (July 2004) which originally were issued to finance the substantial upgrades to the Town's Wastewater Treatment Plant. These obligations are secured and funded with the revenues and resources of the Water and Sewer Enterprise Funds. Principal is payable annually through July 1, 2019, and interest is due semi-annually at a rate of 2.95%. Debt service requirements range from \$68,086- 74,266 per year through July 1, 2019. In accordance with the bond agreement, the Town must maintain a debt service coverage ratio of at least 1.20 at all times. The Town was in compliance with this bond covenant at June 30, 2015.	<u>\$ 278,000</u>
\$1,680,000 Waterworks and Sewer System Revenue Bond, Series 2014 (September 2014) were issued to finance the Wastewater Collection System Rehabilitation - Phase I. As of June 30, 2015, \$1,451,433 had been drawn of the \$1,680,000. These obligations are secured and funded with the revenues and resources of the Water and Sewer Enterprise Funds. Principal and interest is due quarterly through July 1, 2035 at a rate of 1.00%. Debt service requirements are \$22,627 per quarter through July 1, 2035. In accordance with the bond agreement, the Town must maintain a debt service coverage ratio of at least 1.20 at all times. The Town was in compliance with this bond covenant at June 30, 2015.	<u>\$ 1,451,433</u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Lease Purchases

\$260,000 Lease Purchase (September 2012) was obtained to finance the purchase of five vehicles for public safety and one vehicle and equipment for the public works, water, and sewer departments. These assets serve as collateral for this lease. Principal and interest are payable annually with interest at a rate of 1.49%. Total debt service requirements are \$89,262 annually through August 2015 and are funded with resources from the General Fund, Water Fund, and Sewer Fund.

Principal Outstanding
at Year End

\$ 87,952

\$37,600 Lease Purchase (June 2014) was obtained to finance the purchase of fourteen air mask packs for the fire department. These assets serve as collateral for this lease. Principal and interest are payable annually with interest at a rate of 3.9%. Total debt service requirements are \$13,521 annually through May 2017 and are funded with resources from the General Fund.

\$ 25,542

\$145,000 Lease Purchase (September 2014) was obtained to finance the purchase of three vehicles and one all terrain vehicle for the public safety department, and two vehicles for the water and sewer departments. These assets serve as collateral for this lease. Principal and interest are payable annually with interest at a rate of 1.32%. Total debt service requirements are \$49,615 annually through September 2017 and are funded with resources from the General Fund, Water Fund, and Sewer Fund.

\$ 145,000

A summary of changes in long-term obligations for the Town's governmental and business-type activities for the year ended June 30, 2015 is presented below.

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GO Bond Debt:					
GO Bond - 10/03	\$ 915,000	-	170,000	745,000	\$ 175,000
GO Bond - 02/14	4,100,000	-	-	4,100,000	355,000
Total GO Bond Debt	<u>5,015,000</u>	<u>-</u>	<u>170,000</u>	<u>4,845,000</u>	<u>530,000</u>
Capital Leases:					
CL - 09/12	121,525	-	60,313	61,212	61,212
CL - 06/14	37,600	-	12,058	25,542	12,527
CL - 09/14	-	97,004	-	97,004	31,912
Total Lease Purchases	<u>159,125</u>	<u>97,004</u>	<u>72,371</u>	<u>183,758</u>	<u>105,651</u>
Compensated Absences	<u>87,616</u>	<u>84,169</u>	<u>63,139</u>	<u>108,646</u>	<u>108,646</u>
Total Governmental Activities	<u>\$ 5,261,741</u>	<u>181,173</u>	<u>305,510</u>	<u>5,137,404</u>	<u>\$ 744,297</u>

