

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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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, 2023

MAYOR

Pat O'Neil

TOWN COUNCIL MEMBERS

Justin Novak, Mayor Pro Tem

Ned Higgins

Carl Hubbard

Jody Latham

Scott Millimet

Gary Visser

APPOINTED OFFICIALS

| | |
|---------------------------------|-----------------|
| Town Administrator | Andy Benke |
| Deputy Administrator | Joe Henderson |
| Comptroller | Jason Blanton |
| Building Official | Max Wurthmann |
| Director of Planning and Zoning | Charles Drayton |
| Fire Chief | Anthony Stith |
| Police Chief | Chris Griffin |
| Water & Sewer, General Manager | Greg Gress |
| Town Attorney | Lawrence Dodds |

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Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Sullivan's Island, South Carolina (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Sullivan's Island, South Carolina, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Sullivan's Island, South Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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OPEN BY
APPOINTMENT ONLY

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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. Such 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. The 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 October 4, 2023 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 solely 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 the effectiveness of the Town's 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 Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 4, 2023

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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, 2023. 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$21,338,000 (*net position*). Of this amount, a net deficit of approximately \$12,361,000 and net position of \$33,698,000 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) was a net deficit of approximately \$19,648,000 for its governmental activities and approximately \$5,767,000 for its business-type activities.
- The government’s total net position increased by approximately \$1,255,000 for governmental activities and approximately \$308,000 for business-type activities, primarily as a result of total revenues of approximately \$13,677,000 exceeding total expenditures of \$12,114,000 in the current year.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of approximately \$16,413,000, a decrease of approximately \$2,410,000 compared to the prior year’s fund balance. Approximately 54% of this total amount, or approximately \$8,898,000 is available for spending at the government’s discretion (*unassigned fund balance*).
- At the end of the current fiscal year, \$2,130,000 of the General Fund’s unassigned portion of fund balance was allocated to the Emergency Reserve.
- At the end of the current fiscal year, approximately \$2,396,000 of the General Fund’s unassigned portion of fund 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 \$4,371,000, or approximately 40% of total General Fund expenditures of approximately \$11,039,000 for the year ended June 30, 2023.
- The Town’s total capital assets increased by approximately \$1,960,000 (4%) during the current fiscal year primarily due to capital asset additions of approximately \$3,851,000 offset by depreciation expense of approximately \$1,881,000 and net disposals of approximately \$11,000.
- The Town’s total debt decreased by approximately \$1,248,000 during the current year due to scheduled principal payments and premium amortization.

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

The *statement of net position* presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, 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 two categories: governmental funds and proprietary 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 six (6) 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, Local Tax Fund, Capital Projects Fund, Debt Service Fund, Tree Bank Fund, and the Firefighters' 1% Fund. The governmental fund financial statements can be found as listed in the table of contents.

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.

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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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, a schedule of fines, assessments, and surcharges, and a schedule of property tax rates by fiscal year, is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

| 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 |
| Scope | Entire Town government | The activities of the Town that are not proprietary. | Activities the Town operates similar to private businesses. |
| 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 |
| 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 |
| 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 |
| 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 |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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 2023 compared to 2022.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|-------------------|-------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current and Other Assets | \$ 17,722,428 | 20,881,841 | 6,337,959 | 5,777,011 | 24,060,387 | \$ 26,658,852 |
| Capital Assets, Net | 17,417,555 | 14,770,634 | 28,801,266 | 29,488,485 | 46,218,821 | 44,259,119 |
| Contributed Capital, Net | - | - | 111,969 | 221,725 | 111,969 | 221,725 |
| Total Assets | 35,139,983 | 35,652,475 | 35,251,194 | 35,487,221 | 70,391,177 | 71,139,696 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred Pension Charges | 1,253,250 | 1,554,107 | 211,367 | 266,393 | 1,464,617 | 1,820,500 |
| Liabilities: | | | | | | |
| Long-Term Obligations | 40,611,976 | 41,638,848 | 990,770 | 1,189,775 | 41,602,746 | 42,828,623 |
| Net Pension Liability | 5,652,632 | 5,178,534 | 630,876 | 617,364 | 6,283,508 | 5,795,898 |
| Other Liabilities | 2,126,777 | 2,890,982 | 92,781 | 464,960 | 2,219,558 | 3,355,942 |
| Total Liabilities | 48,391,385 | 49,708,364 | 1,714,427 | 2,272,099 | 50,105,812 | 51,980,463 |
| Deferred Inflows of Resources: | | | | | | |
| Deferred Pension Credits | 362,428 | 1,113,606 | 49,656 | 91,095 | 412,084 | 1,204,701 |
| Net Position: | | | | | | |
| Net Investment in Capital | | | | | | |
| Assets* | 6,152,738 | 6,145,988 | 27,931,115 | 28,537,991 | 9,873,769 | 10,476,972 |
| Restricted | 1,135,157 | 828,168 | - | - | 1,135,157 | 828,168 |
| Unrestricted* | (19,648,475) | (20,589,544) | 5,767,363 | 4,852,430 | 10,328,972 | 8,469,893 |
| Total Net Position | \$ (12,360,580) | (13,615,388) | 33,698,478 | 33,390,421 | 21,337,898 | \$ 19,775,033 |

*The total for Net Investment in Capital Assets and Unrestricted Net Position for both years does not foot across. See Note F in the Notes to the Financial Statements for details.

The Town’s total assets of approximately \$70,391,000 decreased approximately \$749,000 from the prior year. The decrease is due to a net increase in capital assets of approximately \$1,960,000 offset by a decrease in current and other assets of approximately \$2,598,000. Total liabilities decreased by approximately \$1,875,000 primarily due to a \$1,226,000 decrease in long-term obligations due to scheduled principal payments.

The Town’s net position increased by approximately \$1,563,000 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 and deferred outflows exceeded liabilities and deferred inflows by approximately \$21,338,000 at June 30, 2023. The Town’s net position of approximately \$9,874,000 (approximately 46%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, water/sewer infrastructure, etc.) less any related outstanding debt/financed 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the Town’s net position of approximately \$1,135,000 (approximately 5%) 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 of approximately \$10,329,000 is unrestricted, primarily due to total assets exceeding total liabilities.

The following table shows the changes in the Town’s net position for fiscal year 2023 compared to 2022:

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|--------------|--------------------------|------------|------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,232,674 | 1,108,565 | 2,540,892 | 2,526,427 | 3,773,566 | \$ 3,634,992 |
| Operating Grants and Contributions | 96,250 | - | - | - | 96,250 | - |
| Capital Grants and Contributions | - | - | - | 503,293 | - | 503,293 |
| General Revenues: | | | | | | |
| Taxes | 8,909,023 | 8,309,851 | - | - | 8,909,023 | 8,309,851 |
| Other | 776,739 | 253,745 | 121,082 | 3,635 | 897,821 | 257,380 |
| Total Revenues | 11,014,686 | 9,672,161 | 2,661,974 | 3,033,355 | 13,676,660 | 12,705,516 |
| Expenses: | | | | | | |
| Public Works | 846,512 | 729,012 | - | - | 846,512 | 729,012 |
| Public Safety | 4,080,348 | 3,241,168 | - | - | 4,080,348 | 3,241,168 |
| General Government | 2,966,122 | 2,789,124 | - | - | 2,966,122 | 2,789,124 |
| Interest and Other Charges | 1,334,868 | 1,352,913 | - | - | 1,334,868 | 1,352,913 |
| Water | - | - | 1,104,106 | 1,082,680 | 1,104,106 | 1,082,680 |
| Sewer | - | - | 1,781,839 | 1,524,992 | 1,781,839 | 1,524,992 |
| Total Expenses | 9,227,850 | 8,112,217 | 2,885,945 | 2,607,672 | 12,113,795 | 10,719,889 |
| Change in Net Position Before Transfers | 1,786,836 | 1,559,944 | (223,971) | 425,683 | 1,562,865 | 1,985,627 |
| Transfers In (Out) | (532,028) | (4,461,635) | 532,028 | 4,461,635 | - | - |
| Change in Net Position | 1,254,808 | (2,901,691) | 308,057 | 4,887,318 | 1,562,865 | 1,985,627 |
| Net Position - Beginning of Year | (13,615,388) | (10,713,697) | 33,390,421 | 28,503,103 | 19,775,033 | 17,789,406 |
| Net Position - End of Year | \$ (12,360,580) | (13,615,388) | 33,698,478 | 33,390,421 | 21,337,898 | \$ 19,775,033 |

Governmental Activities: Governmental activities increased the Town’s net position by approximately \$1,255,000 in the current year.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

- Tax revenues increased by approximately \$599,000, or 7% over the prior year primarily as a result of an increase in assessed values.
- Interest income increased by approximately \$406,000, or 4400% over the prior year primarily due to changes in the Town's investment strategy.
- Transfers out decreased by approximately \$3,930,000 from the prior year. Transfers are the result of the Town transferring the unspent portion of the proceeds from the Installment Purchase Revenue Bonds to the Sewer Fund for capital improvements to the sewer system. The project was completed during the prior fiscal year.

Business-Type Activities: Net position for business-type activities (water and sewer services) increased by approximately \$308,000 primarily as a result of the above-mentioned transfers for capital improvements to the sewer system.

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 \$16,413,000, a decrease of approximately \$2,410,000 from the prior year fund balance. The decrease in fund balance was primarily the result of capital outlay expenditures related to projects including completion of the fire station and boardwalk improvements.

Approximately 54%, or approximately \$8,898,000, of the total governmental fund balance 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 (\$1,141,000), restricted (2) for tourism related expenditures or operating expenses incurred to serve tourists (\$914,000), for capital projects (\$4,209,000), for debt service (\$163,000), for the Firefighters' 1% Fund (\$16,000), or for expenditures related to other outside restrictions (\$43,000), committed for (3) expenditures related to the Tree Fund (\$239,000) and (4) future capital projects (\$770,000), and assigned (5) 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 \$11,000,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$8,898,000) represents approximately 81% of total General Fund expenditures for 2023. Of the unassigned fund balance, Council has established a reserve for emergency expenditures which at the end of 2023 has a balance of \$2,130,000 and a reserve for capital improvements of \$2,396,000.

Points of interest for the General Fund were as follows:

- During 2023, the General Fund's fund balance increased by approximately \$919,000.
- Property tax revenues increased by approximately \$332,000 as a result of increases in assessed values.
- Business Licenses and Permits increase by approximately \$332,000 as a result of increases in building activity on the island.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

The fund balance of the Local Tax Fund increased by approximately \$287,000, or 14%, from the prior year primarily due to increases in hospitality and tourism driven revenues resulting from decreased travel restrictions that came about from the COVID-19 pandemic.

The Town’s financial statements include two governmental funds that report the activity of the Public Facilities Corporation, a blended component unit of the Town. These funds are the Capital Projects Fund and the Debt Service Fund. The Capital Projects Fund reports activity related to the issuance of the Installment Purchase Revenue Bonds, including bond proceeds, costs of issuance, and transfers to the General Fund to fund the cost of improvements for the new fire station. The Debt Service Fund reports activity related to the repayment of the Installment Purchase Revenue Bonds. Fund Balance for the Capital Projects Fund decreased approximately \$3,701,000 as bond proceeds were transferred to other funds to fund capital projects during 2023.

