

Financial Audit Presentation Year Ended June 30, 2022

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

OPINION

- The Town's responsibility:
 - Maintain effective internal controls
 - There are limitations on internal controls.
 - Regular risk assessment is important, including assessing the risk of fraud.
 - Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

GFC responsibility:

- Opinion – reasonable assurance that financial statements are materially correct
 - Does not address the financial condition of the Town
- Purpose of the audit is not to detect fraud. We cannot take responsibility for finding fraud, if it existed.
- Issued unmodified opinion

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund: Total Fund Balance of \$8.8M at 6/30/22 Fund Balance Classifications:

- Nonspendable – unavailable for spending (prepaids, inventories, etc.)
- Restricted – available for spending only for specific purposes due to external constraints (such as debt covenants or legislation)
- Committed – available for spending only for specific purposes due to constraints imposed by Town Council (action must be taken prior to fiscal year-end)
- Assigned – available for spending only for specific purposes due to constraints imposed by Town Council (action may be taken through report date)
- Unassigned – available for future spending

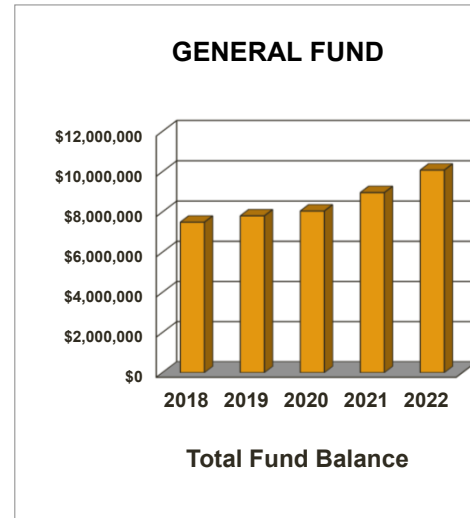
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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Total fund balance increased \$1.1M to \$10.1M.
- Nonspendable fund balance of \$1.1m (prepaid amounts)
- Restricted fund balance of \$225k primarily for debt service, and victims services
- Committed fund balance of \$770k for capital projects
- Assigned fund balance of \$20k for William Bradley Memorial Fund



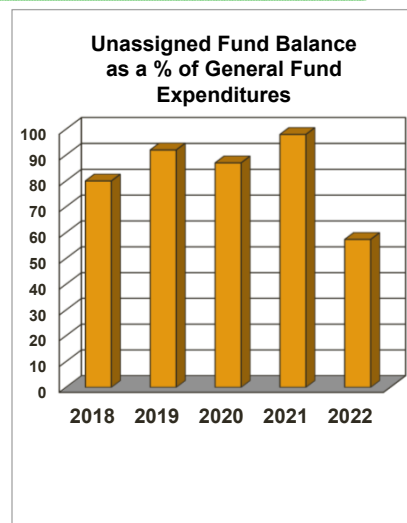
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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund

- Unassigned fund balance is \$8.0M includes capital improvements reserve of \$2.2M and emergency reserve of \$2.0M
- Unassigned and unreserved fund balance is \$2.5M and represents 57% of FY22 operating expenditures
- GFOA recommends a minimum of 16.7% (two months), but we believe the Town's unassigned fund balance should be higher than two months – see next slide.



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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Major Reasons To Maintain An Adequate Fund Balance:

- Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
- Significant emergencies and unanticipated expenditures (Town has an emergency reserve).
- Flexibility for discretionary funding needs (Town has capital improvements reserve)
- Potential for better interest rates on debt issues (can save the Town money).
- Unique requirements for a beach coastal municipality (Town has an emergency reserve).

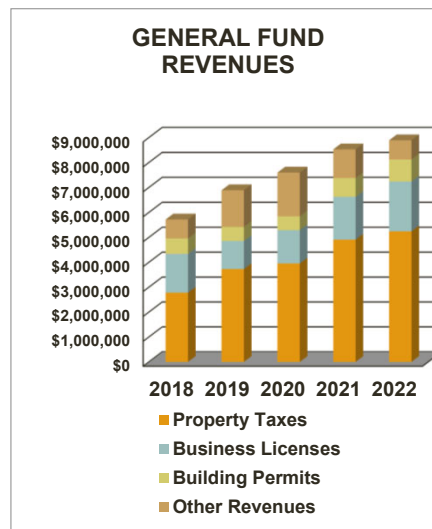
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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$8.9 million for 2022:
 - \$5.2m in property taxes
 - \$2.0m in business licenses
 - \$885k in building permits
 - \$365k in local option sales taxes
 - \$403k for all other revenues
- \$364k (4%) increase from 2021
 - Primarily due to increases of \$333k and \$279k in property taxes and business licenses, respectively, partially offset by \$189k decrease in grant revenue
- \$958k (11%) better than budget
 - Primarily due to higher property taxes, business licenses, and permits than anticipated