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
Revenue Bond - 11/10 - Sewer	\$ 338,000	-	60,000	278,000	\$ -
Revenue Bond - 09/14 - Sewer	-	1,451,433	-	1,451,433	74,398
Total Revenue Bond Debt	<u>338,000</u>	<u>1,451,433</u>	<u>60,000</u>	<u>1,729,433</u>	<u>74,398</u>
Water Lease Purchases:					
CL - 09/12	26,543	-	13,173	13,370	13,370
CL - 09/14	-	23,998	-	23,998	7,895
Total Water Lease Purchases	<u>26,543</u>	<u>23,998</u>	<u>-</u>	<u>37,368</u>	<u>21,265</u>
Sewer Lease Purchases:					
CL - 09/12	26,543	-	13,173	13,370	13,370
CL - 09/14	-	23,998	-	23,998	7,895
Total Sewer Lease Purchases	<u>26,543</u>	<u>23,998</u>	<u>-</u>	<u>37,368</u>	<u>21,265</u>
Compensated Absences	<u>13,242</u>	<u>12,753</u>	<u>14,113</u>	<u>11,882</u>	<u>11,882</u>
Total Business-Type Activities	<u>\$ 404,328</u>	<u>1,512,182</u>	<u>74,113</u>	<u>1,816,051</u>	<u>\$ 128,810</u>

The Town paid interest of approximately \$113,000, and \$16,000 for its governmental and business-type activities, respectively.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2015, the Town had \$4,845,000 of bonded debt subject to the 8% limit of approximately \$5,213,000 resulting in an unused legal debt margin of approximately \$368,000.

The Town made a debt payment in June 2015 that was due in July 2015 for the Water and Sewer System Refunding Revenue Bonds (Series 2010). Therefore, no current amount is due as of June 30, 2015.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

Presented below are the debt service requirements to maturity for the governmental and business-type activities.

Year Ending June 30,	Principal	Interest	Total
<u>Governmental Activities</u>			
2016	\$ 635,651	103,220	\$ 738,871
2017	590,347	87,927	678,274
2018	597,760	73,043	670,803
2019	590,000	58,080	648,080
2020	400,000	47,070	447,070
2021-2025	2,215,000	122,040	2,337,040
Totals	<u>\$ 5,028,758</u>	<u>491,380</u>	<u>\$ 5,520,138</u>
<u>Business-Type Activities</u>			
2016	\$ 116,928	26,226	\$ 143,154
2017	156,142	23,029	179,171
2018	161,108	20,088	181,196
2019	147,660	17,047	164,707
2020	150,430	14,154	164,584
2021-2025	399,056	53,566	452,622
2026-2030	419,394	33,138	452,532
2031-2035	253,451	9,790	263,241
Totals	<u>\$ 1,804,169</u>	<u>197,038</u>	<u>\$ 2,001,207</u>

F. Net Position

The Town used the proceeds from the 2003 General Obligation Bond (see Note III.E) to fund the water line replacement and upgrade project. The \$745,000 balance outstanding at June 30, 2015 is included in the calculation of the governmental activities unrestricted net position in the Statement of Net Position, but the cost of the water lines are included in the business-type activities net investment in capital assets. Consequently, unrestricted net position, and the net investment in capital assets of the Town are not equal to a simple combination of those net position components of the governmental and business-type activities.

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the Town is a member of the South Carolina Municipal Insurance Reserve Fund (“SCMIRF”), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The Town pays an annual premium for this coverage. For the year ended June 30, 2015, the Town made premium payments totaling approximately \$166,000. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2014 totaled approximately \$21,590,000.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Town pays an annual premium to SCMIT. For the year ended June 30, 2015, the Town made premium payments totaling approximately \$74,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2014 totaled approximately \$52,879,000.

For the above public entity risk pools for property and casualty insurance, there were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

Participation in Public Entity Risk Pool for Health Insurance

The Town has also joined together with other local governments in the South Carolina Employee Insurance Program ("EIP") to provide medical, dental, and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the EIP to the South Carolina Public Employee Benefit Authority ("PEBA"). For the year ended June 30, 2015, the Town made premium payments totaling approximately \$370,000. The EIP's net position from its most recently issued audited financial statements at June 30, 2014 were approximately \$232,236,000.

There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans, which are administered by the PEBA, which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board ("Board") decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period and this increase is not limited to one-half of one percent per year.

