



Town of Kiawah Island South Carolina

Fiscal Year Ending June 30, 2010 Popular Annual Financial Report

William G. Wert,
Mayor

Council Members
Alan L. Burnaford,
Mayor Pro Tempore
Charles R. Lipuma
Harry M. McHugh
G. Steven Orban

Tumiko Rucker,
Administrator

H. Kenneth Gunnells,
Treasurer

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Fiscal Year 2010



Dear Citizens of the Town of Kiawah Island, South Carolina:

I am pleased to present the Town of Kiawah Island's fifth Popular Annual Financial Report, (PAFR) for the fiscal year ended June 30, 2010. This is the Town's fifth submission of the PAFR, and it is designed as an easy to read version of the Comprehensive Annual Financial Report that is published on a yearly basis. The Town received an award for its first through fourth submission of the PAFR report to the GFOA.

The CAFR is a detailed account of the Town's financial statements, notes, schedules and statistics. The CAFR was prepared in conformance with the Generally Accepted Accounting Principles (GAAP), audited by Webster Rogers, LLP receiving an unqualified opinion. The Town received the GFOA Award for Excellence in Financial Reporting for the preceding fiscal year and has submitted the CAFR for review fiscal year ending June 30, 2010 as well. The CAFR is available for review at Town Hall or on the Town's website at www.kiawahisland.org.

This report is not designed to replace the CAFR, but includes important details to give you a basic understanding of our overall financial condition. The schedules and information contained in this report are excerpts from the CAFR, which was prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also describes our operations and the services that we provide and highlights the major initiatives of the Town over the past year.

The PAFR was prepared by our Finance department and Administrative staff, and I would like to acknowledge the staff members for their contributions. Thank you for your interest in the Town of Kiawah's government and how it functions. Please feel free to contact my office with any comments or feedback.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'W. Wert', is positioned above the printed name.

William G. Wert

Mayor

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Additional copies of this report may be obtained by contacting:

The Town of Kiawah Island
Attn: Finance Department
21 Beachwalker Dr.
Kiawah Island, SC 29455
(843) 768-9166

In addition, this report is made available on the Town of Kiawah's website
by visiting <http://www.kiawahisland.org>.

Important Phone Numbers

William G Wert,	Mayor	843-768-9166
Town Hall	Information	843-768-9166
Tumiko Rucker	Administrator	843-768-5103
H. Kenneth Gunnells	Treasurer	843-768-5104
Lakesha Shannon	Town Clerk	843-768-5101

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This report has been prepared and distributed in the Town of Kiawah Island in the interest of an informed citizenry.

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Town Government



William G Wert, Mayor (Left), Alan L. Burnaford, Mayor Pro Tempore, Harry McHugh, Council Member, G. Steve Orban, Council Member, and Charles R. Lipuma, Council Member

The Town of Kiawah Island, South Carolina, was incorporated by the State of South Carolina on September 13, 1988. The Town of Kiawah Island operates as a Mayor-Council form of government, i.e., strong mayor. The Town Council is composed of a Mayor and four Council Members. Terms for Mayor and Council Members are two years. The current term (2009-2010) is the eleventh full administration. The at-large elections are non-partisan. Currently, there are 1,398 voters on the rolls. These elected officials are volunteers who receive no compensation or salary. The Mayor and four Council Members comprise the legislative branch of the Town. It is their duty to set over-all policy in matters concerning the operation of the Town's affairs.

The Mayor is further charged with the executive functions of Town management. He is responsible for coordinating and carrying out the policies established by the Town Council and for seeing that the duties of all Town employees are performed efficiently and effectively. The Town Administrator provides support and advice to the Mayor on these matters. Since incorpo

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ration, the Town has grown from 1 full-time position to 10 full-time positions.