Proprietary Funds. 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 \$33,698,000. 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.

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 2023. Expenditures in excess of budget are due primarily to capital outlay expenditures financed through the IPRB proceeds that were not included in the Town’s budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s investment in capital assets as of June 30, 2023 and June 30, 2022, amounted to approximately \$46,219,000 and \$44,259,000 (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, 2023 and 2022 were as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and Improvements | \$ 211,231 | 211,231 | - | - | 211,231 | \$ 211,231 |
| Construction in Progress | 148,495 | 7,722,671 | - | 2,805,378 | 148,495 | 10,528,049 |
| Building and Improvements | 13,524,617 | 4,380,821 | - | - | 13,524,617 | 4,380,821 |
| Machinery and Equipment | 684,786 | 563,686 | - | - | 684,786 | 563,686 |
| Playground Equipment | 1,367,346 | 418,713 | - | - | 1,367,346 | 418,713 |
| Vehicles | 1,481,080 | 1,473,512 | - | - | 1,481,080 | 1,473,512 |
| Water/Sewer System | - | - | 28,801,266 | 26,683,107 | 28,801,266 | 26,683,107 |
| Total | \$ 17,417,555 | 14,770,634 | 28,801,266 | 29,488,485 | 46,218,821 | \$ 44,259,119 |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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 \$1,960,000. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$3,502,000 for governmental activities which consisted primarily of the following:
 - Construction in Progress related to the new fire station and maintenance building of approximately \$2,341,000.
 - Buildings and Improvements for approximately \$750,000.
 - Machinery and Equipment for approximately \$219,000.
 - Public safety vehicles for approximately \$192,000.
- Capital asset additions of approximately \$349,000 for business-type activities which consisted primarily of additions of approximately \$199,000 for sewer system improvements.
- Depreciation expense of approximately \$845,000 for governmental activities and \$1,036,000 for business-type activities.
- The net book value of disposals was approximately \$11,000 for the Town’s governmental activities.

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, 2023, and June 30, 2022, the Town had total outstanding debt of approximately \$41,473,000 and \$42,721,000, respectively. Of the Town’s total long-term obligations, approximately \$925,000 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, 2023 and 2022 were as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Debt: | | | | | | |
| General Obligation Bonds | \$ 925,000 | 1,370,000 | - | - | 925,000 | \$ 1,370,000 |
| Revenue Bonds (including premiums) | 39,382,365 | 39,840,054 | 982,119 | 1,058,772 | 40,364,484 | 40,898,826 |
| Financed Purchases | 183,298 | 338,353 | - | 113,447 | 183,298 | 451,800 |
| Total Debt | \$ 40,490,663 | 41,548,407 | 982,119 | 1,172,219 | 41,472,782 | \$ 42,720,626 |

The total decrease in the Town’s debt obligations for the current fiscal year was approximately \$1,248,000. Major events during the current fiscal year included the following:

- The Town’s governmental activities made scheduled principal payments on debt obligations of approximately \$925,000.
- The Town’s business-type activities made scheduled principal payments on debt obligations of approximately \$190,000.

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, 2023 was approximately \$7,926,000. The Town had \$925,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$7,001,000.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

The Town also issued two short-term General Obligation Bond Series during the year totaling \$1,785,000, Series 2022A and 2022B. These bonds were used to fund the principal and interest payments on the outstanding Installment Purchase Revenue Bonds and were repaid using property tax revenues. No balances were outstanding as of June 30, 2023.

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 2023-2024 BUDGETS AND RATES FOR THE TOWN

The Town's elected officials and staff considered many factors when setting the fiscal year 2024 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 considered. Key budget highlights were as follows:

- Included in the budget is an 6.5% increase in expenses to different departments for salaries and wages. Due to the substantial increase in consumer price index and the increase in cost of living, the increase was much higher than in prior years.
- The fiscal year 2024 budget revenue projections for the General Fund have increased by approximately ten percent over fiscal year 2023 due to the favorable view of the economy.
- During the fiscal year 2023, the revenue from business license taxes and building permits, remained strong. Also, income increased due to a higher rate of return on investments. These factors were taken into consideration during the preparation of the fiscal year 2024 budget.
- The rehabilitation of the Town's fire station was completed in the first half of fiscal year 2023.
- In the rates for Water and Sewer, the average customer will see an increase of approximately 3.5% for fiscal year 2024. The increase is due to normal increases in operating costs and the increase in salaries and wages.
- The Town has received grants and is preparing to start projects to help improve the Town's stormwater system. The projects are expected to last for a couple of years.
- Repairs to boardwalks will take place during fiscal 2024.
- At the end of fiscal year 2023, the Town chose a vendor to help in a design that will enhance the enjoyment of Stith Park. The cost of the design will be paid with proceeds from the Installment Purchase Revenue Bonds issued in 2020.
- The Town has been allocated approximately \$958,000 from the American Rescue Plan. The first half of the allocation was received in September 2021. The second half was received fiscal year 2023. The Town anticipates using the money to fund some of the repairs of the stormwater system.

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, 2023

| | PRIMARY GOVERNMENT | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 4,561,434 | 6,050,315 | \$ 10,611,749 |
| Cash and Cash Equivalents - Restricted | 5,303,700 | 17,100 | 5,320,800 |
| Investments | 6,437,116 | - | 6,437,116 |
| Taxes Receivable, Net | 50,056 | - | 50,056 |
| Other Receivables, Net | 228,788 | 224,416 | 453,204 |
| Prepaid Expenses | 1,141,334 | 46,128 | 1,187,462 |
| Capital Assets: | | | |
| Non-Depreciable | 359,726 | - | 359,726 |
| Depreciable, Net | 17,057,829 | 28,801,266 | 45,859,095 |
| Capacity Capital Contribution, Net | - | 111,969 | 111,969 |
| TOTAL ASSETS | 35,139,983 | 35,251,194 | 70,391,177 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Pension Charges | 1,253,250 | 211,367 | 1,464,617 |
| LIABILITIES | | | |
| Accounts Payable | 121,043 | 58,941 | 179,984 |
| Accrued Interest | 827,601 | 2,455 | 830,056 |
| Other Accrued Liabilities | 215,281 | 14,285 | 229,566 |
| Customer Deposits | 5,000 | 17,100 | 22,100 |
| Unearned Revenue | 957,852 | - | 957,852 |
| Non-Current Liabilities: | | | |
| Net Pension Liability | 5,652,632 | 630,876 | 6,283,508 |
| Long-Term Obligations - Due Within One Year | 1,083,810 | 86,073 | 1,169,883 |
| Long-Term Obligations - Due in More Than One Year | 39,528,166 | 904,697 | 40,432,863 |
| TOTAL LIABILITIES | 48,391,385 | 1,714,427 | 50,105,812 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Pension Credits | 362,428 | 49,656 | 412,084 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,152,738 | 27,931,115 | 9,873,769 |
| Restricted For: | | | |
| Tourism Related Expenditures | 913,774 | - | 913,774 |
| Debt Service | 162,641 | - | 162,641 |
| Other | 58,742 | - | 58,742 |
| Unrestricted | (19,648,475) | 5,767,363 | 10,328,972 |
| TOTAL NET POSITION | \$ (12,360,580) | 33,698,478 | \$ 21,337,898 |

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, 2023

| 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 | \$ 846,512 | - | - | - | (846,512) | - | \$ (846,512) |
| Public Safety | 4,080,348 | 168,633 | - | - | (3,911,715) | - | (3,911,715) |
| General Government | 2,966,122 | 1,064,041 | 96,250 | - | (1,805,831) | - | (1,805,831) |
| Interest and Other Charges | 1,334,868 | - | - | - | (1,334,868) | - | (1,334,868) |
| Total Governmental Activities | 9,227,850 | 1,232,674 | 96,250 | - | (7,898,926) | - | (7,898,926) |
| Business-Type Activities: | | | | | | | |
| Water | 1,104,106 | 1,263,181 | - | - | - | 159,075 | 159,075 |
| Sewer | 1,781,839 | 1,277,711 | - | - | - | (504,128) | (504,128) |
| Total Business-Type Activities | 2,885,945 | 2,540,892 | - | - | - | (345,053) | (345,053) |
| TOTAL - PRIMARY GOVERNMENT | \$ 12,113,795 | 3,773,566 | 96,250 | - | (7,898,926) | (345,053) | (8,243,979) |
| General Revenues and Transfers: | | | | | | | |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | 5,574,109 | - | 5,574,109 |
| Local Option Sales Taxes | | | | | 391,255 | - | 391,255 |
| Hospitality Taxes | | | | | 617,332 | - | 617,332 |
| Accommodation Taxes | | | | | 136,001 | - | 136,001 |
| Business License Taxes | | | | | 1,489,399 | - | 1,489,399 |
| Franchise Taxes | | | | | 700,927 | - | 700,927 |
| Intergovernmental | | | | | 167,795 | - | 167,795 |
| Interest Income | | | | | 415,119 | 121,082 | 536,201 |
| Miscellaneous | | | | | 193,825 | - | 193,825 |
| Transfers In (Out) | | | | | (532,028) | 532,028 | - |
| Total General Revenues and Transfers | | | | | 9,153,734 | 653,110 | 9,806,844 |
| CHANGE IN NET POSITION | | | | | 1,254,808 | 308,057 | 1,562,865 |
| NET POSITION, Beginning of Year | | | | | (13,615,388) | 33,390,421 | 19,775,033 |
| NET POSITION, End of Year | | | | | \$ (12,360,580) | 33,698,478 | \$ 21,337,898 |

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, 2023

| | GENERAL FUND | LOCAL TAX FUND |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 4,322,101 | - |
| Cash and Cash Equivalents - Restricted | 139,971 | 762,397 |
| Investments | 6,437,116 | - |
| Taxes Receivable, Net | 50,056 | - |
| Accounts Receivable, Net | 77,411 | 151,377 |
| Due From: | | |
| Other Funds | 25,819 | - |
| Prepaid Expenses | 1,141,334 | - |
| TOTAL ASSETS | 12,193,808 | 913,774 |
| LIABILITIES | | |
| Accounts Payable | 121,043 | - |
| Other Accrued Liabilities | 99,985 | - |
| Unearned Revenue | 957,852 | - |
| Due To: | | |
| Other Funds | - | - |
| Customer Deposits | 5,000 | - |
| TOTAL LIABILITIES | 1,183,880 | - |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable Revenue, Property Taxes | 10,000 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 10,000 | - |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Expenses | 1,141,334 | - |
| Restricted: | | |
| Capital Projects | - | - |
| Debt Service | 127,625 | - |
| Firefighters' 1% Fund | - | - |
| Tourism Related Expenditures | - | 913,774 |
| Accreted Land Bonds | - | - |
| Victims Services | 7,346 | - |
| Confederate Memorial | 452 | - |
| Land Trust | 35,118 | - |
| Committed: | | |
| Tree Bank | - | - |
| Capital Projects | 770,461 | - |
| Assigned: | | |
| William Bradley Memorial Fund | 20,000 | - |
| Unassigned | 8,897,592 | - |
| TOTAL FUND BALANCES | 10,999,928 | 913,774 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 12,193,808 | 913,774 |