As noted above, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS Rates			PORS Rates		
	2013	2014	2015	2013	2014	2015
Employer Rate:						
Retirement	10.45%	10.45%	10.75%	11.90%	12.44%	13.01%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>12.30%</u>	<u>12.84%</u>	<u>13.41%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>7.00%</u>	<u>7.84%</u>	<u>8.41%</u>

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

The required contributions and percentages of amounts contributed by the Town to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2015	\$ 114,326	100%	\$ 145,526	100%
2014	104,693	100%	135,399	100%
2013	\$ 97,474	100%	\$ 130,665	100%

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2015	\$ 1,048,865	1,085,206	\$ 2,134,071
2014	987,670	1,054,506	2,042,176
2013	\$ 919,628	1,062,319	\$ 1,981,947

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 42,955,205,796	25,738,521,026	\$ 17,216,684,770	59.92%
PORS	\$ 5,899,529,434	3,985,101,996	\$ 1,914,427,438	67.55%

At June 30, 2015, the Town reported liabilities of \$1,873,003 and \$1,678,474 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2013 that was projected forward to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2014, the Town's SCRS proportion was .011 percent, which was unchanged from the prior year. At June 30, 2014, the Town's PORS proportion was .088 percent, which was unchanged from the prior year.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the Town recognized pension expense of approximately \$131,000 and \$147,000 for the SCRS and PORS, respectively. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 53,073	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	157,908
Town's Contributions Subsequent to the Measurement Date	114,326	-
Total SCRS	<u>167,399</u>	<u>157,908</u>
PORS		
Differences Between Expected and Actual Experience	44,791	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	194,212
Town's Contributions Subsequent to the Measurement Date	145,526	-
Total PORS	<u>\$ 190,317</u>	<u>\$ 194,212</u>

\$114,326 and \$145,526 that were reported as deferred outflows of resources related to the Town’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2016	\$ 23,061	36,937	\$ 59,998
2017	23,061	36,937	59,998
2018	23,061	36,937	59,998
2019	35,652	38,610	74,262
Total	<u>\$ 104,835</u>	<u>149,421</u>	<u>\$ 254,256</u>

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30	0.01
Short Duration	3%	0.60	0.02
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10	0.08
High Yield	2%	3.50	0.07
Bank Loans	4%	2.80	0.11
Global Fixed Income	9%		
Global Fixed Income	3%	0.80	0.02
Emerging Markets Debt	6%	4.10	0.25
Global Public Equity	31%	7.80	2.42
Global Tactical Asset Allocation	10%	5.10	0.51
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00	0.32
Private Debt	7%	10.20	0.71
Private Equity	9%	10.20	0.92
Real Estate (Broad Market)	5%	5.90	0.29
Commodities	3%	5.10	0.15
Total Expected Real Return	100%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate (Continued)

The following table presents the sensitivity of the Town's proportionate share of the net pension liability of the Plans as of June 30, 2014 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability of the SCRS	\$ 2,423,782	1,873,003	\$ 1,413,496
Town's proportionate share of the net pension liability of the PORS	\$ 2,345,624	1,678,474	\$ 1,126,463

Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payable to Plans

The Town reported payables of approximately \$17,000 and \$17,000 to the PEBA as of June 30, 2015, representing required employer and employee contributions for the month of June 2015 for the SCRS and PORS, respectively. These amounts are included in Other Accrued Liabilities on the financial statements and were paid in July 2015.

C. Other Postemployment Benefits

The Town does not currently provide health insurance or other postemployment benefits (other than retirement benefits which are discussed in Note III.B) to retirees and thus is not subject to the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement issued in 2004 establishes standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

D. Commitments and Contingencies

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2015.

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

In May 2012, the Town entered into a six month operating lease with a vendor to house the Town Hall offices and the Police Department. The monthly lease amount is approximately \$2,200 and the lease has a month-to-month renewal option.

In August 2014, Council approved a contract for the Sewer Assessment and Infiltration and Inflow Reduction Program for approximately \$1,639,000. The outstanding commitment as of June 30, 2015 is approximately \$128,000.

In May 2015, the Town entered into an agreement for the construction of the new Town Hall for approximately \$3,931,000. Construction began after June 30, 2015.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule
 - General Fund
- South Carolina Retirement System
 - Schedule of the Town's Proportionate Share of the Net Pension Liability
 - Schedule of the Town's Contributions
- South Carolina Police Officers Retirement System
 - Schedule of the Town's Proportionate Share of the Net Pension Liability
 - Schedule of the Town's Contributions