The Town of Kiawah Island is unique among other South Carolina municipalities. Its uniqueness stems from the fact that a private, non-profit organization, the Kiawah Island Community Association (KICA), provides many services that are typically performed by governments. The Town, however, does provide services to its citizens including, but not limited to:

Public Safety: Island-wide law enforcement through contract with Charleston County Sheriff's office . The Town also provides code enforcement with two full time and one part time enforcement officers.

Street and Drainage Maintenance: Beachwalker Drive, Kiawah Island Parkway from the roundabout at Betsy Kerrison Parkway to the front gate;

Solid Waste Disposal: Garbage, recycling, yard debris, brown trash and household hazardous waste collection and disposal for all residential property, excepting villas;



Town Recycling

Planning and Zoning Administration: Through an agreement with Charleston County the technical planning duties of the Town are provided by County Planning staff.

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Criminal Court Administration: As part of the unified judicial system in South Carolina, it hears and determines offenses of a criminal nature which may be subject to a fine not exceeding \$500 or imprisonment not exceeding 30 days as well as cases arising under the ordinances of the municipality.

Beach Maintenance and Safety: Year round beach patrol and solid waste collection and beach condition monitoring is provided through a contractual arrangement with a private company.

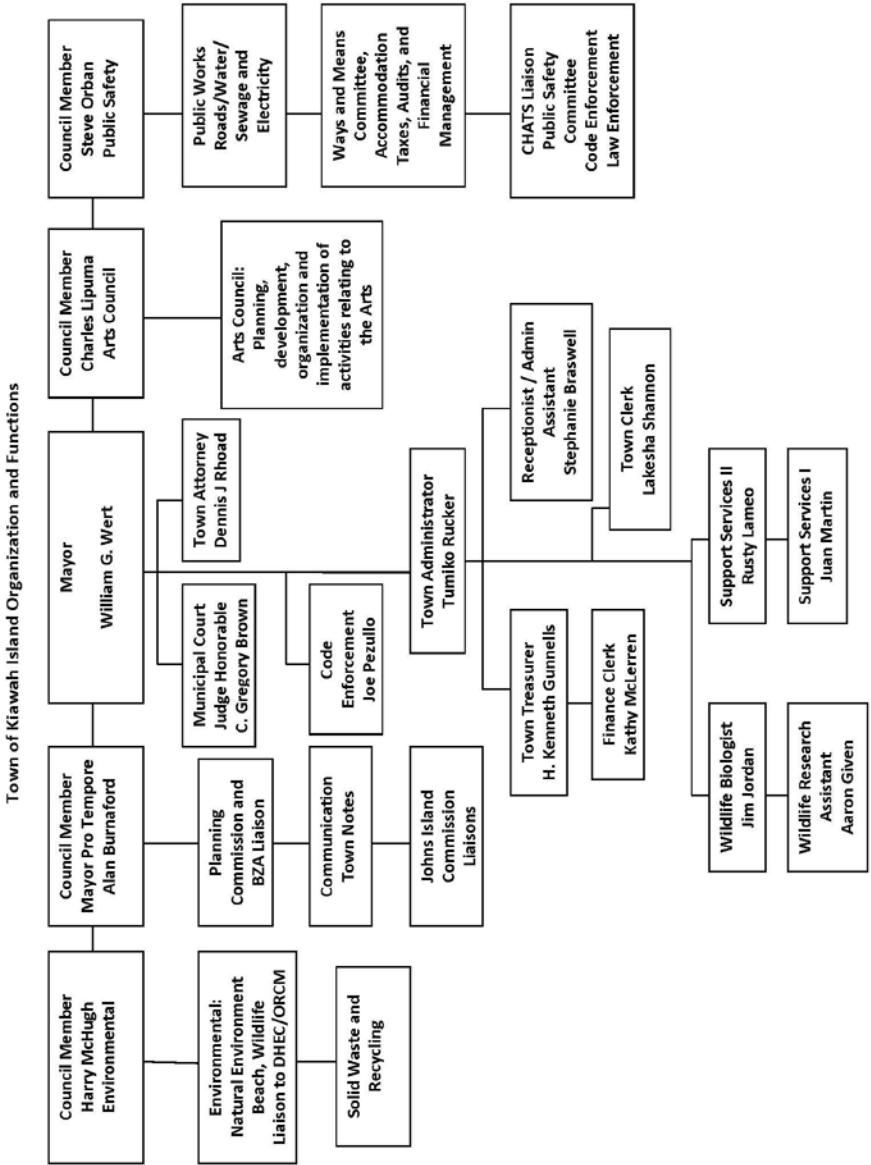
Communications: Town website and monthly newsletter (Town Notes). Both of these communication tools are used by the Town to keep residents engaged in Town activities.

