

**AUDIT COMMITTEE MEETING**  
Kiawah Island Municipal Center  
Council Conference Room  
May 14, 2018; 2:30 PM

**Agenda**

I. **Call to Order:** Mr. Koach called the meeting to order at 2:30 pm.

II. **Roll Call:**

**Present:** Jack Koach, Chairman  
Andrew Capelli  
Jim Williams  
Roland Hoffman

**Also Present:** Stephanie Tillerson, *Town Administrator*  
Dorota Szubert, *Town Treasurer*  
Emily Sobczak, *Greene, Finney, and Horton*  
Brian McCall, *Greene, Finney, and Horton*

III. **Approval of Minutes:**

A. Minutes of the September 22, 2017, Audit Committee Meeting

*Mr. Capelli made the motion to approve the minutes of the September 22, 2017, Audit Committee meeting. The motion was seconded by Mr. Hoffman and unanimously passed as amended.*

IV. **Old Business:**

None

V. **New Business:**

A. Discussion of the Treasurer's Report from the First Three Quarters ended 3/30/18

Mrs. Szubert presented the Town's Balance Sheet as of March 31, 2018, and Budget to Actual Report for the first nine months. The Budget to Actual Report is compiled on the cash basis, and all the funds are consolidated. She stated that as of March 31, 2018, the Town's governmental funds combined have ending fund balance of approximately \$17.4 million, an increase of approximately \$490,000.00 from June 30, 2017. Of that amount, approximately 40% or \$6.8 million is General Fund.

Overall, for the first nine months, the Town's revenues appear reasonable for this time of the year and in line with the expectations. Consolidated revenues of \$6.5 million were approximately \$300,000.00 higher than budgeted. The positive variance is mostly attributable to building permits fees that are approximately \$200,000.00 higher than budgeted and interest revenue that is approximately \$80,000.00 higher than budgeted. Both variances are expected to carry throughout the year and are related to starting of the construction of some KIGR projects on the Island and steady growth of the rate of return on investments.

The Town also has received final reimbursement of \$42,000.00 from FEMA for the clean up after Hurricane Irma. The negative variances are mostly related to the timing of the monthly collection

of the Local Option, Accommodations and Hospitality Taxes, except for the Electric Franchise Fee that has been received approximately \$100,000.00 less than budgeted. An additional \$80,000.00 has been received, but the staff is still investigating the shortfall.

With 75% of the year lapsed at the end of March, expenditures to date are approximately \$5.4 million or 76% of total budgeted expenditures. The small negative variances are mostly related to timing with two exceptions that will carry throughout the year. Insurance cost is 17% higher than budgeted due to increase in bridge coverage premium. Calculation of the maintenance costs of the new Municipal Center was underestimated and will exceed the budgeted amount. For the first nine months costs are 9% over the budget. Projections for the next year's budget can be calculated with more actual figures.

In the second quarter, the Town also incurred costs related to the cleanup (\$95,000.00) and partial beach renourishment (\$185,000.00) after Hurricane Irma that totaled as of March 31, 2018.

Capital expenditures are in line with the budget. This project has been completed and closed and approximately \$500,000.00 under budget. The negative variance in Municipal Center construction cost is related to timing.

Mr. Capelli pointed out a \$60,000.00 line-item in the draft budget for a part-time, non-employee, building inspector and questioned its characterization in Professional Services.

Mr. Capelli pointed out a \$50,000.00 line-item under Road Repairs. He questioned if the item is for engineering work, and if it was, was their construction money budgeted. Mrs. Szubert clarified that there was funding for the bridge repair and erosion projects, along with consultant to survey of the Parkway roadway surface and drainage was budgeted in the FY 18-19 budget. She stated that \$2 million was the preliminary figure for the Parkway project. When the consultant has completed the survey, the design and construction costs will be budgeted in FY 19-20 budget.

Mr. Capelli questioned why the State Accommodations and Hospitality Taxes show a projected increase of 2% to 4% and the Local show a 15% projected increase. Mrs. Szubert stated that the Local Accommodations amounts are pre-designated by County, where State Accommodations, Hospitality, and other taxes that are collected are sent to the Town in their entirety minus an administration fee and increases are projected on trends.

#### **B. Pre-Audit and Internal Control Discussion**

Mrs. Sobczak, with Greene, Finney, and Horton, stated that preparation of the planning procedures is in progress for the fiscal 2018 audit. The first step is meeting with the Audit Committee to provide a review of the audit process along with responsibilities and the timeline.

Mrs. Sobczak asked members if there were any concerns or any areas in which they felt may require additional focus beyond the normal scope of work. She stated that very similar to last year; interim work would be done this week, the year-end audit scheduled to place will take in

September, presentation of the financials to the Audit Committee in last part of September and then to Town Council in October.

Mrs. Sobczak reminded members that in the audit process all financial information is provided by management and staff. Therefore, good internal controls are required for complete and accurate information promptly. As part of the audit planning procedures, internal controls are reviewed in different audit areas to make sure that they are working as designed followed by a discussion with management to allow for changes to procedures or staff.

Mrs. Sobczak stated the responsibility, as the auditor, is to audit the financial information provided and to issue an opinion on that information. Along with the opinion, any comments or concerns that are found during the audit process are written on the back of the report.

Discussion included if there are any anticipated changes in the scope of the audit, making sure that internal controls have been put into place by recommendation are working, identifying if additional actions are required before the September audit, new systems or processes added by financial staff, and the new GASB 75 (Governmental Accounting Standards Board) standard that will have an effect on the Town's financial report.

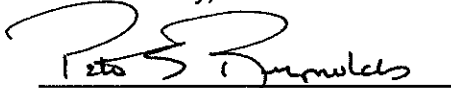
VI. **Chairman's Comments:**  
None

VII. **Citizen's Comments:**  
None

VIII. **Adjournment:**

*Mr. Capelli made a motion to adjourn the meeting at 3:00 pm. The motion was seconded by Mr. Hoffman and was unanimously passed.*

Submitted by,



Petra S. Reynolds, Town Clerk

9.27.2018

Date