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

| PUBLIC FACILITIES CAPITAL PROJECTS FUND | PUBLIC FACILITIES DEBT SERVICE FUND | TREE BANK FUND | FIREFIGHTERS' 1% FUND | TOTAL GOVERNMENTAL FUNDS |
|--|--|-------------------------------|----------------------------------|---|
| - | - | 239,333 | - | \$ 4,561,434 |
| 4,235,194 | 35,016 | 115,296 | 15,826 | 5,303,700 |
| - | - | - | - | 6,437,116 |
| - | - | - | - | 50,056 |
| - | - | - | - | 228,788 |
| - | - | - | - | 25,819 |
| - | - | - | - | 1,141,334 |
| 4,235,194 | 35,016 | 354,629 | 15,826 | 17,748,247 |
| - | - | - | - | 121,043 |
| - | - | 115,296 | - | 215,281 |
| - | - | - | - | 957,852 |
| 25,819 | - | - | - | 25,819 |
| - | - | - | - | 5,000 |
| 25,819 | - | 115,296 | - | 1,324,995 |
| - | - | - | - | 10,000 |
| - | - | - | - | 10,000 |
| - | - | - | - | 1,141,334 |
| 4,209,375 | - | - | - | 4,209,375 |
| - | 35,016 | - | - | 162,641 |
| - | - | - | 15,826 | 15,826 |
| - | - | - | - | 913,774 |
| - | - | - | - | - |
| - | - | - | - | 7,346 |
| - | - | - | - | 452 |
| - | - | - | - | 35,118 |
| - | - | 239,333 | - | 239,333 |
| - | - | - | - | 770,461 |
| - | - | - | - | 20,000 |
| - | - | - | - | 8,897,592 |
| 4,209,375 | 35,016 | 239,333 | 15,826 | 16,413,252 |
| 4,235,194 | 35,016 | 354,629 | 15,826 | \$ 17,748,247 |

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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, 2023

| | |
|---|-------------------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ 16,413,252 |
| 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. | 10,000 |
| 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 \$21,921,920 and the accumulated depreciation was \$4,504,365. | 17,417,555 |
| 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. | (4,761,810) |
| 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. | (827,601) |
| Long-term obligations are not due or payable in the current period and therefore are not reported in the governmental funds. | |
| Bonds Payable | (37,170,000) |
| Bonds Payable - Net Premiums | (3,137,365) |
| Financed Purchase Agreements | (183,298) |
| Compensated Absences | (121,313) |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ (12,360,580)</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, 2023

| | GENERAL FUND | LOCAL TAX FUND |
|--|----------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 5,574,109 | - |
| Local Option Sales Taxes | 391,255 | - |
| Accommodations Taxes | - | 108,226 |
| Hospitality Taxes | - | 617,332 |
| Licenses | 2,190,326 | - |
| Magistrate and Recorder Fines | 156,288 | - |
| State Shared Revenues | 115,444 | - |
| Permits | 1,022,550 | - |
| Victims' Services | 12,346 | - |
| Interest | 214,164 | 10,964 |
| Grant Income | 96,250 | - |
| Other | 193,825 | - |
| TOTAL REVENUES ALL SOURCES | 9,966,557 | 736,522 |
| EXPENDITURES | | |
| Current: | | |
| Public Works | 728,035 | - |
| Public Safety | 3,604,180 | - |
| General Government | 2,545,905 | 19,027 |
| Capital Outlay | 3,515,774 | - |
| Debt Service: | | |
| Principal | 600,055 | - |
| Interest | 45,011 | - |
| TOTAL EXPENDITURES | 11,038,960 | 19,027 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,072,403) | 717,495 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In | 3,758,794 | - |
| Transfers Out | (1,767,219) | (430,008) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,991,575 | (430,008) |
| NET CHANGES IN FUND BALANCES | 919,172 | 287,487 |
| FUND BALANCES, Beginning of Year | 10,080,756 | 626,287 |
| FUND BALANCES, End of Year | \$ 10,999,928 | 913,774 |

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

| PUBLIC FACILITIES CAPITAL PROJECTS FUND | PUBLIC FACILITIES DEBT SERVICE FUND | TREE BANK FUND | FIREFIGHTERS' 1% FUND | TOTAL GOVERNMENTAL FUNDS |
|--|--|-------------------------------|----------------------------------|---|
| - | - | - | - | \$ 5,574,109 |
| - | - | - | - | 391,255 |
| - | - | - | - | 108,226 |
| - | - | - | - | 617,332 |
| - | - | - | - | 2,190,326 |
| - | - | - | - | 156,288 |
| - | - | - | 80,125 | 195,569 |
| - | - | 41,491 | - | 1,064,041 |
| - | - | - | - | 12,346 |
| 159,822 | 24,907 | 5,230 | 32 | 415,119 |
| - | - | - | - | 96,250 |
| - | - | - | - | 193,825 |
| 159,822 | 24,907 | 46,721 | 80,157 | 11,014,686 |
| - | - | - | - | 728,035 |
| - | - | - | 72,333 | 3,676,513 |
| - | - | - | - | 2,564,932 |
| - | - | - | - | 3,515,774 |
| - | 325,000 | - | - | 925,055 |
| - | 1,437,219 | - | - | 1,482,230 |
| - | 1,762,219 | - | 72,333 | 12,892,539 |
| 159,822 | (1,737,312) | 46,721 | 7,824 | (1,877,853) |
| - | 1,762,219 | 5,000 | - | 5,526,013 |
| (3,860,814) | - | - | - | (6,058,041) |
| (3,860,814) | 1,762,219 | 5,000 | - | (532,028) |
| (3,700,992) | 24,907 | 51,721 | 7,824 | (2,409,881) |
| 7,910,367 | 10,109 | 187,612 | 8,002 | 18,823,133 |
| 4,209,375 | 35,016 | 239,333 | 15,826 | \$ 16,413,252 |

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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, 2023

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (2,409,881)**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

| | |
|--|-----------|
| Bond principal payments and financed purchase payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. | 925,055 |
| Bond premiums are revenues the year they are received in governmental funds but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the difference between premiums received during the current year and amortization of the premiums. | 132,689 |
| 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. | 14,673 |
| 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. | (23,777) |
| 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. | (30,872) |
| In the Statement of Activities the loss on the disposal of fixed assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed. | (10,647) |
| Governmental funds report capital asset additions as expenditures of \$3,502,090. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation of \$844,522. This is the amount by which capital asset additions exceeded depreciation expense in the current period. | 2,657,568 |

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,254,808**

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, 2023

| | <u>WATER</u> | <u>SEWER</u> | <u>TOTAL</u> |
|---|----------------------------|--------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 3,771,186 | 2,279,129 | \$ 6,050,315 |
| Cash and Cash Equivalents - Restricted | 17,100 | - | 17,100 |
| Accounts Receivable, Net | 107,876 | 116,540 | 224,416 |
| Prepaid Expenses | 18,535 | 27,593 | 46,128 |
| Total Current Assets | <u>3,914,697</u> | <u>2,423,262</u> | <u>6,337,959</u> |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Depreciable, Net | 1,928,576 | 26,872,690 | 28,801,266 |
| Capacity Capital Contribution, Net | 111,969 | - | 111,969 |
| Total Noncurrent Assets | <u>2,040,545</u> | <u>26,872,690</u> | <u>28,913,235</u> |
| TOTAL ASSETS | <u>5,955,242</u> | <u>29,295,952</u> | <u>35,251,194</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Pension Charges | 105,684 | 105,683 | 211,367 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 36,373 | 22,568 | 58,941 |
| Accrued Interest | - | 2,455 | 2,455 |
| Other Accrued Liabilities | 7,142 | 7,143 | 14,285 |
| Customer Deposits | 17,100 | - | 17,100 |
| Compensated Absences Liability | 4,325 | 4,325 | 8,650 |
| Revenue Bond Payable - Current Portion | - | 77,423 | 77,423 |
| Total Current Liabilities | <u>64,940</u> | <u>113,914</u> | <u>178,854</u> |
| Noncurrent Liabilities: | | | |
| Net Pension Liability | 315,433 | 315,443 | 630,876 |
| Revenue Bond Payable - Net of Current Portion | - | 904,697 | 904,697 |
| Total Noncurrent Liabilities | <u>315,433</u> | <u>1,220,140</u> | <u>1,535,573</u> |
| TOTAL LIABILITIES | <u>380,373</u> | <u>1,334,054</u> | <u>1,714,427</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Pension Credits | 24,828 | 24,828 | 49,656 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 2,040,545 | 25,890,570 | 27,931,115 |
| Unrestricted | 3,615,180 | 2,152,183 | 5,767,363 |
| TOTAL NET POSITION | <u>\$ 5,655,725</u> | <u>28,042,753</u> | <u>\$ 33,698,478</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, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2023

| | WATER | SEWER | TOTAL |
|---|---------------------|-------------------|----------------------|
| OPERATING REVENUES | | | |
| Charges for Services | \$ 1,192,248 | 1,264,916 | \$ 2,457,164 |
| Meter Connections, Sewer Tie-In Fees, and Other Revenue | 70,933 | 12,795 | 83,728 |
| TOTAL OPERATING REVENUES | 1,263,181 | 1,277,711 | 2,540,892 |
| OPERATING EXPENSES | | | |
| Salaries | 329,437 | 329,454 | 658,891 |
| Payroll Taxes | 24,047 | 24,049 | 48,096 |
| Hospitalization Insurance | 42,567 | 42,571 | 85,138 |
| Retirement | 68,425 | 68,422 | 136,847 |
| Gas and Oil - Vehicles | 8,534 | 7,107 | 15,641 |
| Repairs and Maintenance - Diesel Equipment | 2,166 | 20,583 | 22,749 |
| Vehicle Repairs | 2,606 | 3,003 | 5,609 |
| Supplies and Tools | 8,626 | 11,428 | 20,054 |
| Office Supplies | 11,440 | 11,402 | 22,842 |
| Lab Supplies | 4,323 | 7,186 | 11,509 |
| Telephone | 6,651 | 6,651 | 13,302 |
| Power and Lights | 3,728 | 64,954 | 68,682 |
| Insurance | 29,338 | 48,614 | 77,952 |
| System Repairs and Improvements | 90,014 | 82,175 | 172,189 |
| Sludge Disposal | - | 22,601 | 22,601 |
| Grit Disposal | - | 1,177 | 1,177 |
| Dues and Certifications | 9,973 | 3,410 | 13,383 |
| Training and Seminars | 4,769 | 4,851 | 9,620 |
| Professional Engineering Fees | 28,838 | 55,860 | 84,698 |
| Professional Services | 5,570 | 5,000 | 10,570 |
| Lab Analysis, Inspection, and Chemicals | 15,692 | 63,368 | 79,060 |
| Wholesale Water Purchase | 138,029 | - | 138,029 |
| Depreciation and Amortization Expense | 266,244 | 879,884 | 1,146,128 |
| Miscellaneous | 2,972 | 5,842 | 8,814 |
| TOTAL OPERATING EXPENSES | 1,103,989 | 1,769,592 | 2,873,581 |
| OPERATING INCOME (LOSS) | 159,192 | (491,881) | (332,689) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 75,206 | 45,876 | 121,082 |
| Interest Expense | (117) | (12,247) | (12,364) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 75,089 | 33,629 | 108,718 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 234,281 | (458,252) | (223,971) |
| Transfers In | - | 532,028 | 532,028 |
| CHANGE IN NET POSITION | 234,281 | 73,776 | 308,057 |
| NET POSITION, Beginning of Year | 5,421,444 | 27,968,977 | 33,390,421 |
| NET POSITION, End of Year | \$ 5,655,725 | 28,042,753 | \$ 33,698,478 |