Wildlife Studies: The Town's Wildlife Department monitors, manages, and researches the island's native wildlife species, and habitats while educating the general public in these areas.



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For the sixth time, the Town of Kiawah Island received a Certificate of Achievement for Excellence in Financial Reporting for the financial statements for fiscal year ending June 30, 2009. The Town will again present its financial statements to the Government Finance Officers of America (GFOA) for this prestigious award. This certification has very stringent criteria and is only sought by a very limited number of local governments.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe that this report will conform to Certificate of Achievement Program requirements.

The Town also received its fourth Popular Annual Financial Report award from GFOA for fiscal year ending June 30, 2009. The GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal.

The Town also received a recertification of its Investment Policy from the Association of Public Treasurers of the United States and Canada. The Town was recognized in July 2009 at the 44rd Association of Public Treasurer's Annual Conference.

**Popular Annual Financial Report
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**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

PRESENTED TO

**Town of Kiawah Island
South Carolina**

for the Fiscal Year Ended

June 30, 2009




President

Executive Director

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Town Initiatives

The Town's initiatives in Fiscal Year 2009-2010 range from major capital projects to improved communication. It is always the Town's goal to improve the services that are offered. However, the Town of Kiawah Island performs very few functions typically associated with municipal governments.

A Major Town initiative of the Kiawah Island Parkway Enhancement project was brought to fruition at the end of 2008-2009, when final approval was received from DHEC / OCRM. The design for the project was originally completed in the fall of 2006. The project includes improving the existing road and creating



a bike/pedestrian path landscaping. The improved road will allow for safe evacuation in the event of an emergency and provide safe passage of non-vehicular traffic on the Parkway. The project was estimated by the Town's engineers and budgeted to cost approximately \$4,500,000. The project was substantially complete by the fourth quarter of 2010, at a cost of approximately \$2,800,000. The Town won the 2010 Municipal Association of South Carolina's Achievement Award in public works for this project.

The Town of Kiawah Island, in partnership with the Kiawah Island Natural Habitat Conservancy, again is conducting a study of habitat use by bobcats (*Felis rufus*), on Kiawah Island using global positioning system (GPS) track-

ing collars. Bobcats play a very important role in the Kiawah Island ecosystem by helping to control small mammal and white-tailed deer populations. A healthy bobcat population is necessary to maintain the balance of wildlife communities currently present on Kiawah Island. Ten new Bobcat tracking collars were acquired, through a donation from the Kiawah Island Natural Habitat Conservancy in 2007-2008. In addition, the Town has begun a bird banding study, also supported by the Conservancy.



As a continuation of the East End Beach project completed in fiscal year 2006, the Town is monitoring the results of this project. The Town budgets in excess of \$ 100,000 to monitor the beach and the wildlife affected by this restoration project. The project will continue to be monitored through 2012.



The Arts Council began in FY2005 and sponsors cultural performances throughout the year. These events ranged from Jazz, Blues, Charleston Symphony Orchestra and the Charleston Ballet. These events received excellent reviews by the attendees, and continue to add to the cultural fiber of the community. The Arts Council has grown to a budget of \$72,500 in FY2010 providing thirty three events with approximately 5,421 attendees. In addition to this, a concert by the Charleston Symphony Orchestra, sponsored

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by the Town's State Accommodations Tax Fund, in conjunction with the Charleston Symphony Orchestra League, was held with approximately 700 attendees. Also the Town's State Accommodations Tax Fund, provided funding for three performances of the Charleston Ballet. The Town is committed to cultural presentations for the benefit of visitors and homeowners.



