

Town of Kiawah Island

Financial Audit Presentation Year Ended June 30, 2016



2016 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

• OPINION

- The Town's responsibility:
 - Effective internal controls
 - Financial statements
 - Prepare and manage the budget
- GF&H's responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
 - Opinion does not address the financial condition of the Town
- The Town received an unmodified opinion



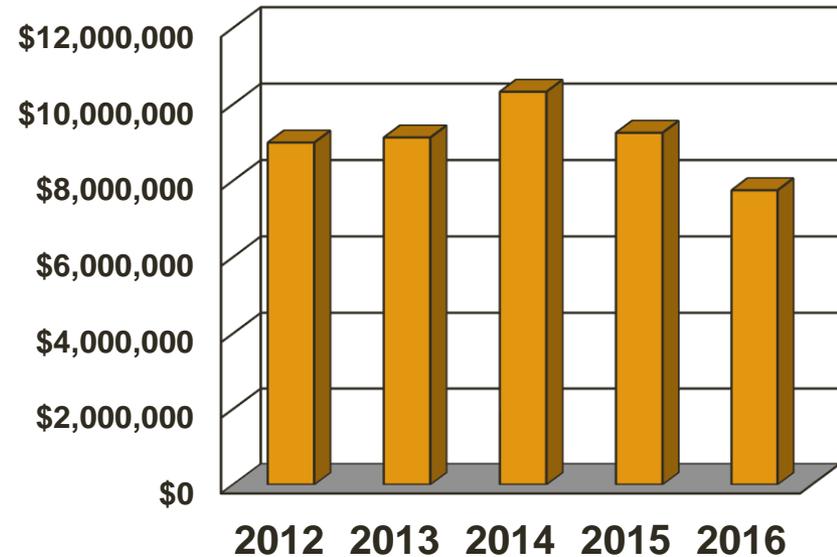
2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

• General Fund

- Total fund balance of \$7.8M decreased \$726k
- Non-spendable fund balance of \$49k for prepaid items
- Assigned fund balance of \$1.7M for next year's budgeted shortfall and \$603k for budget carryovers
- Unassigned fund balance of \$5.4M
- Beginning fund balance was adjusted \$778k for the reclassification of the Capital Projects Fund

GENERAL FUND



Total Fund Balance

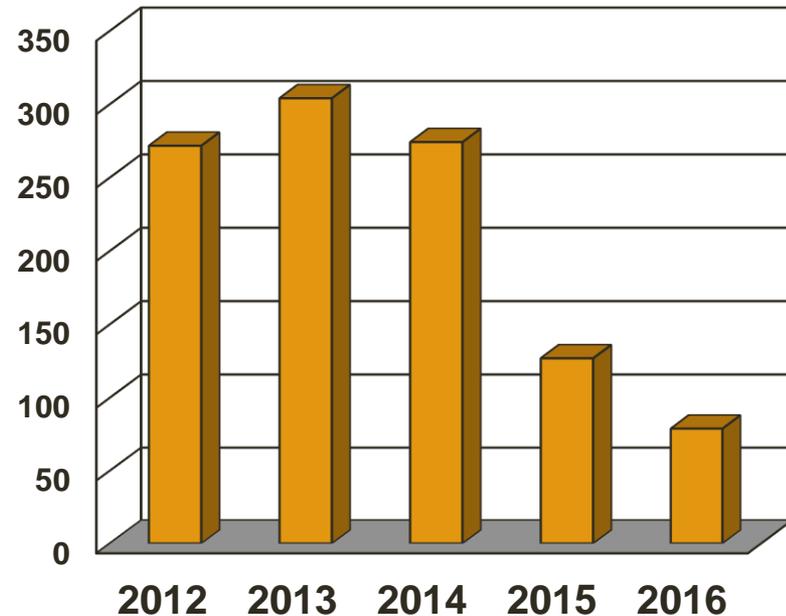


2016 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

• General Fund

- Unassigned fund balance is \$5.4M, which is 78.9% of 2017 budgeted expenditures and other financing uses
- GFOA recommends a minimum of 16.7% (two months), but it should be higher for a coastal community

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures



2016 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.



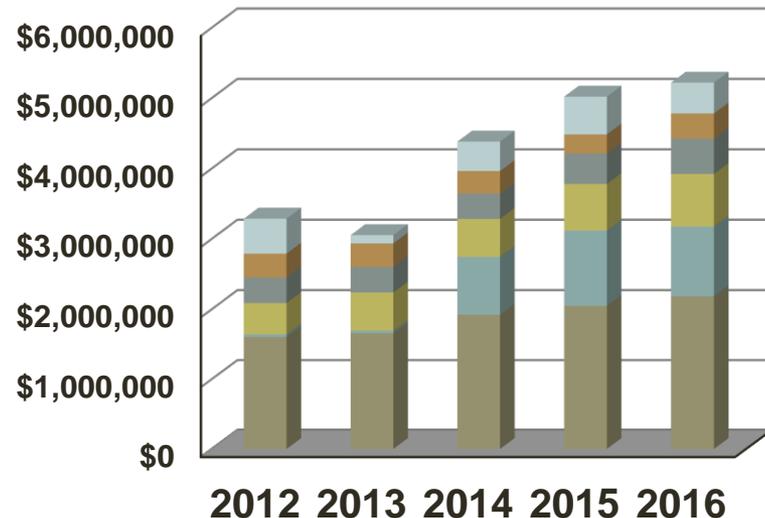
2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