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TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 1,776,000	1,776,000	1,965,410	\$ 189,410
Local Option Sales Tax	175,000	175,000	214,846	39,846
Licenses and Franchise Fees	1,198,000	1,198,000	1,220,806	22,806
Magistrate and Recorder Fines	55,000	55,000	38,301	(16,699)
State Shared Revenues	88,000	88,000	109,142	21,142
Permits	351,020	351,020	383,297	32,277
Victims' Services Fund	10,000	10,000	6,875	(3,125)
Interest Income	6,000	6,000	10,668	4,668
Grant Income	-	-	233,049	233,049
Other	130,300	130,300	319,225	188,925
TOTAL REVENUES ALL SOURCES	3,789,320	3,789,320	4,501,619	712,299
EXPENDITURES				
Maintenance	557,577	557,577	595,680	(38,103)
Police	961,034	961,034	1,004,648	(43,614)
Fire	1,165,000	1,165,000	2,484,203	(1,319,203)
Recreation	185,000	185,000	161,876	23,124
Building	307,800	307,800	285,083	22,717
Administrative	1,242,200	1,242,200	1,930,536	(688,336)
TOTAL EXPENDITURES	4,418,611	4,418,611	6,462,026	(2,043,415)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(629,291)	(629,291)	(1,960,407)	(1,331,116)
OTHER FINANCING SOURCES (USES)				
Transfers In	480,000	480,000	487,686	7,686
Transfers Out	-	-	(90,507)	(90,507)
Proceeds from Sale of Capital Assets	4,000	4,000	3,298,500	3,294,500
Proceeds from Lease Purchases	-	-	97,007	97,007
TOTAL OTHER FINANCING SOURCES (USES)	484,000	484,000	3,792,686	3,308,686
NET CHANGES IN FUND BALANCES	(145,291)	(145,291)	1,832,279	1,977,570
FUND BALANCES, Beginning of Year	8,665,457	8,665,457	8,665,457	-
FUND BALANCES, End of Year	\$ 8,520,166	8,520,166	10,497,736	\$ 1,977,570

Note: The Town's original and final budget for 2015 reflected the use of fund balance of \$145,291.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF SULLIVAN'S ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Town of Sullivan's Island's Proportion of the Net Pension Liability (Asset)	0.011%	0.011%
Town of Sullivan's Island's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,873,003	\$ 1,951,305
Town of Sullivan's Island's Covered-Employee Payrol	\$ 987,670	\$ 919,628
Town of Sullivan's Island's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	189.639%	212.184%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF SULLIVAN'S ISLAND'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 114,326	\$ 104,693
Contributions in Relation to the Contractually Required Contribution	114,326	104,693
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Sullivan's Island's Covered-Employee Payrol	\$ 1,048,865	\$ 987,670
Contributions as a Percentage of Covered-Employee Payroll	10.900%	10.600%

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF SULLIVAN'S ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Town of Sullivan's Island's Proportion of the Net Pension Liability (Asset)	0.088%	0.088%
Town of Sullivan's Island's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,678,474	\$ 1,817,479
Town of Sullivan's Island's Covered-Employee Payrol	\$ 1,054,506	\$ 1,062,319
Town of Sullivan's Island's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	159.172%	171.086%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.549%	62.979%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF SULLIVAN'S ISLAND'S CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 145,526	\$ 135,399
Contributions in Relation to the Contractually Required Contribution	145,526	135,399
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Sullivan's Island's Covered-Employee Payroll	\$ 1,085,206	\$ 1,054,506
Contributions as a Percentage of Covered-Employee Payroll	13.410%	12.840%