The Town took a leadership role in the Charleston Area Regional Transportation Authority Board of Directors. The appointed Town liaison, is the chair of CARTA's Finance Committee, and through that leadership, has been instrumental in redesigning the major decision document, annual budget, for the organization.

The Town Council has also been very vocal and active in public meetings addressing the impact of growth on the existing John Island Roads and stress the need to improve the roads. This is of particular interest to Kiawah in that these roads provide access to Kiawah for residents, employees, tourists and businesses.

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Economic Outlook

Kiawah's economy is making a strong recovery after the economic downturn of this past two years, even with the housing and mortgage issues. Indicators such as home sales, business license revenues, and tourism contributes to the Town's economy.

The Kiawah Island Golf Resort opened its newest facility, The Sanctuary. The Sanctuary offers 255 deluxe guest rooms, a spa, meeting facilities and fine dining. The Resort plays host to a variety of Fortune 250 companies annually. It also sponsors several high profile golf and tennis tournaments that work to spotlight Kiawah Island and all of Charleston to national and international audiences. The Resort is scheduled to hold the PGA Championship in 2012. The Resort ranks among the major employers in the region with over 1,000 employees, according to the Charleston Metro Chamber of Commerce.

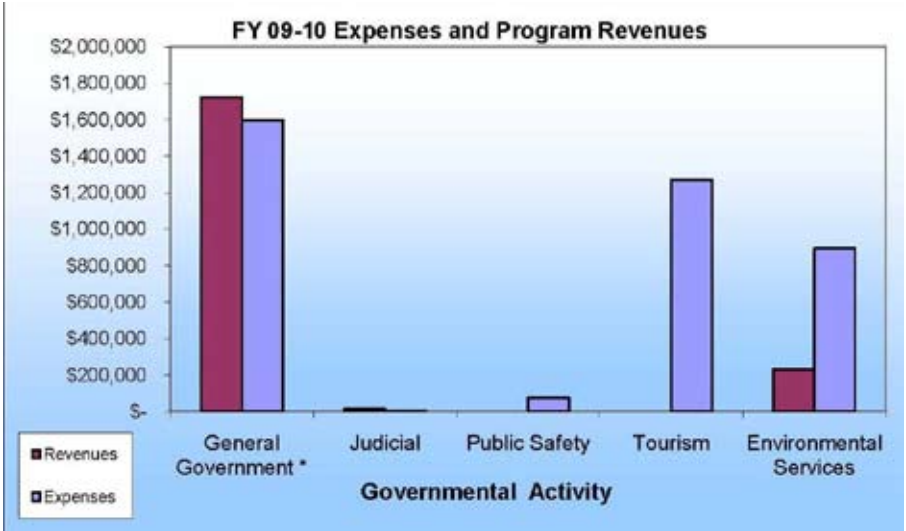


The Town's business license revenues have grown dramatically over the last few years and with this year as an exception, with the slowing economy. Short-term rentals, home construction and remodeling, real estate sales, and recreation (e.g. golf and tennis) comprise the majority of the Island's business enterprises.

