

Town of Sullivan's Island

Financial Audit Presentation Year Ended June 30, 2016

Greene, Finney & Horton, CPAs



2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

● OPINION

- The Town's responsibility:
 - Effective internal controls
 - Financial statements
 - Prepare and manage the budget
- GF&H's responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
 - Opinion does not address the financial condition of the Town
- The Town received an unmodified opinion

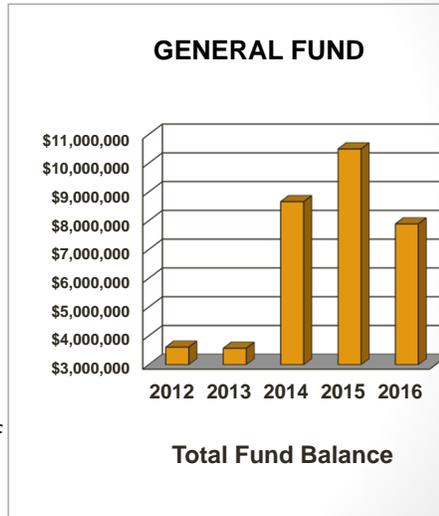
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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

• General Fund

- Total fund balance decreased \$2.6m to 7.9m.
- Restricted Fund balance of \$666k for Capital Projects, Victims Services, Confederate Memorial, and the Land Trust.
- Committed: \$3.9m for Capital Projects.
- Assigned fund balance of \$20k for William Bradley Memorial Fund.



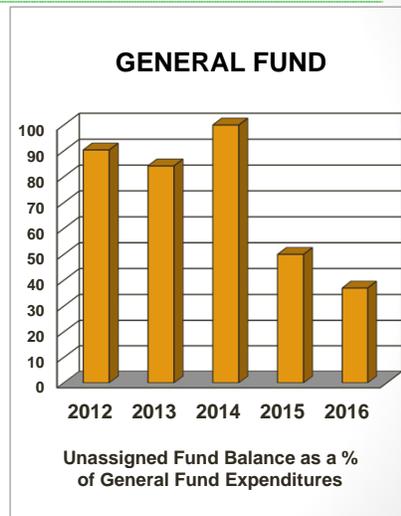
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• General Fund

- Unassigned fund balance is \$3.2 million, which covers 66% of 2017 budgeted expenditures.
- GFOA recommends a minimum of 16.7% (two months), but we believe the Town's fund balance should be higher...see next slide.



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2016 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 reserve)
 - Potential for better interest rates on debt issues (can save the Town money).
 - To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of the change in legislation (i.e. as when residential property taxes from operations were eliminated and replaced by the state with a one cent sales tax increase ("Act 388")).
 - Unique requirements for a beach coastal municipality (Town has emergency reserve).
 - Extremely important given the still somewhat uncertain economic times.

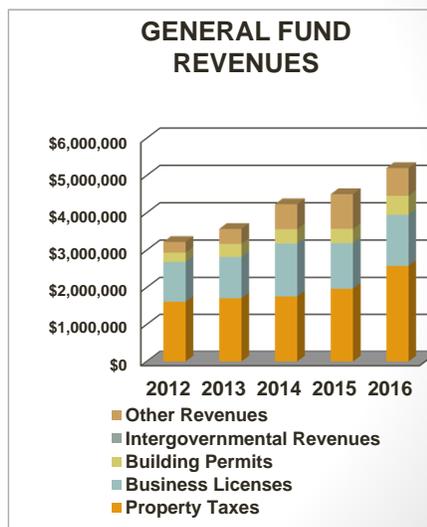
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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Revenues:

- \$5.2 million for 2016:
 - \$2.6m in property taxes
 - \$822k in business licenses
 - \$545k in franchise fees
 - \$516k in permits
 - \$741k for all other revenues
- \$698k (16%) increase from 2015
 - Primarily due to increased property tax revenue of \$610k related to the increase in the millage rate
- \$841k (16%) better than budget
 - Primarily due to property taxes being over budget by \$301k, business licenses being over budget by \$139k, and building permits being over budget by \$167k.