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, 2023

| | WATER | SEWER | TOTAL |
|---|---------------------|------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 1,312,470 | 1,288,708 | \$ 2,601,178 |
| Cash Payments to Suppliers for Goods and Services | (359,707) | (430,550) | (790,257) |
| Cash Payments to Employees | (460,225) | (460,250) | (920,475) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 492,538 | 397,908 | 890,446 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (102,962) | (614,183) | (717,145) |
| Principal Paid on Long-Term Obligations | (13,807) | (176,293) | (190,100) |
| Interest Paid on Long-Term Obligations | (281) | (13,788) | (14,069) |
| Transfer from Other Funds | - | 532,028 | 532,028 |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | (117,050) | (272,236) | (389,286) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment Earnings | 75,206 | 45,876 | 121,082 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 75,206 | 45,876 | 121,082 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 450,694 | 171,548 | 622,242 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 3,337,592 | 2,107,581 | 5,445,173 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 3,788,286 | 2,279,129 | \$ 6,067,415 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | | |
| Operating Income (Loss) | \$ 159,192 | (491,881) | \$ (332,689) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities: | | | |
| Depreciation and Amortization Expense | 266,244 | 879,884 | 1,146,128 |
| Non-cash Pension Expense | 13,552 | 13,547 | 27,099 |
| Change Due to (Increase) Decrease in Operating Assets: | | | |
| Other Receivable | 48,189 | 10,996 | 59,185 |
| Prepaid Expenses | (874) | 2,983 | 2,109 |
| Change Due to Increase (Decrease) in Operating Liabilities: | | | |
| Other Payables | 9,588 | (13,168) | (3,580) |
| Compensated Absences | (4,453) | (4,453) | (8,906) |
| Customer Deposits | 1,100 | - | 1,100 |
| Net Cash Provided by Operating Activities | \$ 492,538 | 397,908 | \$ 890,446 |
| SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES: | | | |
| Capital acquisitions included in Accounts Payable - June 30, 2023 | \$ - | - | \$ - |
| Capital acquisitions included in Accounts Payable - June 30, 2022 | \$ - | 367,991 | \$ 367,991 |

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, 2023

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 has one blended component unit. The Town does not have any discretely presented component units.

Blended Component Unit. The Town of Sullivan’s Island Public Facilities Corporation (the “Corporation”) is a tax-exempt, 501(c)(3) not-for-profit organization. The Corporation was organized exclusively for the purpose of providing funds to finance the cost of constructing certain upgrades and improvements to the Town’s wastewater treatment plant and sewer collection system, issuance of bonds, and ownership of the facility. The Town leases the facility from the Corporation for essential governmental functions through a lease agreement which commenced on August 1, 2019. The Corporation is governed by a three-member Board of Directors. Separate financial statements for the Corporation are not issued. The activities of the Corporation are reported in the Town’s financial statements as a major capital projects fund and as a major debt service fund.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 financed purchase agreements 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.

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 **Local 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, 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, and 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. These funds are to be spent only for support of tourism and tourist-related services.
- ii) 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.
- iii) The **Firefighters' 1% Fund, a major fund** and an unbudgeted fund, is used to account for the Firefighters' 1% Fund. These funds are to be spent only for the betterment of the firefighters.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned for (a) the acquisition, construction, or renovation of major capital facilities, (b) ongoing major improvement projects which usually span more than one year, and (c) major equipment or other capital asset acquisitions which are not financed by another fund. The Town has the following capital projects fund:

The **Public Facilities Capital Projects Fund, a major capital projects fund** and an unbudgeted fund, is used to account for proceeds from the Corporation's Installment Purchase Revenue Bonds which will be used for the construction of certain upgrades and improvements to the Town's wastewater treatment plant and sewer collection system.

Debt service funds are used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources. The Town has the following debt service fund:

The **Public Facilities Debt Service Fund, a major debt service fund** and an unbudgeted fund, is used to account for and report the accumulation of financial resources that are restricted for the payment of all long-term debt principal, interest, and related costs for the Corporation.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- (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.

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:

- State Local Government Investment Pool (the "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. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72 "Fair Value Measurement and Application", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than 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. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- 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.
- US Treasury Bills

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 reported as nonspendable fund balance 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.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at 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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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.

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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. *Deferred Outflows and Inflows of Resources*

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 assets 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 assets 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.).

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance (Continued)*

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 and a Capital Improvements Reserve. The Emergency Reserve is maintained to be used in the event of an emergency which would cause a substantial increase in expenditures beyond the normal operation expenses of the Town or in the event revenue is substantially decreased in such a way that the Town is unable to provide necessary services to the residents of the Town. The Capital Improvements Reserve is maintained to fund large fund large capital expenditures to mitigate the need to use operating revenue or increase revenue in such a way that would burden the Town's residents. Approval to spend monies from this reserve must be approved by majority vote of Council present through written resolution or ordinance.

These reserves shall increase by the previous calendar year's CPI or 3%, whichever is greater. Council reserves the option to fund this reserve at a greater or lesser level depending on available funds and the potential need to allocate funds to a specific reserve category. The balance of the Town's Emergency Reserve and Capital Improvements Reserve as of June 30, 2023 is \$2,130,000, and \$2,396,250, respectively.

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, 2023

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 and liabilities and deferred inflows of resources 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. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fair Value (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

13. 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 three readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.

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 financed purchase obligations entered into during the year are generally 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. Payments on financed purchase agreements 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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures over Appropriations

The General Fund exceeded its expenditure appropriation by approximately \$3,461,000. The additional expenditures were funded by revenues in excess of budget and transfers from other funds.

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, 2023, none of the Town’s bank balances of approximately \$6,806,000 (with a carrying value of approximately \$6,748,000) were exposed to custodial credit risk.

Investments

As of June 30, 2023, the Town had the following investments and maturities (as defined by GASB #40):

| Investment Type | Fair Value Level (1) | Fair Value | Maturity | Credit Rating |
|---|-------------------------|---------------|----------|----------------------|
| State Local Government Investment Pool | N/A | \$ 9,835,945 | ^ | Unrated |
| First American Government Obligation Fund | Level 1 | 4,295,905 | < 1 year | AAAm, Aaa-mf, AAAmmf |
| U.S. Treasury Bills | N/A | 1,489,546 | ^ | Unrated |
| Total | | \$ 15,621,396 | | |

(1) See Note I.C.12 for the details of the Town’s fair value hierarchy.

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

Credit ratings shown above are for Standard & Poors, Moody’s, and Fitch, respectively.

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.

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, 2023.

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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

A. Deposits and Investments (Continued)

Investments (Continued)

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, 2023 were those imposed by the revenue source (i.e. hospitality tax, accommodations tax, etc.) and by the lenders of the Town’s outstanding debt.

Reconciliation to Financial Statements

| Statement of Net Position | Amount |
|---|----------------------|
| Unrestricted Current Assets: | |
| Cash and Cash Equivalents | \$ 10,611,749 |
| Investments | 6,437,116 |
| Restricted Current Assets: | |
| Cash and Cash Equivalents, Restricted | 5,320,800 |
| Total per the financial statements | \$ 22,369,665 |
| | |
| Notes | Amount |
| Carrying Value of Deposits | \$ 6,748,269 |
| Investments | 15,621,396 |
| Total per the notes | \$ 22,369,665 |

B. Receivables and Deferred Inflows of Resources

The Town’s 2022 property taxes were levied on October 1, 2022 and were due beginning on this date based on the assessed valuation as of January 1, 2022. Property taxes were considered late on January 16, 2023. 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 2022 property tax year was 272.4 mills (213.6 mills for Charleston County and 58.8 mills for the Town, including 23.5 mills for debt service). Town property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

B. Receivables and Deferred Inflows of Resources (Continued)

The Town had receivables of approximately \$224,000 related to business-type activities at June 30, 2023 which consisted mainly of outstanding charges to customers for water and sewer services. No allowance for uncollectible accounts was considered necessary.

The Town had net receivables related to governmental activities at June 30, 2023, of the following:

| | General Fund | Local Tax Fund | Totals |
|----------------------------|-------------------|----------------|-------------------|
| Property Taxes | \$ 50,056 | - | \$ 50,056 |
| Local Accommodations Taxes | - | 11,934 | 11,934 |
| State Accommodations Taxes | - | 30,974 | 30,974 |
| Hospitality Taxes | - | 108,469 | 108,469 |
| Local Options Sales Tax | 33,849 | - | 33,849 |
| Miscellaneous | 43,562 | - | 43,562 |
| Net Receivables | <u>\$ 127,467</u> | <u>151,377</u> | <u>\$ 278,844</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. At June 30, 2023, the General Fund had \$10,000 in deferred inflows of resources related to property taxes that were not available. The General Fund also reported unearned grant revenue of approximately \$958,000 related to unexpended American Rescue Plan Act. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Interfund Receivables, Payables, and Transfers

The interfund receivable and payable of approximately \$26,000 was the result of the General Fund financing expenditures for the Public Facilities Capital Projects Fund. The balances are expected to be repaid within one year.

Transfers between funds for the year ended June 30, 2023, consisted of the following:

| Fund | Transfers In | Transfers Out |
|---|---------------------|---------------------|
| Major Governmental Funds: | | |
| General Fund | \$ 3,758,794 | \$ 1,767,219 |
| Local Tax Fund | - | 430,008 |
| Public Facilities - Capital Projects Fund | - | 3,860,814 |
| Public Facilities - Debt Service Fund | 1,762,219 | - |
| Tree Bank Fund | 5,000 | - |
| Major Enterprise Funds: | | |
| Sewer Fund | 532,028 | - |
| Totals | <u>\$ 6,058,041</u> | <u>\$ 6,058,041</u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

C. Interfund Receivables, Payables, and Transfers (Continued)

The transfers to the General Fund were from the Local Tax Fund to cover a portion of tourism related operating expenditures in accordance with State law and Town ordinances and from the Public Facilities – Capital Projects Fund to cover capital outlay related to the construction of a new fire station. The transfers from the Public Facilities – Capital Projects Fund to the Sewer Fund were to cover construction costs related to the sewer rehabilitation project. The transfer to the Public Facilities – from the General Fund represents the lease payment made to the Corporation which was used to make the annual principal and interest payment on the Installment Purchase Revenue Bonds.

D. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|----------------------|------------------|---------------|--------------------|----------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Non-Depreciable: | | | | | |
| Land and Improvements | \$ 211,231 | - | - | - | \$ 211,231 |
| Construction In Progress | 7,722,671 | 2,340,699 | - | (9,914,875) | 148,495 |
| Total Capital Assets, Non-Depreciable | <u>7,933,902</u> | <u>2,340,699</u> | <u>-</u> | <u>(9,914,875)</u> | <u>359,726</u> |
| Capital Assets, Depreciable: | | | | | |
| Buildings and Improvements | 5,428,211 | 750,009 | - | 8,786,727 | 14,964,947 |
| Machinery and Equipment | 1,347,456 | 219,302 | 24,474 | - | 1,542,284 |
| Recreational Equipment | 1,050,383 | - | 53,387 | 1,128,148 | 2,125,144 |
| Vehicles | 2,737,739 | 192,080 | - | - | 2,929,819 |
| Total Capital Assets, Depreciable | <u>10,563,789</u> | <u>1,161,391</u> | <u>77,861</u> | <u>9,914,875</u> | <u>21,562,194</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings and Improvements | 1,047,390 | 392,940 | - | - | 1,440,330 |
| Machinery and Equipment | 783,770 | 94,706 | 20,978 | - | 857,498 |
| Recreational Equipment | 631,670 | 172,364 | 46,236 | - | 757,798 |
| Vehicles | 1,264,227 | 184,512 | - | - | 1,448,739 |
| Total Accumulated Depreciation | <u>3,727,057</u> | <u>844,522</u> | <u>67,214</u> | <u>-</u> | <u>4,504,365</u> |
| Total Capital Assets, Depreciable, Net | <u>6,836,732</u> | <u>316,869</u> | <u>10,647</u> | <u>9,914,875</u> | <u>17,057,829</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 14,770,634</u> | <u>2,657,568</u> | <u>10,647</u> | <u>-</u> | <u>\$ 17,417,555</u> |

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

| Functions/Programs | Amount |
|--|-------------------|
| Governmental Activities: | |
| Public Works | \$ 104,794 |
| Public Safety | 402,685 |
| General Government | 337,043 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 844,522</u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

D. Capital Assets (Continued)

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|------------------|---------------|--------------------|----------------------|
| Business-Type Activities: | | | | | |
| Capital Assets, Non-Depreciable | | | | | |
| Construction in Progress | \$ 2,805,378 | 199,398 | - | (3,004,776) | \$ - |
| Total Capital Assets, Non-Depreciable | <u>2,805,378</u> | <u>199,398</u> | <u>-</u> | <u>(3,004,776)</u> | <u>-</u> |
| Capital Assets, Depreciable | | | | | |
| Water System | 4,676,233 | - | - | 113,330 | 4,789,563 |
| Sewer System | 26,417,403 | 43,899 | - | 2,891,446 | 29,352,748 |
| Lab Equipment | 9,549 | - | - | - | 9,549 |
| Vehicles and Equipment | 1,235,691 | 105,857 | 64,130 | - | 1,277,418 |
| Total Capital Assets, Depreciable | <u>32,338,876</u> | <u>149,756</u> | <u>64,130</u> | <u>3,004,776</u> | <u>35,429,278</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Water System | 2,847,425 | 128,324 | - | - | 2,975,749 |
| Sewer System | 1,974,009 | 807,657 | - | - | 2,781,666 |
| Lab Equipment | 9,390 | - | - | - | 9,390 |
| Vehicles and Equipment | 824,945 | 100,392 | 64,130 | - | 861,207 |
| Total Accumulated Depreciation | <u>5,655,769</u> | <u>1,036,373</u> | <u>64,130</u> | <u>-</u> | <u>6,628,012</u> |
| Total Capital Assets, Being Depreciated, Net | <u>26,683,107</u> | <u>(886,617)</u> | <u>-</u> | <u>3,004,776</u> | <u>28,801,266</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 29,488,485</u> | <u>(687,219)</u> | <u>-</u> | <u>-</u> | <u>\$ 28,801,266</u> |

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

| Functions/Programs | Amount |
|---|---------------------|
| Business-Type Activities: | |
| Water | \$ 156,489 |
| Sewer | 879,884 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 1,036,373</u> |

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 part of this agreement, the Town paid approximately \$1,986,000 as an initial capacity capital contribution from the Water Fund. The Town has paid additional contributions of approximately \$636,000 since fiscal year 2005, for a total of approximately \$2,622,000 as of June 30, 2023. This asset is being amortized over 30 years. The accumulated amortization is approximately \$2,510,000, and the net unamortized asset is approximately \$112,000 as of June 30, 2023. The amortization expense for fiscal year 2023 was approximately \$110,000.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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. Financed 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 financed purchase agreements nor the interest thereon.

Details on the Town’s outstanding debt issues, all of which are considered direct borrowings / placements, and financed purchase agreements for the governmental activities and business-type activities as of June 30, 2023 are as follows:

| | Principal Outstanding at Year End |
|--|--------------------------------------|
| <u>General Obligation Bonds</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>\$ 925,000</u> |
| <u>Revenue Bonds</u> | |
| \$17,525,000 Installment Purchase Revenue Bonds, Series 2020 (March 2020) were issued to fund capital projects including upgrades and improvements to the wastewater treatment plant and sewer collection system and other capital improvements. Principal is payable annually through December 1, 2045, and interest is due semi-annually at a rate ranging from 2.00% - 5.00%. Debt service requirements range from \$900,448 - 1,080,906 per year through December 1, 2048 and are funded with resources from the General Fund. | <u>16,855,000</u> |
| \$19,490,000 Installment Purchase Revenue Bonds, Series 2018 (August 2018) were issued to fund upgrades and improvements to the wastewater treatment plant and sewer collection system. Principal is payable annually through December 1, 2048, and interest is due semi-annually at a rate ranging from 2.00% - 5.00%. Debt service requirements range from \$357,688 - 1,234,200 per year through December 1, 2048 and are funded with resources from the General Fund. | <u>19,390,000</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, 2016, \$1,574,436 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 \$21,738.56 per quarter through April 1, 2035. In accordance with the bond agreement, the Town must maintain a debt service coverage ratio of at least 1.10 at all times. The Town was in compliance with this bond covenant at June 30, 2023. | <u>\$ 982,120</u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Long-Term Obligations (Continued)

Principal Outstanding
at Year End

Financed Purchase Agreements

\$185,000 financed purchase (September 2020) was made to purchase vehicles and maintenance equipment. Principal and interest are payable annually with interest at a rate of 1.36%. Total debt service requirements are \$63,352 annually through June 2024 and are funded with resources from the General Fund.

\$ 62,501

\$180,000 financed purchase (December 2021) was made to purchase vehicles and maintenance equipment. Principal and interest are payable annually with interest at a rate of 1.34%. Total debt service requirements are \$61,615 annually through December 2024 and are funded with resources from the General Fund.

\$ 120,797

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Long-Term Obligations (Continued)

A summary of changes in long-term obligations for the Town’s governmental and business-type activities for the year ended June 30, 2023 is presented below.

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------|------------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| GO Bond Debt: | | | | | |
| GO Bond - 02/14 | \$ 1,370,000 | - | 445,000 | 925,000 | \$ 455,000 |
| Total GO Bond Debt | <u>1,370,000</u> | <u>-</u> | <u>445,000</u> | <u>925,000</u> | <u>455,000</u> |
| Revenue Bonds: | | | | | |
| Installment Purchase Revenue Bonds - 2018 Series | 19,390,000 | - | - | 19,390,000 | - |
| Installment Purchase Revenue Bonds - 2020 Series | 17,180,000 | - | 325,000 | 16,855,000 | 385,000 |
| Total Revenue Bond Debt | <u>36,570,000</u> | <u>-</u> | <u>325,000</u> | <u>36,245,000</u> | <u>385,000</u> |
| Amortization of Premium | | | | | |
| Installment Purchase Revenue Bonds - 2018 Series | 769,803 | - | 28,512 | 741,291 | - |
| Installment Purchase Revenue Bonds - 2020 Series | 2,500,251 | - | 104,177 | 2,396,074 | - |
| Total Premium | <u>3,270,054</u> | <u>-</u> | <u>132,689</u> | <u>3,137,365</u> | <u>-</u> |
| Financed Purchase Agreements: | | | | | |
| FPA - 9/19 | 34,189 | - | 34,189 | - | - |
| FPA - 9/20 | 124,164 | - | 61,663 | 62,501 | 62,501 |
| FPA - 12/21 | 180,000 | - | 59,203 | 120,797 | 59,996 |
| Total Financed Purchase Agreements | <u>338,353</u> | <u>-</u> | <u>155,055</u> | <u>183,298</u> | <u>122,497</u> |
| Compensated Absences | 90,441 | 139,452 | 108,580 | 121,313 | 121,313 |
| Total Governmental Activities | <u>\$ 41,638,848</u> | <u>139,452</u> | <u>1,166,324</u> | <u>40,611,976</u> | <u>\$ 1,083,810</u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 - 09/14 - Sewer | \$ 1,058,772 | - | 76,652 | 982,120 | \$ 77,423 |
| Sewer Financed Purchase Agreements: | | | | | |
| FPA - 12/17 | 99,640 | - | 99,640 | - | - |
| Water Financed Purchase Agreements: | | | | | |
| FPA - 12/17 | 13,807 | - | 13,807 | - | - |
| Compensated Absences | 17,556 | 25,515 | 34,421 | 8,650 | 8,650 |
| Total Business-Type Activities | <u>\$ 1,189,775</u> | <u>25,515</u> | <u>224,520</u> | <u>990,770</u> | <u>\$ 86,073</u> |

The Town paid interest of approximately \$1,482,000, and \$14,000 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, 2023, the Town had \$925,000 of bonded debt subject to the 8% limit of approximately \$7,926,000 resulting in an unused legal debt margin of approximately \$7,001,000.

During 2018 and 2020, the Town of Sullivan’s Island Public Facilities Corporation issued its Installment Purchase Revenue Bonds, (“IPRB”), using a portion of the proceeds for upgrades and improvements to the Town’s wastewater treatment plant and sewer collection system. The IPRBs are reported in the government-wide financial statements as governmental activities, as they will be repaid by governmental activities (the General Fund), but some of the assets are reported as business-type activities. Accordingly, \$24,210,000 is included in the calculation of the governmental activities unrestricted net position in the Statement of Net Position, but the net book value of these improvements is included in the business-type activities net investment in capital assets.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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> | | | |
| 2024 | \$ 962,497 | 1,438,587 | \$ 2,401,084 |
| 2025 | 950,801 | 1,408,618 | 2,359,419 |
| 2026 | 950,000 | 1,365,094 | 2,315,094 |
| 2027 | 995,000 | 1,316,469 | 2,311,469 |
| 2028 | 1,045,000 | 1,265,469 | 2,310,469 |
| 2029-2033 | 6,080,000 | 5,472,869 | 11,552,869 |
| 2034-2038 | 7,570,000 | 3,992,463 | 11,562,463 |
| 2039-2043 | 9,110,000 | 2,455,682 | 11,565,682 |
| 2044-2048 | 8,480,000 | 921,550 | 9,401,550 |
| 2049-2053 | 1,210,000 | 24,200 | 1,234,200 |
| Totals | <u>\$ 37,353,298</u> | <u>19,661,001</u> | <u>\$ 57,014,299</u> |
| <u>Business-Type Activities</u> | | | |
| 2024 | \$ 77,423 | 9,531 | \$ 86,954 |
| 2025 | 78,200 | 8,754 | 86,954 |
| 2026 | 78,985 | 7,969 | 86,954 |
| 2027 | 79,778 | 7,177 | 86,955 |
| 2028 | 80,578 | 6,376 | 86,954 |
| 2029-2033 | 415,188 | 19,583 | 434,771 |
| 2034-2038 | 171,968 | 1,940 | 173,908 |
| Totals | <u>\$ 982,120</u> | <u>61,330</u> | <u>\$ 1,043,450</u> |

F. Short-Term Obligations

During the year, the Town issued two series of GO Bonds totaling \$1,785,000. These bonds were issued for the purpose of making lease payments to the Corporation to fund the current year debt service payments on the IPRB Bonds. These bonds were fully repaid using debt service millage from the General Fund. A summary of changes in short-term obligations for the Town’s governmental activities for the year ended June 30, 2023 is presented below.