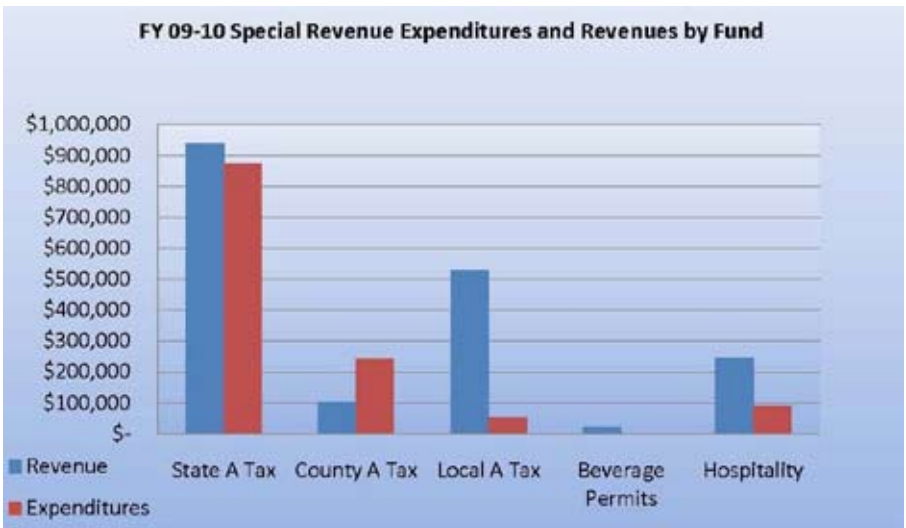
The future golf Championships like the PGA; Cultural Performing Arts, and world-class facilities continue to contribute to Kiawah's tourism industry. The Town documents their long term planning issues in the Town's Comprehensive Plan, which is updated every five years. The Town completed a review/update of its Comprehensive Plan, which includes two new elements as required by state law. These elements include transportation and priority investments. The updated plan was adopted by Town Council on December 7th, 2010.

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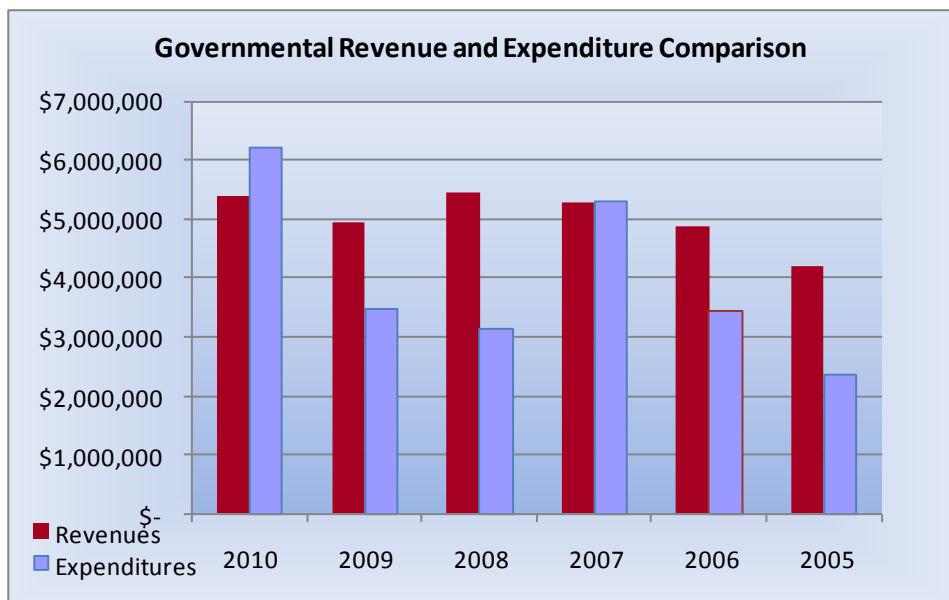


At year-end, actual Town revenue was \$684,000 above the budget estimated, primarily due to business license and investment growth. Expenditures were \$2,852,000 under budget primarily due to the lack of reserve for contingency being used and the savings on the parkway enhancement project, that started during the latter part of the 2008-2009 fiscal year having few expenditures.



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Revenues received in these funds are legally restricted to expenditures for tourism and recreation purposes. The expenditures have remained consistent while the revenues had increased due to the continued growth of tourism on the Island until 2010.



