



TOWN OF  
*Kiawah Island*

Financial Audit Presentation  
Year Ended June 30, 2018



2018 FINANCIAL AUDIT  
TOWN OF KIAWAH ISLAND

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**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



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

- Greene Finney, LLP's ("GFLLP") 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
  - Emphasis of matter paragraph included for the implementation of GASB #75 on OPEB

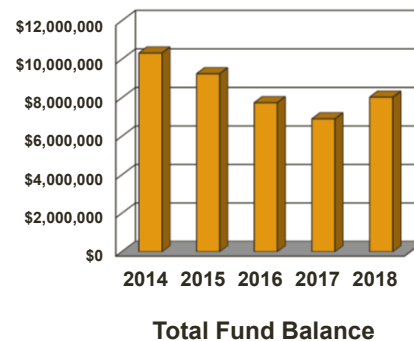


## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### • General Fund

- Total fund balance of \$8M increased \$1.1M
- Non-spendable fund balance of \$115k for prepaid items
- Unassigned fund balance of \$7.9M

**GENERAL FUND**

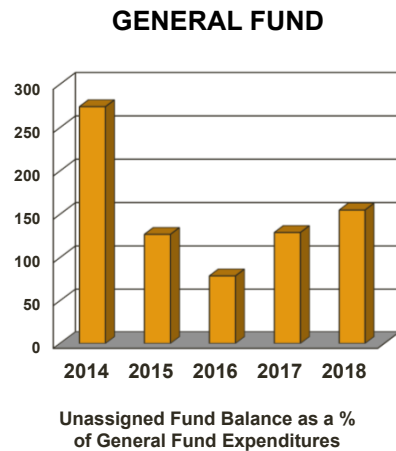




## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### • **General Fund**

- Unassigned fund balance is \$7.9M, which is 159.6% of 2019 budgeted expenditures and other financing uses
- GFOA recommends a minimum of 16.7% (two months), but it should be higher for a coastal community



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### • **Major Reasons To Maintain An Adequate Fund Balance:**

- Cash flow through second half of calendar year; business licenses are cyclical
- Significant emergencies and unanticipated expenditures
- Flexibility for discretionary funding needs
- 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
- Unique requirements for a beach coastal municipality.

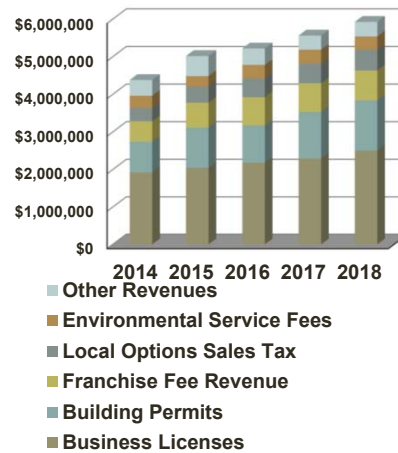


## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### General Fund Revenues:

- \$5.9 million for 2018:
  - \$2.5m in business licenses
  - \$1.3m in building permits
  - \$793k in franchise fee revenue
  - \$548k in local options sales tax
  - \$356k in environmental service fees
  - \$387k in all other revenues
- \$606k or 11.4% higher than budget
  - Business licenses were higher than budget by \$303k
  - Building permits were higher than budget by \$180k

**GENERAL FUND REVENUES**

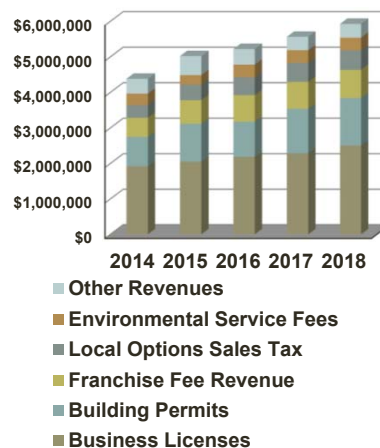


## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### General Fund Revenues:

- \$364k (6.5%) increase from 2017
  - \$213k increase in business licenses due to increased growth in the island's economy and increased monitoring and enforcement by Town staff
  - \$91k increase in building permits due to several permits issued for a large project on the island
  - \$57k increase in court fines primarily due to increases in code enforcement from the prior years
  - \$77k decrease in federal revenues due to the FEMA reimbursements related to Hurricane Matthew in the prior year
  - \$64k increase in interest income primarily due to the Town changing investments to an SCLGIP account which has a higher rate of return