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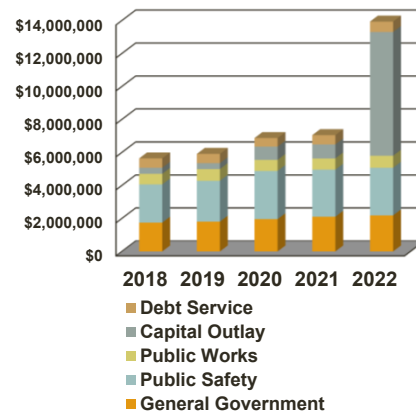


2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$13.9 million for 2022:
 - \$2.2m in general government
 - \$2.9m in public safety
 - \$728k in public works
 - \$7.5m in capital outlay
 - \$635k in debt service
- \$6.9m (49%) increase from 2021
 - Current expenditures increased by \$162k or 3%
 - Capital outlay increased by \$6.7m
- \$7.0M (50%) over budget
 - Capital outlay related to the fire station and storage building projects is primarily being funded through IPRB proceeds (transfers in from Capital Projects fund) and thus was not included in the FY2022 budget

GENERAL FUND EXPENDITURES



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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Public Facilities Corporation

- The Corporation was created for the purpose of issuing debt to finance the cost of certain upgrades and improvements, including improvements to the wastewater treatment plant and sewer collection system.
 - Capital Projects Fund – Reports the issuance of the bonds and use of proceeds (unspent proceeds of \$7.9M as of 6/30/22).
 - Debt Service Fund – Reports principal and interest payments which are funded through General Fund transfers.
 - Expenditures and expenses related to projects financed through debt proceeds in FY22 are reported in the Sewer Fund (sewer system rehabilitation) and the General Fund (fire station and storage facility).

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Water Fund** had an increase in net position of \$192k to \$5.4M (including \$2.2M invested in capital assets).
 - Total Water Fund revenues and expenses were consistent with prior year.
 - The Water Fund has \$3.3M in unrestricted cash at June 30, 2022.
 - The Water System is 61% depreciated at June 30, 2022 (cost of system was \$4.7M with accumulated depreciation of \$2.8M)
- **The Sewer Fund** had an increase in net position of \$4.7M to \$28.0M (including \$26.3M invested in capital assets).
 - Total sewer operating revenues and expenses were consistent with prior year.
 - Sewer Fund received transfers of \$4.5M from the Capital Projects Fund (IPRB proceeds) to fund ongoing sewer system improvements.
 - The Sewer Fund has \$2.1M in unrestricted cash at June 30, 2022.
- Debt coverage ratio for the Water and Sewer Bonds is approximately 16.39 as of June 30, 2022 (exceeds requirement of 1.10).

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$44.3M at 6/30/22. Depreciation expense was \$1.5M.
- Significant additions included:
 - Sewer system additions of approximately \$2.6m
 - Transfers from construction in progress to the sewer system for approximately \$3.4m.
 - Construction in progress related to the ongoing fire station and storage facility construction of \$7.3m.
 - Property acquired by the Town prior to 2003 is reported at a value of zero in accordance with GAAP

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total long-term obligations outstanding at 6/30/22 were \$42.7M – decrease of \$1.0m from 6/30/21:
 - Total principal payments on debt and capital leases were \$1.1m.
 - Issuance of \$180k financed purchase agreement for a Public Safety vehicle and a Public Works vehicle.
 - Net pension liability of \$5.8M as of June 30, 2022 on the full accrual statements. This is the Town's proportionate share of the total net pension liability for the State pension plans. The liability does not directly affect the Town's cash flows; however, PEBA approved continuing rate increases of 1% each year through July 1, 2023 which will result in a final employer rate of 18.56% and 21.24% for the SCRS and PORs, respectively. Those increases have a direct impact on the Town's operating budgets.

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2022 based on federal expenditures being less than \$750k.

Management Letter

- Required communications to management and those charged with governance – no issues to report as management has done a good job of addressing issues noted in past years. We discussed several oral recommendations with the Mayor, Town Administrator and Comptroller.

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2022 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Summary

- Unmodified opinion on the Financial Statements from GFC
- Good financial condition as of June 30, 2022