Over the past five years the Revenue of the Town had continued to grow with the exception of 2009 and 2010. The Town experienced, as did most of the country the down turn of the national economy. The Town was well situated to address this event, by controlling expenditures. In addition the Town was able to complete the Parkway and Bicycle Path project completely from cash reserves. If you exclude the Parkway and Bicycle Path improvements from expenditures the Town's expenditures were at the level achieved in 2006. The unusual spike in expenditures in 2010 and 2007, was due to the parkway and bicycle path project (that repaved the Kiawah Island Parkway, lengthened the curves for safety and added a bicycle path from the gate to freshfields) and beach restoration project (that placed 550,000 cubic yards of sand along the heavily eroded beachfront). This cost the Town was \$ 3,031,229 and \$ 2,107,384, respectively during those fiscal years.

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Town Financials

Net assets serve over time as a useful indicator of a government's financial position. The Town of Kiawah Island's, assets exceeded liabilities by \$21,773,977 at the close of the fiscal year. This amount compared with prior years where net assets totaled \$20,237,369 and \$19,297,820. Of this net assets, \$8,283,790 or (38%) reflects the Town's investment in Capital assets (Land, buildings, equipment and infrastructure.) The Town uses these assets to provide services to citizens; therefore, these assets are not available for future spending. The Restricted for Tourism net assets reflects a reduction of \$ 1,482,000 or (24%). These net assets are used to provide services to attract tourism.

Town of Kiawah Island Net Assets

	2010	2009 As restated	2008 As restated
Assets			
Current assets	\$ 4,805,945	\$ 4,828,833	\$ 7,687,366
Capital assets	8,283,790	5,898,135	5,869,920
Non-current assets	9,133,408	9,886,163	6,114,852
Total assets	22,223,143	20,613,131	19,672,138
Liabilities			
Current liabilities	449,166	375,762	374,318
Total liabilities	449,166	375,762	374,318
Net Assets			
Invested in capital	8,283,790	5,898,135	5,869,920
Restricted for tourism	4,865,645	6,348,190	5,707,701
Unrestricted	8,624,542	7,991,044	7,720,199
Total net assets	\$ 21,773,977	\$ 20,237,369	\$ 19,297,820

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TOWN OF KIAWAH ISLAND

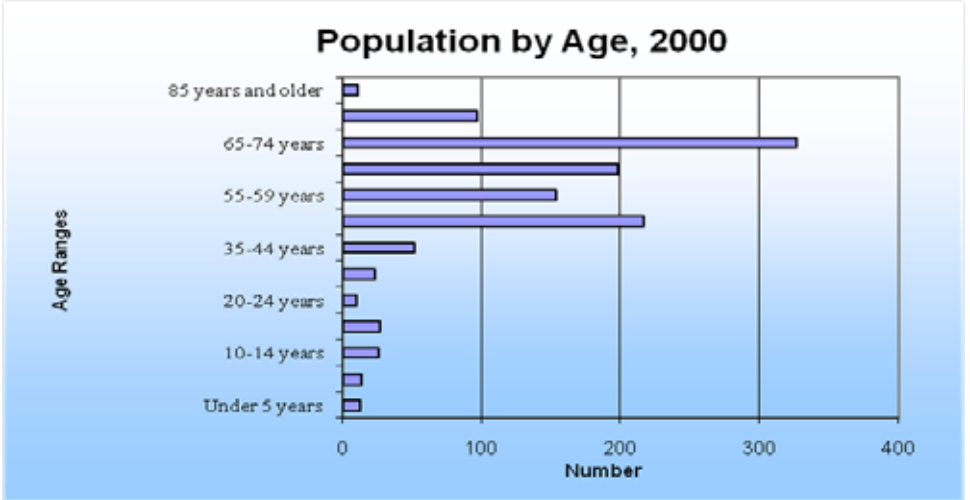
	Changes in Net Assets		
	2010	2009 As restated	2008 As restated
Revenues			
Program revenues:			
Charges for services	\$ 1,968,499	\$ 2,113,231	\$ 2,022,758
General Revenues:			
SC aid to subdivisions	30,381	36,226	37,972
Local option sales tax	291,961	289,973	318,538
Franchise taxes	402,825	312,611	301,858
Interest	559,638	309,086	404,492
Hospitality tax	245,865	255,009	288,276
Grants and contributions	300,000	36,315	28,059
Accommodation tax	1,567,821	1,849,228	2,263,926
Miscellaneous	8,730	13,807	23,583
Total revenue	5,375,720	5,215,486	5,689,462
Program expenses			
General government	1,597,727	1,893,588	1,774,989
Judicial	3,713	6,395	5,559
Public safety	74,624	92,167	51,956
Tourism and recreation	1,269,734	1,466,819	1,411,537
Environmental services	893,314	816,968	762,755
Total expenses	3,839,112	4,275,937	4,006,796
Increase in net assets	1,536,608	939,549	1,682,666
Net assets, beginning July 1	20,237,369	19,297,820	17,615,154
Net assets ending June 30	\$ 21,773,977	\$ 20,237,369	\$ 19,297,820