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance |
|---------------------------------|-------------------|------------------|------------------|----------------|
| Governmental Activities: | | | | |
| Short-Term Debt: | | | | |
| GO Bond - 2022A Series | \$ - | 1,066,000 | 1,066,000 | \$ - |
| GO Bond - 2022B Series | - | 719,000 | 719,000 | - |
| Total Short-Term Debt | <u>\$ -</u> | <u>1,785,000</u> | <u>1,785,000</u> | <u>\$ -</u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 State Fiscal Accountability Authority Insurance Reserve Fund (“Fund”), 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, 2023, the Town made premium payments totaling approximately \$484,000. The Fund’s net position from its most recently issued audited financial statements at June 30, 2022 totaled approximately \$198,202,000.

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, 2023, the Town made premium payments totaling approximately \$63,000. 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, 2022 totaled approximately \$44,198,000.

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, 2023, the Town made premium payments totaling approximately \$704,000. The EIP’s net position from its most recently issued audited financial statements at June 30, 2022 were approximately \$372,237,000.

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. The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“Systems”) five defined benefit pension plans. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The ACFR is publicly available through the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The 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 ACFR 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

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 first-term individuals elected to the South Carolina General Assembly. 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; be a coroner in a full-time permanent position; or be 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 the PORS. Magistrates are required to participate in the 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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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/current annual salary. 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.

- 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.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified the statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

As noted earlier, 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. Required employer and employee contribution rates for the past year are as follows:

| | SCRS Rates | PORS Rates |
|--------------------------------|---------------|---------------|
| | 2022 | 2022 |
| Employer Contribution Rate: ^ | | |
| Retirement | 17.41% | 19.84% |
| Incidental Death Benefit | 0.15% | 0.20% |
| Accidental Death Contributions | 0.00% | 0.20% |
| | <u>17.56%</u> | <u>20.24%</u> |
| Employee Contribution Rate ^ | <u>9.00%</u> | <u>9.75%</u> |

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The actual and required contributions to the SCRS and PORS were approximately \$320,000 and \$364,000, respectively, for the year ended June 30, 2023 and include the nonemployer contributions noted below.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2023. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2023 were approximately \$11,000 and \$12,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

Actuarial Assumptions and Methods

Actuarial valuations of the plan 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 regarding the net pension liability 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. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2021. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS and PORS.

| | SCRS | PORS |
|-----------------------------|-----------------------------------|-----------------------------------|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Actuarial Assumptions: | | |
| Investment Rate of Return* | 7.00% | 7.00% |
| Projected Salary Increases* | 3.0% to 11.0% (varies by service) | 3.5% to 10.5% (varies by service) |
| Benefit Adjustments | Lesser of 1% or \$500 annually | Lesser of 1% or \$500 annually |

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

| Former Job Class | Males | Females |
|---|------------------------------------|--------------------------------------|
| Educators | 2020 PRSC Males multiplied by 95% | 2020 PRSC Females multiplied by 94% |
| General Employees and Members of the General Assembly | 2020 PRSC Males multiplied by 97% | 2020 PRSC Females multiplied by 107% |
| Public Safety and Firefighters | 2020 PRSC Males multiplied by 127% | 2020 PRSC Females multiplied by 107% |

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

| Allocation/Exposure | Policy Target | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|------------------------------------|---------------|---|--|
| Public Equity | 46.0% | 6.79% | 3.12% |
| Bonds | 26.0% | -0.35% | -0.09% |
| Private Equity | 9.0% | 8.75% | 0.79% |
| Private Debt | 7.0% | 6.00% | 0.42% |
| Real Assets | 12.0% | | |
| Real Estate | 9.0% | 4.12% | 0.37% |
| Infrastructure | 3.0% | 5.88% | 0.18% |
| Total Expected Real Rate of Return | <u>100.0%</u> | | <u>4.79%</u> |
| Inflation for Actuarial Purposes | | | <u>2.25%</u> |
| Total Expected Nominal Return | | | <u><u>7.04%</u></u> |

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The NPL is calculated separately for each System and represents that particular System’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2022 measurement date, for the SCRS and PORS, are presented in the following table:

| 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 | \$ 56,454,779,872 | 32,212,626,932 | \$ 24,242,152,940 | 57.1% |
| PORS | \$ 8,937,686,946 | 5,938,707,767 | \$ 2,998,979,179 | 66.4% |

The TPL is calculated by the Systems’ actuary, and each Plans’ fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans’ funding requirements.

At June 30, 2023, the Town reported liabilities of approximately \$3,286,000 and \$2,998,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2021 that was projected forward to the measurement date. The Town’s proportion of the NPL 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 the June 30, 2022 measurement date, the Town’s SCRS proportion was 0.013555 percent, which was a decrease of 0.001423 from its proportion measured as of June 30, 2021. At the June 30, 2022 measurement date, the Town’s PORS proportion was 0.09995 percent, which was an increase of 0.000671 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of approximately \$426,000 and \$309,000 for the SCRS and PORS, respectively. At June 30, 2023, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

TOWN OF SULLIVAN’S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| SCRS | | |
| Differences Between Expected and Actual Experience | \$ 28,549 | \$ 14,320 |
| Change in Assumptions | 105,389 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 5,068 | - |
| Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions | 390,280 | 244,319 |
| Employer Contributions Subsequent to the Measurement Date | 319,850 | - |
| Total SCRS | <u>849,136</u> | <u>258,639</u> |
| PORS | | |
| Differences Between Expected and Actual Experience | 50,292 | 59,256 |
| Change in Assumptions | 124,821 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 9,052 | - |
| Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions | 67,063 | 94,189 |
| Employer Contributions Subsequent to the Measurement Date | 364,253 | - |
| Total PORS | <u>615,481</u> | <u>153,445</u> |
| Total SCRS and PORS | <u>\$ 1,464,617</u> | <u>\$ 412,084</u> |

Approximately \$320,000 and \$364,000 that were reported as deferred outflows of resources related to Town’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

| Year Ended June 30, | SCRS | PORS | Total |
|------------------------|-------------------|---------------|-------------------|
| 2024 | \$ 188,870 | 72,189 | \$ 261,059 |
| 2025 | 141,228 | 15,173 | 156,401 |
| 2026 | (145,148) | (106,091) | (251,239) |
| 2027 | 85,697 | 116,512 | 202,209 |
| Total | <u>\$ 270,647</u> | <u>97,783</u> | <u>\$ 368,430</u> |

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina 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 TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Town's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

| System | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|----------------------------------|------------------------|
| Town's proportionate share of the net pension liability of the SCRS | \$ 4,213,044 | 3,285,990 | \$ 2,515,264 |
| Town's proportionate share of the net pension liability of the PORS | 4,179,859 | 2,997,518 | 2,029,661 |
| Total | <u>\$ 8,392,903</u> | <u>6,283,508</u> | <u>\$ 4,544,925</u> |

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS and PORS. The ACFR is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plans

The Town reported a payable of approximately \$81,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the SCRS and PORS. This amount is included in Other Accrued Liabilities on the financial statements and was paid in July 2023.

C. 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, 2023.

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.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

D. Subsequent Events

In September 2023, the Town issued \$1,120,000 and \$675,000, in General Obligation Bonds Series 2023A and Taxable General Obligation Bond Series 2023B, respectively. Proceeds from the issuance will be used to fund future principal and interest payments on the IPRB Bonds.

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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 Contributions
- South Carolina Police Officers Retirement System
 - Schedule of the Town's Proportionate Share of the Net Pension Liability
 - Schedule of 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, 2023

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|----------------------|--------------------|--------------------|------------------------------------|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Property Taxes | \$ 5,357,448 | 5,357,448 | 5,574,109 | \$ 216,661 |
| Local Option Sales Tax | 320,000 | 320,000 | 391,255 | 71,255 |
| Licenses and Franchise Fees | 1,799,000 | 1,799,000 | 2,190,326 | 391,326 |
| Magistrate and Recorder Fines | 171,000 | 171,000 | 156,288 | (14,712) |
| State Shared Revenues | 107,000 | 107,000 | 115,444 | 8,444 |
| Permits | 739,070 | 739,070 | 1,022,550 | 283,480 |
| Victims' Services Fund | 25,000 | 25,000 | 12,346 | (12,654) |
| Interest Income | 10,000 | 10,000 | 214,164 | 204,164 |
| Grant Income | - | - | 96,250 | 96,250 |
| Other | 78,300 | 78,300 | 193,825 | 115,525 |
| TOTAL REVENUES ALL SOURCES | 8,606,818 | 8,606,818 | 9,966,557 | 1,359,739 |
| EXPENDITURES | | | | |
| Maintenance | 1,179,870 | 1,179,870 | 2,351,928 | (1,172,058) |
| Police | 2,185,250 | 2,185,250 | 2,350,911 | (165,661) |
| Fire | 1,443,100 | 1,443,100 | 3,202,985 | (1,759,885) |
| Recreation | 134,000 | 134,000 | 175,525 | (41,525) |
| Building | 416,000 | 416,000 | 501,187 | (85,187) |
| Administrative | 2,220,150 | 2,220,150 | 2,456,424 | (236,274) |
| TOTAL EXPENDITURES | 7,578,370 | 7,578,370 | 11,038,960 | (3,460,590) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,028,448 | 1,028,448 | (1,072,403) | (2,100,851) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 420,000 | 420,000 | 3,758,794 | 3,338,794 |
| Transfers Out | (1,672,448) | (1,672,448) | (1,767,219) | (94,771) |
| Proceeds from Financed Purchase Agreements | 224,000 | 224,000 | - | (224,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,028,448) | (1,028,448) | 1,991,575 | 3,020,023 |
| NET CHANGES IN FUND BALANCES | - | - | 919,172 | 919,172 |
| FUND BALANCES, Beginning of Year | 10,080,756 | 10,080,756 | 10,080,756 | - |
| FUND BALANCES, End of Year | \$ 10,080,756 | 10,080,756 | 10,999,928 | \$ 919,172 |

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

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

LAST TEN FISCAL YEARS

| | Year Ended June 30, | | | | | | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Town of Sullivan's Island's Proportion of the Net Pension Liability | 0.013555% | 0.014978% | 0.011577% | 0.011594% | 0.010908% | 0.011172% | 0.011499% | 0.011119% | 0.010879% | 0.010879% |
| Town's Proportionate Share of the Net Pension Liability | \$ 3,285,990 | 3,241,523 | 2,958,018 | 2,647,438 | 2,444,069 | 2,514,997 | 2,456,169 | 3,840,320 | 3,386,522 | \$ 3,528,096 |
| Town of Sullivan's Island's Covered Payroll | \$ 1,614,065 | 1,549,486 | 1,282,497 | 1,214,443 | 1,130,341 | 1,131,221 | 1,113,545 | 1,048,865 | 987,670 | \$ 919,628 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 203.58% | 209.20% | 230.65% | 218.00% | 216.22% | 222.33% | 220.57% | 366.14% | 342.88% | 383.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 57.06% | 60.75% | 50.71% | 54.40% | 54.10% | 53.34% | 52.91% | 56.99% | 59.92% | 56.39% |

