



TOWN OF
Kiawah Island

Financial Audit Presentation
Year Ended June 30, 2017



2017 FINANCIAL AUDIT
TOWN OF KIAWAH ISLAND

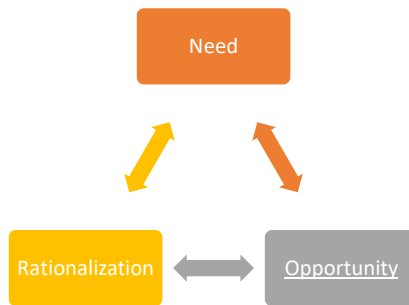
OPINION

- 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.



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

The Risk of Fraud



The Fraud Triangle



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

OPINION

- The Town's responsibility:
 - Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

- GF&H 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

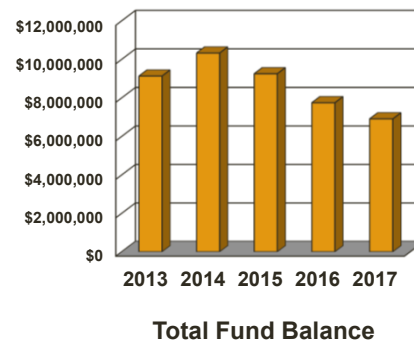


2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

• General Fund

- Total fund balance of \$6.9M decreased \$839k
- Non-spendable fund balance of \$108k for prepaid items
- Unassigned fund balance of \$6.8M

GENERAL FUND

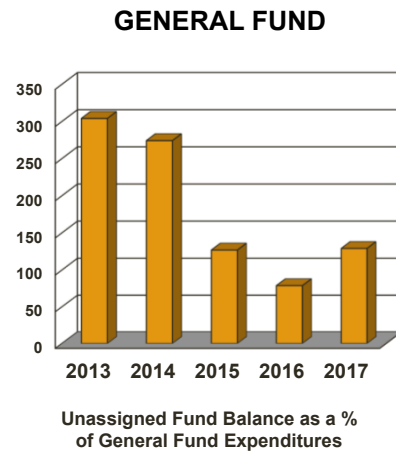




2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

• **General Fund**

- Unassigned fund balance is \$6.8M, which is 141.2% of 2018 budgeted expenditures and other financing uses
- GFOA recommends a minimum of 16.7% (two months), but it should be higher for a coastal community



2017 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.

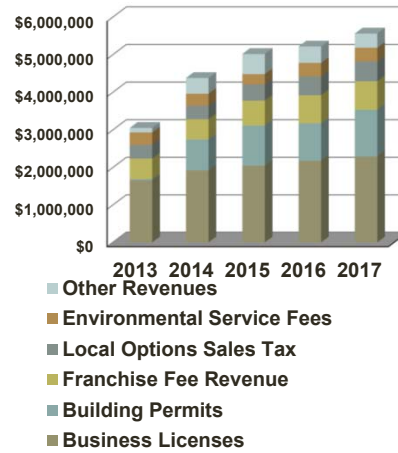


2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

General Fund Revenues:

- \$5.6 million for 2017:
 - \$2.3m in business licenses
 - \$1.2m in building permits
 - \$756k in franchise fee revenue
 - \$530k in local options sales tax
 - \$363k in environmental service fees
 - \$376k in all other revenues
- \$551k or 11.0% higher than budget
 - Business licenses were higher than budget by \$454k
 - Federal revenues were higher than budget by \$120k

GENERAL FUND REVENUES

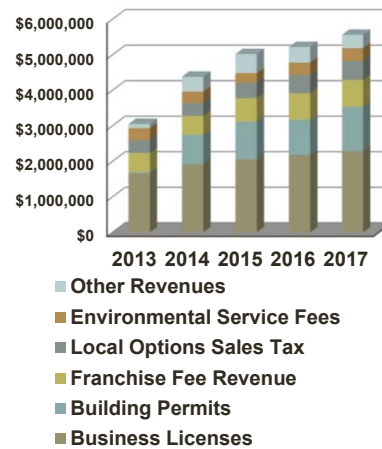


2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

General Fund Revenues:

- \$343k (6.6%) increase from 2016
 - \$107k increase in business licenses due to increased growth in the island's economy
 - \$256k increase in building permits due to several permits issued for a large project on the island
 - \$120k increase in federal revenues due to the FEMA reimbursements related to Hurricane Matthew
 - \$72k decrease in miscellaneous revenue due to insurance proceeds in 2016 and a large one-time employee repayment in 2016. Employee repayments continued as scheduled in 2017.