Note: The Town transferred the remaining equity of the Solid Waste Enterprise Fund into the General Fund at the end of the 2009 fiscal year, since the majority of the expenditures for environmental services are funded from General Fund revenues. The 2009 and 2008 balances have been restated accordingly for better comparability.

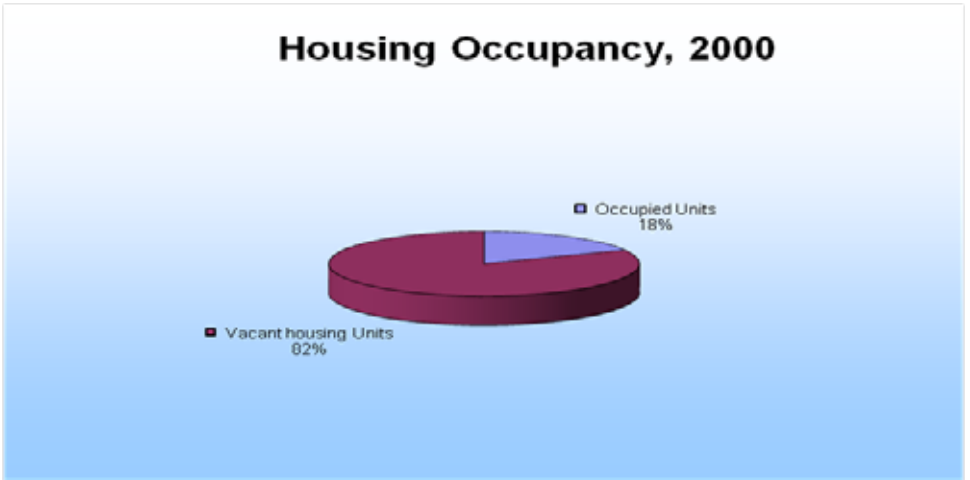
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Town Demographics



The population of Kiawah Island increased by 62% between 1990 and 2000. The number of males increased faster than females in the population.



The number of owner occupied, vacant and seasonal units all increased.

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Sources: Population, median age, and education level information is provided by the Berkeley-Charleston-Dorchester Council of Governments.

Educational Attainment		Number	
Population 25 and older		1082	
		Number	Percent
	High School graduates	92	8.5
	Some College, or associates Degree	167	15.4
	Bachelor's Degree	422	39
	Master's, professional or doctorate degree	385	35.6
<p>Note: Households with individuals over the age of 65. Increased by 140%. The majority of Kiawah residents are retired.</p>			

School Enrollment			
		Number	
	Population 3 years and older	97	
		Number	Percent
	Preschool and Kindergarten	5	5.2
	Grades 1-12	57	58.8
	College	53	36.1
<p>Note: The number of children decreased by almost 18%. Households with children under the age of 18 decreased by almost 15%.</p>			

Median Household Income in \$	Amount
Median Household income	76,114
Householder under 25	0
Householder 25-34	0
Householder 35-44	74,375
Householder 45-54	115,408
Householder 55-64	85,777
Householder 65-74	67,500
Householder 75 and older	30,000
<p>Note: The average household and family sizes decreased by more than 6% each.</p>	

This information is based on the most recent data, which was taken from the 2000 census. Information is also taken from U.S. Census Bureau, 2000 Census.