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Supplementary Information

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	2015		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
MAINTENANCE			
Operating Expenditures:			
Salaries	\$ 170,000	140,999	\$ 29,001
Payroll Taxes	12,500	10,284	2,216
Health Insurance	25,000	18,028	6,972
Retirement	14,000	12,961	1,039
Gas and Oil - Vehicles	12,000	7,954	4,046
Diesel Fuel	4,000	1,145	2,855
Vehicle Repairs	7,500	6,309	1,191
Supplies and Materials	25,000	21,383	3,617
Uniforms	3,000	5,178	(2,178)
Telephone	660	660	-
Power and Lights	42,000	38,030	3,970
Insurance	17,000	14,837	2,163
System Repairs and Improvements	16,000	15,786	214
Garbage Disposal Service - Subcontract	175,000	184,760	(9,760)
Container Servicing	13,000	4,125	8,875
Causeway & Beach Path Maintenance	12,000	1,475	10,525
Miscellaneous	1,000	1,575	(575)
Total Operating Expenditures	549,660	485,489	64,171
Capital Expenditures:			
Lease Purchase Payments	7,917	7,916	1
Capital Outlay	-	102,275	(102,275)
TOTAL EXPENDITURES	557,577	595,680	(38,103)
POLICE			
Operating Expenditures:			
Salaries	480,000	471,778	8,222
Payroll Taxes	36,000	34,383	1,617
Health Insurance	59,000	64,217	(5,217)
Retirement	63,000	61,807	1,193
Contract Labor	40,000	29,520	10,480
Gas and Oil - Vehicles	40,000	26,993	13,007
Diesel Fuel	1,200	273	927
Vehicle Repairs	15,000	12,571	2,429
Supplies and Materials	12,000	10,603	1,397
Telephone	10,000	8,625	1,375
Power and Lights	5,000	4,129	871
Uniforms	8,000	6,027	1,973
Insurance	44,000	43,888	112
800 MHZ Radios	47,000	46,252	748
Property & Equipment <\$5,000	7,000	28,067	(21,067)
System Repairs and Improvements	8,000	6,969	1,031
Dues and Certifications	500	77	423
Training and Seminars	6,500	4,641	1,859
Dispatching Services	24,200	21,984	2,216
Miscellaneous	1,500	293	1,207
Total Operating Expenditures	907,900	883,097	24,803
Capital Expenditures:			
Lease Purchase Payments	33,134	33,875	(741)
Capital Outlay	20,000	87,676	(67,676)
TOTAL EXPENDITURES	\$ 961,034	1,004,648	\$ (43,614)

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	2015		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
FIRE			
Operating Expenditures:			
Salaries	\$ 568,000	576,938	\$ (8,938)
Payroll Taxes	42,000	41,761	239
Health Insurance	85,000	83,809	1,191
Retirement	76,000	74,516	1,484
Gas and Oil - Vehicles	12,000	7,896	4,104
Diesel Fuel	6,500	2,849	3,651
Vehicle Repairs	20,000	32,642	(12,642)
Supplies and Materials	20,000	34,773	(14,773)
Telephone	10,000	6,988	3,012
Uniforms	10,000	1,243	8,757
Power and Lights	11,000	8,701	2,299
Insurance	55,000	54,848	152
Building Repairs	10,000	4,818	5,182
800 MHZ Radios	50,000	42,832	7,168
Property & Equipment <\$5,000	7,500	14,201	(6,701)
System Repairs and Improvements	11,000	8,656	2,344
Dues and Certifications	1,000	70	930
Training and Seminars	9,500	10,052	(552)
Dispatching Services	24,200	21,984	2,216
Miscellaneous	8,500	3,171	5,329
Total Operating Expenditures	1,037,200	1,032,748	4,452
Capital Expenditures:			
Lease Purchase Payments	34,800	33,210	1,590
Capital Outlay	93,000	1,418,245	(1,325,245)
TOTAL EXPENDITURES	1,165,000	2,484,203	(1,319,203)
RECREATION			
Operating Expenditures:			
Power and Lights	7,500	6,398	1,102
Insurance	2,500	4,314	(1,814)
Maintenance Recreation Area	10,000	20,245	(10,245)
Property & Equipment <\$5,000	10,000	-	10,000
Miscellaneous	25,000	17,217	7,783
Total Operating Expenditures	55,000	48,174	6,826
Capital Expenditures:			
Capital Outlay	130,000	113,702	16,298
TOTAL EXPENDITURES	\$ 185,000	161,876	\$ 23,124