**GENERAL FUND REVENUES**



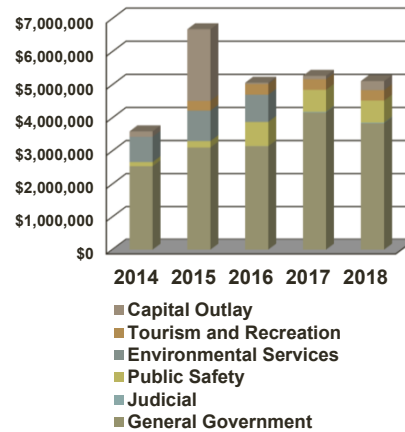


## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### General Fund Expenditures:

- \$5.1M for 2018:
  - \$3.8m in general government
  - \$21k in judicial
  - \$666k in public safety
  - \$315k in tourism and recreation
  - \$273k in capital outlay
- \$120k (2.4%) greater than budget
  - General government \$132k over budget primarily due to expenditures related to the scraping of the sand along the dunes in the current year
  - Other departments were fairly consistent with budget

**GENERAL FUND EXPENDITURES**

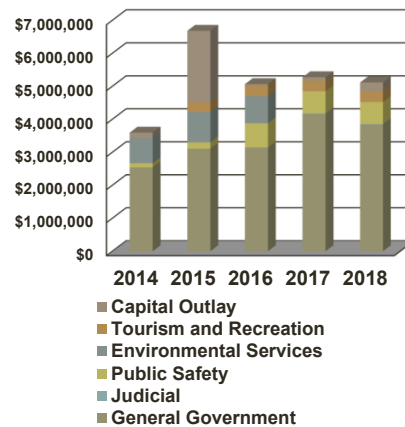


## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### General Fund Expenditures:

- \$160k (3%) decrease from 2017:
  - \$515k decrease in storm cleanup costs related to Hurricane Matthew in the prior year
  - \$84k decrease in rentals due to the sale and subsequent rental from KICA of the old municipal center in the prior year
  - \$177k increase related to the scraping of the sand dunes after Hurricane Irma

**GENERAL FUND EXPENDITURES**





## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

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### **Totals for All Funds**

- Includes General, Capital Projects, State, County and Local Accommodations, Beverage Permits, Hospitality Tax and Victims' Assistance Funds
- Revenues-\$9.6 million
- Expenditures-\$7.8 million



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

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### **Pension Accounting**

- Relates to the Town's proportionate shares of the net pension liabilities and deferred outflows/inflows of resources related to the Town's participation in the South Carolina Retirement System and the SC Police Officers Retirement System ("Plans").
- No impact to the Town's governmental funds.
- Impacts the Town's government-wide financial statements:
  - Total Net Pension Liability ("NPL") of the Plans of \$3.7M on the Town's Statement of Net Position for 2018.
  - Increase in the NPL of \$703k from 2017, due to poor experience, change in assumptions, investment returns, etc. in these Plans.
  - House Bill 3726 which was approved in April 2017 will increase employer and employee contribution rates significantly from July 1, 2017 through July 1, 2022 and has also lowered the assumed annual rate of return on investments from 7.50% to 7.25%.



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### **Other Postemployment Benefits (“OPEB”) Accounting**

- The Town implemented GASB #75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”* related to the City’s retiree health insurance plan (“OPEB Plan”)
- No impact to the Town’s governmental funds.
- Impacts the Town’s government-wide financial statements:
  - The Town recorded a prior period adjustment of approximately \$218k to its government-wide beginning net position in FY 2018 related to its OPEB Plan.
  - The Town had a Net OPEB Liability (“NOL”) of \$281k on its government-wide Statement of Net Position for 2018. Increase in the NOL of \$63k from 2017.
  - Our opinion has an “Emphasis of Matter” paragraph discussing the implementation of GASB #75.



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

### **Other Items of Note:**

- **Capital Assets**
  - Total capital assets were \$14.4M – an increase of \$80k from 2017 due to the following:
    - \$695k in additions including \$427k related to the construction of the new municipal center, \$177k in infrastructure, \$74k in signs and fences, \$14k in computers and software and \$4k in equipment
    - \$614k in depreciation expense
    - Net dispositions of approximately \$1k
- **Long-term Obligations**
  - \$2.7M in outstanding general obligation bonds with approximately \$367k in principal and interest due in fiscal year 2019.



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

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### **Compliance**

- No findings noted.
- No Single Audit was required for fiscal year 2018 as the federal expenditures were less than \$750k

### **Management Letter**

- Required communications to management and those charged with governance:
  - No items to report.



## 2018 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

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### **Summary**

- Unmodified opinion on the Financial Statements from GLLP
- Implemented GASB #75 on accounting and reporting for OPEB
- Good financial condition as of June 30, 2018