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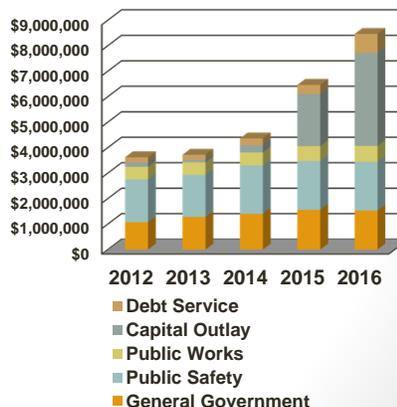


2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

General Fund Expenditures:

- \$8.46 million for 2016:
 - \$1.53m in general government
 - \$1.91m in public safety
 - \$627k in public works
 - \$3.65m in capital outlay
 - \$740k in debt service
- \$2.0m (31%) increase from 2015
 - Majority due to a \$1.5m increase in capital outlay related to the construction of the new town hall.
- \$3.57m (42%) more than budget
 - The construction costs of the new Town Hall of \$3.4m were anticipated and were funded by the 2014 GO Bond, but were not included in the 2016 budget.
 - After considering capital projects that were not budgeted, the General Fund expenditures were \$175k (3%) more than budget

**GENERAL FUND
EXPENDITURES**



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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Water Fund** had an increase in net position from current year operations of \$74k (similar to prior year).
 - Total Water Fund revenues increased approximately \$18k, or 2%.
 - Water operating expenses increased approximately \$165k, or 19%, mainly due to an increase in system repairs and maintenance.
- The Water Fund has a net cash position of approximately 510 days. The bond world likes to see a minimum of 100 days in net cash position.

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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Enterprise Funds

- **The Sewer Fund** had a decrease in net position of \$71k from current year operations .
 - Total sewer operating revenues increased approximately \$6k, or 1% from the prior year.
 - Sewer operating expenses increased approximately \$58k, or 7%, primarily due to sewer improvements made during FY16.
- The Sewer Fund has a net cash position of approximately 98 days. The bond world likes to see a minimum of 100 days in net cash position.

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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total capital assets, net of accumulated depreciation, were \$13.8m at 6/30/16. Depreciation expense was \$577k.
- Significant additions included:
 - Construction costs related to the new Town Hall of approximately \$3.4m
 - Public Safety vehicle additions of \$219k
 - Playground equipment additions of \$155k
- Remember that the land is shown at cost and/or market value at the time of donation, so actual value is much higher than what is on the Town's general ledger.

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2016 FINANCIAL AUDIT TOWN OF SULLIVAN'S ISLAND

Other Items of Note:

- Total long-term obligations outstanding at 6/30/16 were \$6.6m – decrease of \$35k from 6/30/15:
 - Issuance of sewer revenue bonds of \$123k
 - Issuance of two capital leases totaling \$362k for vehicles
 - \$530k of scheduled principal payments were made on GO Bond debt in 2016.
 - \$982k of debt service payments on outstanding debt expected for 2017
 - Remaining unused legal debt margin is \$1.1m.

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Auditing/Accounting Update:

- Future Significant Changes in Accounting Principles:
 - GASB 77 Tax Abatement Disclosures will require additional disclosure regarding any abated taxes. This is effective for the year ended June 30, 2017.
- Other Items of Note:
 - Net pension liability of \$4.0M as of June 30, 2016 on the full accrual statements (government-wide and enterprise funds). This is the Town's proportionate share of the total net pension liability for the State pension plans. The Town is only required to continue making required contributions.

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Compliance

- No findings, significant deficiencies, or material weaknesses were noted.
- Single Audit was not required for 2016 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, Administrator and Finance Director.

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Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2016

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