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	2015		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
BUILDING			
Operating Expenditures:			
Salaries	\$ 194,000	192,982	\$ 1,018
Payroll Taxes	14,400	14,212	188
Health Insurance	23,000	21,901	1,099
Retirement	21,000	22,735	(1,735)
Gas and Oil - Vehicles	2,600	1,973	627
Office Supplies	3,000	3,000	-
Supplies - Building Official	2,000	288	1,712
Telephone	3,600	4,035	(435)
Utilities	1,300	627	673
Insurance	5,000	641	4,359
System Repair and Maintenance	3,000	1,776	1,224
Dues and Certifications	2,000	1,565	435
Training and Seminars	4,000	548	3,452
Board of Zoning Appeals	2,000	2,821	(821)
Design and Review Board	9,000	6,597	2,403
Tree Commission	1,500	-	1,500
Trimming and Pruning	11,400	8,400	3,000
Equipment	5,000	434	4,566
Total Operating Expenditures	307,800	285,083	22,717
TOTAL EXPENDITURES	307,800	285,083	22,717
ADMINISTRATIVE			
Operating Expenditures:			
Salaries	385,000	402,741	(17,741)
Payroll Taxes	30,000	31,427	(1,427)
Health Insurance	46,200	54,157	(7,957)
Retirement	45,000	45,591	(591)
Office Supplies	24,000	28,666	(4,666)
Travel Allowance - Recorder	700	-	700
Advertising	8,000	11,372	(3,372)
Recorder's Supplies	1,000	579	421
Telephone	17,000	16,955	45
Power and Lights	8,000	9,849	(1,849)
Insurance	62,000	67,481	(5,481)
System Repairs and Improvements	40,000	55,615	(15,615)
Dues and Certifications	3,200	4,838	(1,638)
Training and Seminars	6,000	2,646	3,354
Professional Engineering Fees	120,000	199,343	(79,343)
Fee Simple Deed Costs	100	-	100
Victim's Rights Fund	10,000	10,000	-
Professional Services	135,000	171,906	(36,906)
Town Hall Relocation Expenses	50,000	53,245	(3,245)
Property & Equipment <\$5,000	10,000	10,210	(210)
Bonds Debt Services	200,000	281,427	(81,427)
Council Expenditures	11,000	1,942	9,058
Planning Expense	2,000	302	1,698
Miscellaneous	18,000	45,132	(27,132)
Total Operating Expenditures	1,232,200	1,505,424	(273,224)
Capital Expenditures:			
Lease Purchase Payments	-	625	(625)
Capital Outlay	10,000	424,487	(414,487)
TOTAL EXPENDITURES	1,242,200	1,930,536	(688,336)
TOTAL GENERAL FUND EXPENDITURES	\$ 4,418,611	6,462,026	\$ (2,043,415)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND

YEAR ENDED JUNE 30, 2015

	2015		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
OPERATING REVENUES			
Sewer Service Charges	\$ 815,643	869,335	\$ 53,692
Other Revenue	1,655,725	6,600	(1,649,125)
TOTAL OPERATING REVENUES	2,471,368	875,935	(1,595,433)
OPERATING EXPENSES			
Salaries	209,579	196,246	13,333
Payroll Taxes	16,033	14,211	1,822
Hospitalization Insurance	28,820	25,298	3,522
Retirement	22,517	22,240	277
Gas and Oil - Vehicles	7,000	3,643	3,357
Diesel Fuel and Equipment	8,300	8,754	(454)
Vehicle Repairs	5,000	3,201	1,799
Supplies and Tools	12,000	8,938	3,062
Office Supplies	8,700	8,768	(68)
Lab Supplies	3,700	6,158	(2,458)
Telephone	5,600	6,283	(683)
Power and Lights	48,000	59,460	(11,460)
Insurance	19,000	19,392	(392)
System Repairs and Improvements	406,000	72,628	333,372
Sludge Disposal	17,000	53,059	(36,059)
Grit Disposal	1,400	2,580	(1,180)
Property and Equipment < \$5000	-	675	(675)
Depreciation and Amortization Expense	-	158,556	(158,556)
Collection System and Repairs	1,646,725	-	1,646,725
Dues and Certifications	8,000	4,851	3,149
Training and Seminars	5,000	1,118	3,882
Professional Engineering Fees	5,000	158,346	(153,346)
Professional Services	5,000	5,000	-
Bond Payments	72,000	-	72,000
Lab Analysis, Inspection, and Chemicals	18,000	28,056	(10,056)
Miscellaneous	2,625	2,793	(168)
Total Operating Expenses	2,580,999	870,254	1,710,745
OPERATING INCOME (LOSS)	(109,631)	5,681	115,312
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(19,569)	-	19,569
NONOPERATING REVENUES			
Interest Income	1,000	591	(409)
Transfers In from Other Funds	125,000	90,507	(34,493)
NET INCOME (LOSS)	<u>\$ (3,200)</u>	<u>96,779</u>	<u>\$ 99,979</u>
RECONCILIATION TO GAAP BASIS:			
Non-Budgeted Revenues (Expenses)			
Interest Expense		(15,299)	
DECREASE IN NET POSITION		81,480	
NET POSITION, Beginning of Year as Previously Reported		3,096,944	
Cumulative Change in Accounting Principle - GASB #68		(108,474)	
NET POSITION, Beginning of Year, Restated		<u>2,988,470</u>	
NET POSITION, End of Year		<u>\$ 3,069,950</u>	

