

# AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center  
Council Conference Room  
October 21, 2020; 10:00 AM

## MINUTES

I. **Call to Order:** *Chairman Said called the meeting to order at 10:00 am.*

II. **Roll Call:**

**Present:** Klaus Said, Chairman  
Andrew Capelli  
Jim Williams  
Alex Fernandez  
John Ross

**Also Present:** Stephanie Tillerson, *Town Administrator*  
Dorota Szubert, *Town Treasurer*  
David Irwin, *Mauldin & Jenkins*  
Kellan Shuford, *Mauldin & Jenkins*

III. **Approval of Minutes:**

A. Minutes of the September 8, 2020 Audit Committee Meeting

*Mr. Williams made a motion to approve the minutes of the September 8, 2020 Audit Committee meeting. The motion was seconded by Mr. Capelli and was unanimously passed.*

IV. **Old Business:**

None

V. **New Business:**

A. Review and Discussion of the Draft FY 2019-2020 Audit

Mr. Irwin, with Mauldin and Jenkins, indicated prior to the meeting, Committee members had been provided copies of the Comprehensive Annual Financial Report (CAFR) draft, management letter, and the Auditor's Discussion & Analysis (AD&A). The AD&A is an internal document prepared for the benefit of members to provide information on the audit firm, a summary of the audit results, and synopsis of future accounting standards.

Mr. Irwin stated that the Town's FY 19/20 audit had been completed, and the had gone through the internal quality control process, and the financial statements had been gone through a review process. After the Committee has reviewed the financial statements, the final document will be released.

Mr. Irwin stated the auditors had issued an unmodified (clean opinion) audit report. The respective financial statements are considered to present, fairly, the financial position and results of operations as of and for the year ended June 30, 2020. He also noted there were no audit opinions or deficiencies issued in this audit despite the uncertainties of the pandemic.

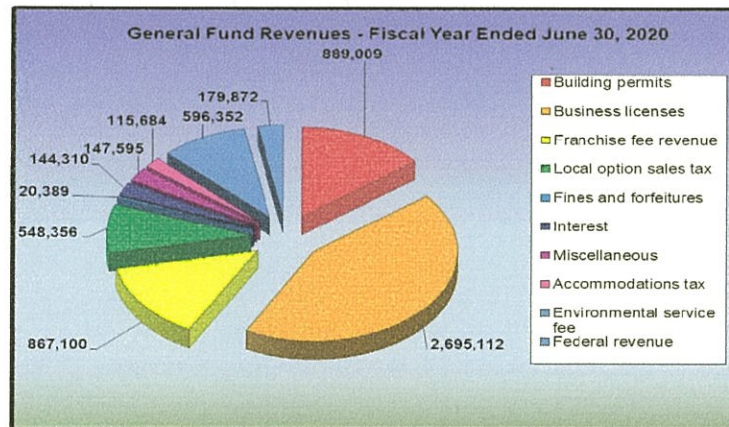
Mr. Irwin stated that Town’s CAFR is annually submitted to the Government Finance Officers Association (GFOA). After a stringent review process, had again received a Certificate of Achievement Award for excellence in financial reporting.

Mr. Irwin stated the presented financial statements included a Management Discussion and Analysis that Ms. Szubert prepared. He gave an overview of the components of the financial statements, which provide a broad overview of the Town’s operations.

The Committee discussed questions from members included:

- Net Position - Restricted assets decreased, and unrestricted assets grew. Ms. Szubert explained that 80% of the Parkway Paving (Infrastructure) Project was paid from restricted assets (tourism-related) and 20% from unrestricted.
- General Fund Balance – Comparison of the fund balance to other municipalities. Mr. Irwin stated that the GFOA recommends an entity has a minimum fund balance equal to three to five months of operating expenses; Kiawah has eighteen months.
- Journal Entries - Number of journal entries without proper authorization. – Mr. Shuford stated that 10 out of the 25 sample entries did not have proper authorization, and a total of 50 entries were made throughout the year. Further discussion included the reoccurring comment was due to a lack of staff to review the entries, the option of engaging an outside individual or firm to review the entries, or the audit firm review explaining the entries.

Mr. Irwin reviewed the General Fund revenue sources and the financial statement footnotes.



Mr. Capelli asked for clarification and commented on several of the reports’ footnotes or language. Also discussed were the “Other Accounting Related Matters” listed and if they would apply to the Town’s audit in the future, and if the auditors examined the payments received and the refund authorization process.

Mr. Irwin reviewed the new program procedures implement due to the pandemic discussed in the kick-off meeting and if any were applied or a concern during the Town’s audit. Mr. Capelli asked if any concerns were raised while examining internal controls. Mr. Irwin indicated that no concerns or the need for new internal controls were noted.

**B. Budget Report for the First Three Months Ended 9/30/20**

Ms. Szubert presented the Town's Balance Sheet as of September 30, 2020, and Budget to Actual Report for the first quarter. The Budget to Actual Report is compiled on a cash basis, and all the funds are consolidated.

As of September 30, 2020, the Town's governmental funds combined have an ending fund balance of approximately \$19.9M, a decrease of approximately \$669K from June 30, 2019. Of this amount, approximately 57%, or \$11.3M is available for spending at the Town's discretion (unassigned fund balance).

Due to uncertainties related to the COVID-19 pandemic, the Town Council adopted the FY2021 budget with very conservative revenue projections. The first-quarter revenues were projected with the assumption the Town will receive 50% of the actual collection from the first quarter of last year in the tourists generated revenue sources. However, the actual collection has exceeded our projections. The only revenue source that falls below the budget is interest revenue. Ms. Szubert stated that she would suggest moving half of the investments into long-term instruments allowed by the State at the next Ways and Means Committee meeting. Overall, consolidated revenues of \$1.5M were approximately \$64K or 4% higher than budgeted.

With 25% of the year lapsed at the end of September, expenditures to date are approximately \$2.2M, or 28% of total budgeted expenditures and approximately \$429K greater than budgeted for the first three months. The negative variance is mostly attributable to the Kiawah Island Parkway re-pavement cost. The project was scheduled to finish and was budgeted in the last fiscal year. Overall, expenditures are reasonable and in line with the budget.

**VI. Chairman's Comments:**

None

**VII. Citizen's Comments:**

None

**VIII. Adjournment:**

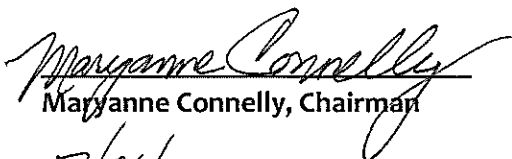
*The meeting was adjourned at 11:10 am.*

Submitted by,

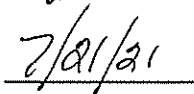


Petra S. Reynolds, Town Clerk

Approved by,



Maryanne Connelly, Chairman



Date