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

| | Year Ended June 30, | | | | | | | | | |
|---|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | \$ 319,850 | 267,289 | 241,097 | 199,556 | 176,823 | 153,274 | 130,769 | 123,158 | 114,326 | \$ 104,693 |
| Contributions in Relation to the Contractually Required Contribution: | | | | | | | | | | |
| Contributions from the Town | 308,491 | 255,930 | 229,738 | 188,197 | 165,464 | 141,915 | 130,769 | 123,158 | 114,326 | 104,693 |
| Contributions from the State | 11,359 | 11,359 | 11,359 | 11,359 | 11,359 | 11,359 | - | - | - | - |
| Contribution Deficiency (Excess) | \$ - | - | - | - | - | - | - | - | - | \$ - |
| Town of Sullivan's Island's Covered Payroll | \$ 1,821,461 | 1,614,065 | 1,549,486 | 1,282,497 | 1,214,443 | 1,130,341 | 1,131,221 | 1,113,545 | 1,048,865 | \$ 987,670 |
| Contributions as a Percentage of Covered Payroll | 17.56% | 16.56% | 15.56% | 15.56% | 14.56% | 13.56% | 11.56% | 11.06% | 10.90% | 10.60% |

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF THE TOWN OF SULLIVAN'S ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

| | Year Ended June 30, | | | | | | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Town of Sullivan's Island's Proportion of the Net Pension Liability | 0.099950% | 0.099280% | 0.105470% | 0.098449% | 0.099820% | 0.089840% | 0.088010% | 0.088110% | 0.087675% | 0.087675% |
| Town's Proportionate Share of the Net Pension Liability | \$ 2,997,518 | 2,554,375 | 3,497,736 | 2,821,482 | 2,828,428 | 2,461,331 | 2,232,377 | 1,920,354 | 1,678,474 | \$ 1,817,479 |
| Town of Sullivan's Island's Covered Payroll | \$ 1,581,826 | 1,586,338 | 1,602,364 | 1,426,394 | 1,381,652 | 1,205,861 | 1,122,019 | 1,085,206 | 1,054,506 | \$ 1,062,319 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 189.50% | 161.02% | 218.29% | 197.81% | 204.71% | 204.11% | 198.96% | 176.96% | 159.17% | 171.09% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 66.45% | 70.37% | 58.79% | 62.69% | 61.73% | 60.94% | 60.44% | 64.57% | 67.55% | 62.98% |

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

| | Year Ended June 30, | | | | | | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | \$ 364,253 | 304,343 | 289,348 | 292,271 | 245,820 | 224,380 | 171,715 | 154,165 | 145,526 | \$ 135,399 |
| Contributions in Relation to the Contractually Required Contribution | | | | | | | | | | |
| Contributions from the Town | 352,717 | 292,807 | 277,812 | 280,735 | 234,284 | 212,844 | 171,715 | 154,165 | 145,526 | 135,399 |
| Contributions from the State | 11,536 | 11,536 | 11,536 | 11,536 | 11,536 | 11,536 | - | - | - | - |
| Contribution Deficiency (Excess) | \$ - | - | - | - | - | - | - | - | - | \$ - |
| Town of Sullivan's Island's Covered Payroll | \$ 1,799,668 | 1,581,826 | 1,586,338 | 1,602,364 | 1,426,394 | 1,381,652 | 1,205,861 | 1,122,019 | 1,085,206 | \$ 1,054,506 |
| Contributions as a Percentage of Covered Payroll | 20.24% | 19.24% | 18.24% | 18.24% | 17.23% | 16.24% | 14.24% | 13.74% | 13.41% | 12.84% |

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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, 2023

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|-----------------|-----------|------------------------------------|
| MAINTENANCE | | | |
| Operating Expenditures: | | | |
| Salaries | \$ 200,000 | 198,623 | \$ 1,377 |
| Payroll Taxes | 18,000 | 9,738 | 8,262 |
| Health Insurance | 30,000 | 28,960 | 1,040 |
| Retirement | 30,000 | 33,149 | (3,149) |
| Gas and Oil - Vehicles | 12,700 | 8,823 | 3,877 |
| Landscaping | 20,000 | 47,186 | (27,186) |
| Professional Services | 150,000 | 11,545 | 138,455 |
| Vehicle Repairs | 5,000 | 3,227 | 1,773 |
| Supplies and Materials | 25,000 | 21,903 | 3,097 |
| Uniforms | 2,500 | 807 | 1,693 |
| Property & Equipment <\$5,000 | 7,500 | 6,126 | 1,374 |
| Telephone | 670 | 660 | 10 |
| Power and Lights | 39,000 | 36,809 | 2,191 |
| Insurance | 20,000 | 34,833 | (14,833) |
| Equipment Repairs | - | 577 | (577) |
| System Repairs and Improvements | 167,000 | 33,833 | 133,167 |
| Garbage Disposal Service - Subcontract | 224,000 | 233,118 | (9,118) |
| Container Servicing | - | 17,763 | (17,763) |
| Causeway & Beach Path Maintenance | 2,500 | - | 2,500 |
| Miscellaneous | 1,000 | 355 | 645 |
| Total Operating Expenditures | 954,870 | 728,035 | 226,835 |
| Capital Expenditures: | | | |
| Financed Purchase Payments | 35,000 | 49,127 | (14,127) |
| Capital Outlay | 190,000 | 1,574,766 | (1,384,766) |
| TOTAL EXPENDITURES | 1,179,870 | 2,351,928 | (1,172,058) |
| POLICE | | | |
| Operating Expenditures: | | | |
| Salaries | 1,050,000 | 1,028,636 | 21,364 |
| Payroll Taxes | 77,000 | 81,180 | (4,180) |
| Health Insurance | 150,000 | 123,632 | 26,368 |
| Retirement | 196,000 | 198,692 | (2,692) |
| Contract Labor | 45,000 | 74,826 | (29,826) |
| Gas and Oil - Vehicles | 40,250 | 52,528 | (12,278) |
| Vehicle Repairs | 17,000 | 17,232 | (232) |
| Supplies and Materials | 21,000 | 27,173 | (6,173) |
| Telephone | 18,000 | 21,889 | (3,889) |
| Power and Lights | 21,000 | 23,729 | (2,729) |
| Uniforms | 15,000 | 22,397 | (7,397) |
| Insurance | 91,000 | 101,158 | (10,158) |
| 800 MHZ Radios | 17,000 | 39,482 | (22,482) |
| Property & Equipment <\$5,000 | 75,000 | 118,751 | (43,751) |
| System Repairs and Improvements | 27,000 | 27,590 | (590) |
| Dues and Certifications | 2,000 | 2,805 | (805) |
| Training and Seminars | 30,000 | 29,195 | 805 |
| Miscellaneous | 2,000 | 5,284 | (3,284) |
| Total Operating Expenditures | \$ 1,894,250 | 1,996,179 | \$ (101,929) |

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2023

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---------------------------------|-------------------------|------------------|---|
| POLICE (CONTINUED) | | | |
| Capital Expenditures: | | | |
| Financed Purchase Payments | \$ 111,000 | 110,914 | \$ 86 |
| Capital Outlay | 180,000 | 243,818 | (63,818) |
| TOTAL EXPENDITURES | <u>2,185,250</u> | <u>2,350,911</u> | <u>(165,661)</u> |
| FIRE | | | |
| Operating Expenditures: | | | |
| Salaries | 825,000 | 865,223 | (40,223) |
| Payroll Taxes | 61,000 | 67,519 | (6,519) |
| Health Insurance | 133,000 | 116,218 | 16,782 |
| Retirement | 163,400 | 166,654 | (3,254) |
| Gas and Oil - Vehicles | 11,500 | 15,752 | (4,252) |
| Vehicle Repairs | 12,000 | 31,994 | (19,994) |
| Supplies and Materials | 25,000 | 50,354 | (25,354) |
| Telephone | 7,000 | 13,114 | (6,114) |
| Uniforms | 23,500 | 6,692 | 16,808 |
| Power and Lights | 11,700 | 24,643 | (12,943) |
| Insurance | 82,000 | 84,911 | (2,911) |
| 800 MHZ Radios | 32,000 | 33,119 | (1,119) |
| Property & Equipment <\$5,000 | 15,000 | 86,858 | (71,858) |
| System Repairs and Improvements | 17,000 | 26,554 | (9,554) |
| Dues and Certifications | 1,000 | 721 | 279 |
| Training and Seminars | 12,000 | 5,897 | 6,103 |
| Miscellaneous | 8,000 | 11,778 | (3,778) |
| Total Operating Expenditures | <u>1,440,100</u> | <u>1,608,001</u> | <u>(167,901)</u> |
| Capital Expenditures: | | | |
| Capital Outlay | 3,000 | 1,594,984 | (1,591,984) |
| TOTAL EXPENDITURES | <u>1,443,100</u> | <u>3,202,985</u> | <u>(1,759,885)</u> |
| RECREATION | | | |
| Operating Expenditures: | | | |
| Power and Lights | 5,000 | 2,049 | 2,951 |
| Insurance | 14,000 | 13,960 | 40 |
| Maintenance Recreation Area | 65,000 | 19,643 | 45,357 |
| Miscellaneous | 50,000 | 37,667 | 12,333 |
| Total Operating Expenditures | <u>\$ 134,000</u> | <u>73,319</u> | <u>\$ 60,681</u> |
| Capital Expenditures: | | | |
| Capital Outlay | - | 102,206 | (102,206) |
| TOTAL EXPENDITURES | <u>\$ 134,000</u> | <u>175,525</u> | <u>\$ (41,525)</u> |

(Continued)