GENERAL FUND REVENUES



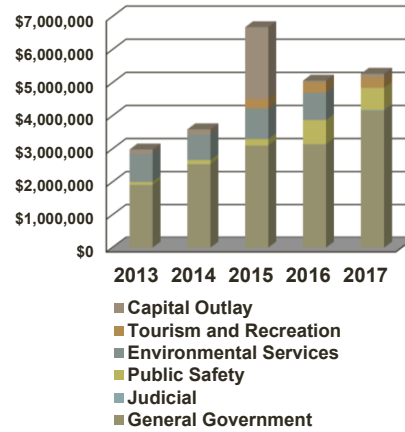


2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

General Fund Expenditures:

- \$5.3M for 2017:
 - \$4.2m in general government
 - \$20k in judicial
 - \$666k in public safety
 - \$320k in tourism and recreation
 - \$105k in capital outlay
- \$402k (8.3%) greater than budget
 - General government \$397k over budget primarily due to storm cleanup costs exceeding budget by \$627k partially offset by salaries and benefits coming in \$142k under budget
 - Other departments were fairly consistent with budget

GENERAL FUND EXPENDITURES

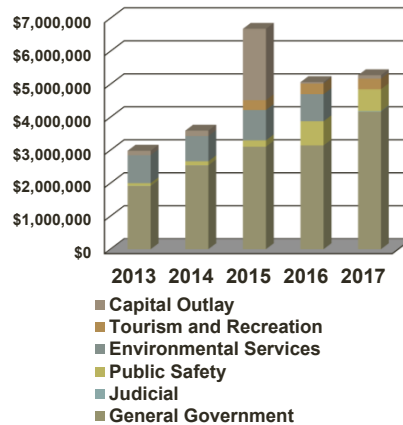


2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

General Fund Expenditures:

- \$209k (4.1%) increase from 2016:
 - \$627k increase in storm cleanup costs related to Hurricane Matthew
 - \$309k increase in salaries and benefits related to approved salary increases and new hires related to bringing building permitting in-house
 - \$92k increase in rentals due to the sale and subsequent rental from KICA of the old municipal center
 - \$947k decrease in professional services due to bringing building permitting in-house and decreases in legal fees and accounting fees

GENERAL FUND EXPENDITURES





2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Totals for All Funds

- Includes General, Capital Projects, State, County and Local Accommodations, Beverage Permits, Hospitality Tax and Victims' Assistance Funds
- Revenues-\$9.3 million
- Expenditures-\$14.0 million
- Expenditures exceeded revenues primarily due to \$6.9M in capital outlay related to the new municipal center.



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Other Items of Note:

- Total capital assets were \$14.3M – an increase of \$4.0M from 2016 due to the following:
 - \$7.1M in additions including \$6.9M related to the construction of the new municipal center, \$62k in vehicles, \$34k in signs and fences, \$7k in computers and software and \$1k in equipment
 - \$361k in depreciation expense
 - Net dispositions of approximately \$2.6M mainly due to the sale of the old municipal center to KICA
- \$3.0M in outstanding general obligation bonds with approximately \$371k in principal and interest due in fiscal year 2018.



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Other Items of Note:

- Remaining construction commitments of \$312k as of June 30, 2017 related to the construction of the new municipal center, which was completed in July 2017.
- GASB #75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" will be implemented in the year ended June 30, 2018 and will require the Town to recognize the unfunded liability, if any, related to healthcare benefits provided to retirees. It will be important for the Town to define the provisions of an OPEB Plan in order to determine the financial impact.



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Compliance

- No findings noted.
- No Single Audit was required for fiscal year 2017 as the federal expenditures were less than \$750k

Management Letter

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



2017 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2017