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The town reports the following fund types:

Governmental Funds are used to account for general governmental activities. The Town's major governmental funds are the general fund and each special revenue funds.

General Fund – The Town's primary operating fund. This fund accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – These funds account for the Town's revenue sources that are legally restricted to expenditure for tourism and recreation purposes (not including major capital projects). Special revenue funds for the Town consist of: State Accommodation Tax; County Accommodation Tax; Local Accommodation Tax; Beverage Permit and Hospitality Tax.

Capital Projects Fund – This fund accounts for the construction of major capital projects that are not financed by proprietary. There were no capital project fund balances in the current year.

Proprietary Funds reporting focus is on the determination of operating income, changes in net assets, financial position, and cash flow. Proprietary funds are classified as either enterprise or internal service. The Town only had one enterprise fund, Solid Waste, and no internal service funds.

Enterprise Fund / Solid Waste - This fund was used to account for the Town's solid waste disposal operations. The Town transferred the remaining equity of the Solid Waste Enterprise Fund into the General Fund at the end of the 2009 fiscal year, since the majority of the expenditures for environmental services are funded from General Fund revenues. This fund is no longer used by the Town.

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Town of Kiawah Island



21 Beachwalker Drive
Kiawah Island, SC 29455
www.kiawahisland.org

**Prepared by Finance Department
For more information, please contact
Kenneth Gunnells at (843) 768-9166.**

(The pictures on the cover were taken by Town Staff and show the completed Kiawah Island Parkway Project)

Municipal Association of South Carolina honors Kiawah Island with Achievement Award

The Town of Kiawah Island received a Municipal Achievement Award for its bike path and parkway project. Officials were presented with the award during the Municipal Association of South Carolina's 70th Annual Meeting on July 17. The City won in the public works category. Thirty-two cities and towns submitted their projects and initiatives.

The seclusion that kept Kiawah Island pristine and beautiful also made traveling to it dangerous. The only road on and off the island did not have bike lanes or a pedestrian footbridge over the Kiawah River. All non-vehicular traffic was discouraged.

There were other problems with the road. Numerous segments were prone to flooding and sharp curves contributed to traffic accidents over the years. The road was not adequate for hurricane evacuations, either.

When it passed its comprehensive plan, town council made a commitment to improve transportation on the island. Council decided to make the road safer and, at the same time, offer basic recreational space for residents and visitors. Thus began a long process of improving the road and constructing a bike path running parallel to it. For three years, officials studied construction designs, wildlife mitigation solutions and landscaping. They held town meetings to gather input from the public.

Officials worked with various agencies to avoid harming the ecosystem during or after construction.

Charleston County took part to ensure that no damage was done to protected trees. After reducing the scope of the project to cut down the impact to the saltwater marsh, town officials sent the plan to the state and federal government for approval.

When a master plan was completed and agreed upon, the town and county provided the necessary funding without increasing fees or taking on debt.

The paved bike path ran alongside the road, and a new pedestrian bridge spanned the Kiawah River, both protected by handrails and guardrails. Nautical landscaping and irrigation were added to enhance the bike path's appearance. The dangerous s-curves were lengthened and smoothed, and turn lanes were added to busy points in the road. The speed limit was reduced to 35mph. Signage was added along the road to alert drivers of these changes and direct non-vehicular traffic to the new bike path.

The new bike path did more than increase safety and offer recreation for residents and visitors, it promoted connectivity with off-island communities. Now residents and visitors have a way to get to other areas to eat and shop without getting in their cars, and people from outside Kiawah have the opportunity to ride their bikes onto the island to do the same. The new bike path also connected with other already established paths in nearby areas. There has been a sharp decrease in the number of traffic accidents.