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2023

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|---------------------|-------------------|------------------------------------|
| BUILDING | | | |
| Operating Expenditures: | | | |
| Salaries | \$ 235,000 | 337,856 | \$ (102,856) |
| Payroll Taxes | 26,000 | 24,355 | 1,645 |
| Health Insurance | 45,000 | 40,982 | 4,018 |
| Retirement | 54,000 | 56,875 | (2,875) |
| Gas and Oil - Vehicles | 5,000 | 2,080 | 2,920 |
| Office Supplies | 4,000 | 4,259 | (259) |
| Supplies - Building Official | 2,000 | 1,287 | 713 |
| Telephone | 3,500 | 3,875 | (375) |
| Utilities | 2,000 | 1,719 | 281 |
| Insurance | 2,500 | 2,011 | 489 |
| System Repair and Maintenance | 3,500 | 3,175 | 325 |
| Dues and Certifications | 4,000 | 2,081 | 1,919 |
| Training and Seminars | 6,000 | 3,957 | 2,043 |
| Board of Zoning Appeals | 2,500 | 976 | 1,524 |
| Design and Review Board | 2,500 | 3,238 | (738) |
| Tree Commission | 1,500 | 1,105 | 395 |
| Trimming and Pruning | 11,000 | 7,800 | 3,200 |
| Equipment | 6,000 | 1,617 | 4,383 |
| Miscellaneous | - | 1,939 | (1,939) |
| Total Operating Expenditures | 416,000 | 501,187 | (85,187) |
| ADMINISTRATIVE | | | |
| Operating Expenditures: | | | |
| Salaries | 650,700 | 527,885 | 122,815 |
| Payroll Taxes | 50,000 | 40,816 | 9,184 |
| Health Insurance | 95,000 | 78,321 | 16,679 |
| Retirement | 110,000 | 89,626 | 20,374 |
| Office Supplies | 35,000 | 41,386 | (6,386) |
| Advertising | 15,000 | 13,614 | 1,386 |
| Telephone | 21,000 | 22,501 | (1,501) |
| Power and Lights | 42,000 | 37,289 | 4,711 |
| Insurance | 180,000 | 187,450 | (7,450) |
| System Repairs and Improvements | 80,000 | 94,965 | (14,965) |
| Dues and Certifications | 6,000 | 5,541 | 459 |
| Training and Seminars | 11,550 | 17,711 | (6,161) |
| Professional Engineering Fees | 62,000 | 167,343 | (105,343) |
| Victim's Rights Fund | 45,000 | 30,000 | 15,000 |
| Professional Services | 130,000 | 256,166 | (126,166) |
| Town Hall Relocation Expenses | 130,000 | 92,148 | 37,852 |
| Property & Equipment <\$5,000 | 19,500 | 27,127 | (7,627) |
| Bonds Debt Services | 435,000 | 485,025 | (50,025) |
| Council Expenditures | 40,000 | 78,402 | (38,402) |
| Operating Leases | 10,000 | 4,224 | 5,776 |
| Gas and Oil | 7,000 | 13,196 | (6,196) |
| Planning Expense | 5,000 | 2,002 | 2,998 |
| Miscellaneous | 29,400 | 143,686 | (114,286) |
| Total Operating Expenditures | 2,209,150 | 2,456,424 | (247,274) |
| Capital Expenditures: | | | |
| Capital Outlay | \$ 11,000 | - | \$ 11,000 |
| Transfers to Other Funds | 1,672,448 | 1,767,219 | (94,771) |
| TOTAL EXPENDITURES | 3,892,598 | 4,223,643 | (331,045) |
| TOTAL GENERAL FUND EXPENDITURES | \$ 9,250,818 | 12,806,179 | \$ (3,555,361) |

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, 2023

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|--|------------------|----------------------|------------------------------------|
| OPERATING REVENUES | | | |
| Sewer Service Charges | \$ 1,292,020 | 1,264,916 | \$ (27,104) |
| Other Revenue | 9,000 | 12,795 | 3,795 |
| TOTAL OPERATING REVENUES | 1,301,020 | 1,277,711 | (23,309) |
| OPERATING EXPENSES | | | |
| Salaries | 386,741 | 329,454 | 57,287 |
| Payroll Taxes | 29,586 | 24,049 | 5,537 |
| Hospitalization Insurance | 60,068 | 42,571 | 17,497 |
| Retirement | 67,912 | 68,422 | (510) |
| Gas and Oil - Vehicles | 7,000 | 7,107 | (107) |
| Diesel Fuel and Equipment | 10,990 | 20,583 | (9,593) |
| Vehicle Repairs | 5,000 | 3,003 | 1,997 |
| Supplies and Tools | 13,240 | 11,428 | 1,812 |
| Office Supplies | 9,409 | 11,402 | (1,993) |
| Lab Supplies | 8,033 | 7,186 | 847 |
| Telephone | 6,238 | 6,651 | (413) |
| Power and Lights | 62,727 | 64,954 | (2,227) |
| Insurance | 27,000 | 48,614 | (21,614) |
| System Repairs and Improvements | 177,250 | 82,175 | 95,075 |
| Sludge Disposal | 42,000 | 22,601 | 19,399 |
| Grit Disposal | 1,628 | 1,177 | 451 |
| Depreciation and Amortization Expense | - | 879,884 | (879,884) |
| Dues and Certifications | 8,100 | 3,410 | 4,690 |
| Training and Seminars | 6,000 | 4,851 | 1,149 |
| Professional Engineering Fees | 5,000 | 55,860 | (50,860) |
| Professional Services | 5,000 | 5,000 | - |
| Lab Analysis, Inspection, and Chemicals | 43,100 | 63,368 | (20,268) |
| Miscellaneous | 4,523 | 5,842 | (1,319) |
| Total Operating Expenses | 986,545 | 1,769,592 | (783,047) |
| OPERATING INCOME (LOSS) | 314,475 | (491,881) | (806,356) |
| CAPITAL EXPENDITURES (Including Financed Purchase Payments) | (161,475) | - | 161,475 |
| NONOPERATING REVENUES | | | |
| Interest Income | 1,000 | 45,876 | 44,876 |
| Revenue Bond Debt Service | (87,000) | - | 87,000 |
| Transfers In from Other Funds | - | 532,028 | 532,028 |
| NET INCOME (LOSS) | \$ 67,000 | 86,023 | \$ 19,023 |
| RECONCILIATION TO GAAP BASIS: | | | |
| Non-Budgeted Revenues (Expenses) | | | |
| Interest Expense | | (12,247) | |
| CHANGE IN NET POSITION | | 73,776 | |
| NET POSITION, Beginning of Year | | 27,968,977 | |
| NET POSITION, End of Year | | \$ 28,042,753 | |

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, 2023

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|------------------|----------------------------|------------------------------------|
| OPERATING REVENUES | | | |
| Water Sales | \$ 1,193,193 | 1,192,248 | \$ (945) |
| Meter Connections | 23,200 | 70,933 | 47,733 |
| TOTAL OPERATING REVENUES | 1,216,393 | 1,263,181 | 46,788 |
| OPERATING EXPENSES | | | |
| Salaries | 390,812 | 329,437 | 61,375 |
| Payroll Taxes | 30,585 | 24,047 | 6,538 |
| Hospitalization Insurance | 64,343 | 42,567 | 21,776 |
| Retirement | 58,565 | 68,425 | (9,860) |
| Gas and Oil - Vehicles | 7,000 | 8,534 | (1,534) |
| Repairs and Maintenance - Diesel Equipment | 4,000 | 2,166 | 1,834 |
| Vehicle Repairs | 5,000 | 2,606 | 2,394 |
| Supplies and Tools | 13,600 | 8,626 | 4,974 |
| Office Supplies | 9,100 | 11,440 | (2,340) |
| Lab Supplies | 2,732 | 4,323 | (1,591) |
| Telephone | 6,093 | 6,651 | (558) |
| Power and Lights | 3,677 | 3,728 | (51) |
| Insurance | 19,646 | 29,338 | (9,692) |
| System Repairs and Improvements | 142,900 | 90,014 | 52,886 |
| Depreciation and Amortization Expense | - | 266,244 | (266,244) |
| Dues and Certifications | 9,270 | 9,973 | (703) |
| Training and Seminars | 4,794 | 4,769 | 25 |
| Professional Engineering Fees | 75,000 | 28,838 | 46,162 |
| Professional Services | 5,000 | 5,570 | (570) |
| Lab Analysis, Inspection, and Chemicals | 10,800 | 15,692 | (4,892) |
| Wholesale Water Purchases | 168,000 | 138,029 | 29,971 |
| Miscellaneous | 3,165 | 2,972 | 193 |
| Total Operating Expenses | 1,034,082 | 1,103,989 | (69,907) |
| OPERATING INCOME (LOSS) | 182,311 | 159,192 | (23,119) |
| CAPITAL EXPENDITURES (Including Financed Purchase Payments) | (90,371) | - | 90,371 |
| NONOPERATING REVENUES | | | |
| Interest Income | 2,060 | 75,206 | 73,146 |
| NET INCOME (LOSS) | <u>\$ 94,000</u> | <u>234,398</u> | <u>\$ 140,398</u> |
| RECONCILIATION TO GAAP BASIS: | | | |
| Non-Budgeted Revenues (Expenses) | | | |
| Interest Expense | | (117) | |
| INCREASE IN NET POSITION | | 234,281 | |
| NET POSITION, Beginning of Year | | <u>5,421,444</u> | |
| NET POSITION, End of Year | | <u>\$ 5,655,725</u> | |

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE:

| COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT | General Sessions | Magistrate Court | Municipal Court | Total |
|--|---------------------|---------------------|--------------------|----------------|
| Court Fines and Assessments: | | | | |
| Court fines and assessments collected | | | 212,593 | 212,593 |
| Court fines and assessments remitted to State Treasurer | | | (56,309) | (56,309) |
| Total Court Fines and Assessments retained | | | 156,284 | 156,284 |
| Surcharges and Assessments retained for victim services: | | | | |
| Surcharges collected and retained | | | 6,807 | 6,807 |
| Assessments retained | | | 5,539 | 5,539 |
| Total Surcharges and Assessments retained for victim services | | | 12,346 | 12,346 |

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

| VICTIM SERVICE FUNDS COLLECTED | Municipal | County | Total |
|---|------------------|---------------|---------------|
| Carryforward from Previous Year – Beginning Balance | 25,000 | | 25,000 |
| Victim Service Revenue: | | | |
| Victim Service Fines Retained by City/County Treasurer | | | |
| Victim Service Assessments Retained by City/County Treasurer | 5,539 | | 5,539 |
| Victim Service Surcharges Retained by City/County Treasurer | 6,807 | | 6,807 |
| Interest Earned | | | |
| Grant Funds Received | | | |
| Grant from: | | | |
| General Funds Transferred to Victim Service Fund | | | |
| Contribution Received from Victim Service Contracts: | | | |
| (1) Town of | | | |
| (2) Town of | | | |
| (3) City of | | | |
| Total Funds Allocated to Victim Service Fund + Beginning Balance (A) | 37,346 | | 37,346 |
| Expenditures for Victim Service Program: | Municipal | County | Total |
| Salaries and Benefits | | | |
| Operating Expenditures | - | | - |
| Victim Service Contract(s): | | | |
| (1) Entity's Name | | | |
| (2) Entity's Name | | | |
| Victim Service Donation(s): | | | |
| (1) Domestic Violence Shelter: | 10,000 | | 10,000 |
| (2) Rape Crisis Center: | 10,000 | | 10,000 |
| (3) Other local direct crime victims service agency: | 10,000 | | 10,000 |
| Transferred to General Fund | | | |
| Total Expenditures from Victim Service Fund/Program (B) | 30,000 | | 30,000 |
| Total Victim Service Funds Retained by Municipal/County Treasurer (A-B) | | | |
| Less: Prior Year Fund Deficit Repayment | | | |
| Carryforward Funds – End of Year | 7,346 | | 7,346 |

TOWN OF SULLIVAN'S ISLAND, SOUTH CAROLINA

SCHEDULE OF PROPERTY TAX RATES BY FISCAL YEAR

YEAR ENDED JUNE 30, 2023

| FISCAL YEAR ENDED JUNE 30, | MILLS LEVIED FOR TOWN OPERATIONS AND DEBT |
|---|--|
| 2019 | 50.90 |
| 2020 | 51.40 |
| 2021 | 56.80 (1) |
| 2022 | 57.40 |
| 2023 | 58.80 |
| 2024 | 60.20 |

(1) Reassessment year



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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 and each major fund of The Town of Sullivan’s Island, South Carolina (the “Town”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 4, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 4, 2023