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND

YEAR ENDED JUNE 30, 2015

	2015		VARIANCE POSITIVE (NEGATIVE)
	FINAL BUDGET	ACTUAL	
OPERATING REVENUES			
Water Sales	\$ 977,697	1,039,035	\$ 61,338
Meter Connections	22,750	44,167	21,417
TOTAL OPERATING REVENUES	1,000,447	1,083,202	82,755
OPERATING EXPENSES			
Salaries	209,579	196,381	13,198
Payroll Taxes	16,033	14,211	1,822
Hospitalization Insurance	28,820	25,266	3,554
Retirement	22,517	22,524	(7)
Gas and Oil - Vehicles	7,000	3,395	3,605
Diesel Fuel and Equipment	3,300	1,705	1,595
Repairs and Maintenance - Diesel Equipment	2,000	4,355	(2,355)
Vehicle Repairs	5,000	4,319	681
Supplies and Tools	11,500	17,200	(5,700)
Office Supplies	8,700	8,322	378
Lab Supplies	2,200	3,078	(878)
Telephone	5,600	6,184	(584)
Power and Lights	2,800	3,467	(667)
Insurance	17,000	17,057	(57)
System Repairs and Improvements	98,000	121,735	(23,735)
Depreciation and Amortization Expense	-	261,692	(261,692)
Dues and Certifications	9,000	5,548	3,452
Training and Seminars	4,500	1,258	3,242
Professional Engineering Fees	7,000	2,000	5,000
Professional Services	5,000	5,000	-
Lab Analysis, Inspection, and Chemicals	8,200	9,774	(1,574)
CPW Improvements	8,295	-	8,295
Wholesale Water Purchases	123,000	126,808	(3,808)
Miscellaneous	3,064	2,553	511
Total Operating Expenses	608,108	863,832	(255,724)
OPERATING INCOME (LOSS)	392,339	219,370	(172,969)
CAPITAL EXPENDITURES (Including Lease Purchase Payments)	(19,569)	-	19,569
NONOPERATING REVENUES			
Interest Income	2,000	1,433	(567)
Transfers Out to Other Funds	(198,500)	(203,098)	(4,598)
NET INCOME (LOSS)	\$ 176,270	17,705	\$ (158,565)
RECONCILIATION TO GAAP BASIS:			
Non-Budgeted Revenues (Expenses)			
Interest Expense		(477)	
INCREASE IN NET POSITION		17,228	
NET POSITION, Beginning of Year as Previously Reported		4,921,898	
Cumulative Change in Accounting Principle - GASB #68		(139,557)	
NET POSITION, Beginning of Year, Restated		4,782,341	
NET POSITION, End of Year		\$ 4,799,569	

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA
 SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
 GENERAL FUND

YEAR ENDED JUNE 30, 2015

	<u>2015</u>
COURT FINES	
Court Fines Collected	\$ 38,300
Court Fines Retained by Town	(38,300)
Court Fines Remitted to the State Treasurer	<u>\$ -</u>
COURT ASSESSMENTS	
Court Assessments Collected	\$ 26,755
Court Assessments Allocated to Victim Services	(3,157)
Court Assessments Remitted to the State Treasurer	<u>\$ 23,598</u>
COURT SURCHARGES	
Court Surcharges Collected	\$ 11,340
Court Surcharges Allocated to Victim Services	(3,718)
Court Surcharges Remitted to the State Treasurer	<u>\$ 7,622</u>
VICTIMS SERVICES	
Court Assessments Allocated to Victims Services	\$ 3,157
Court Surcharges Allocated to Victims Services	3,718
Funds Allocated to Victims Services	<u>6,875</u>
Victims Services Balance at Beginning of Year	<u>68,391</u>
Victims Services Balance at End of Year	<u>\$ 75,266</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Sullivan's Island
Sullivan's Island, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sullivan's Island, South Carolina (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Greene, Finney & Horton, LLP
Mauldin, South Carolina
August 27, 2015