General Fund Revenues:

- \$5.2 million for 2016:
 - \$2.2m in business licenses
 - \$990k in building permits
 - \$748k in franchise fee revenue
 - \$502k in local options sales tax
 - \$358k in environmental service fees
 - \$437k in all other revenues
- \$540k or 11.5% higher than budget
 - Business licenses were higher than budget by \$383k
 - Miscellaneous revenues were higher than budget by \$103k

GENERAL FUND REVENUES



- Other Revenues
- Environmental Service Fees
- Local Options Sales Tax
- Franchise Fee Revenue
- Building Permits
- Business Licenses



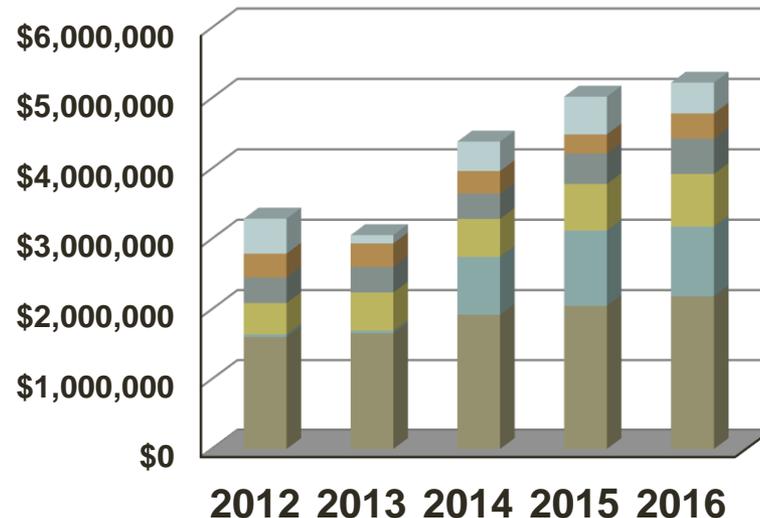
2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

General Fund Revenues:

- \$199k (4.0%) increase from 2015
 - \$135k increase in business licenses due to increased growth in the island's economy
 - \$85k increase in franchise fee revenues mainly due to an increase in the Berkeley Electric Cooperative franchise fee
 - \$85k increase in environmental service fees primarily due to increased collections on delinquent accounts
 - \$79k decrease in building permits

GENERAL FUND REVENUES



- Other Revenues
- Environmental Service Fees
- Local Options Sales Tax
- Franchise Fee Revenue
- Building Permits
- Business Licenses



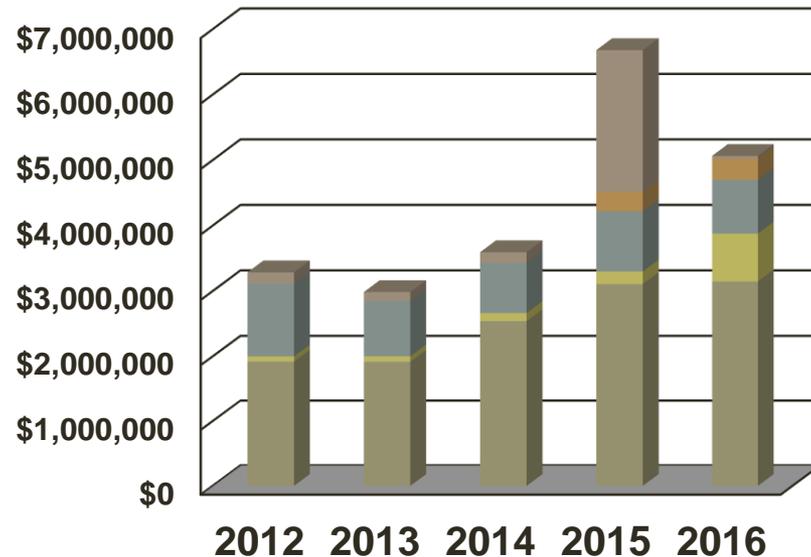
2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

General Fund Expenditures:

- \$5.1M for 2016:
 - \$3.1m in general government
 - \$1k in judicial
 - \$732k in public safety
 - \$820k in environmental services
 - \$324k in tourism and recreation
 - \$40k in capital outlay
- \$313k (6.6%) greater than budget
 - General government \$174k over budget primarily due to higher professional services costs than planned.
 - Public safety \$159k over budget primarily due to salaries and benefits being over budget by \$159k

GENERAL FUND EXPENDITURES



- Capital Outlay
- Tourism and Recreation
- Environmental Services
- Public Safety
- Judicial
- General Government



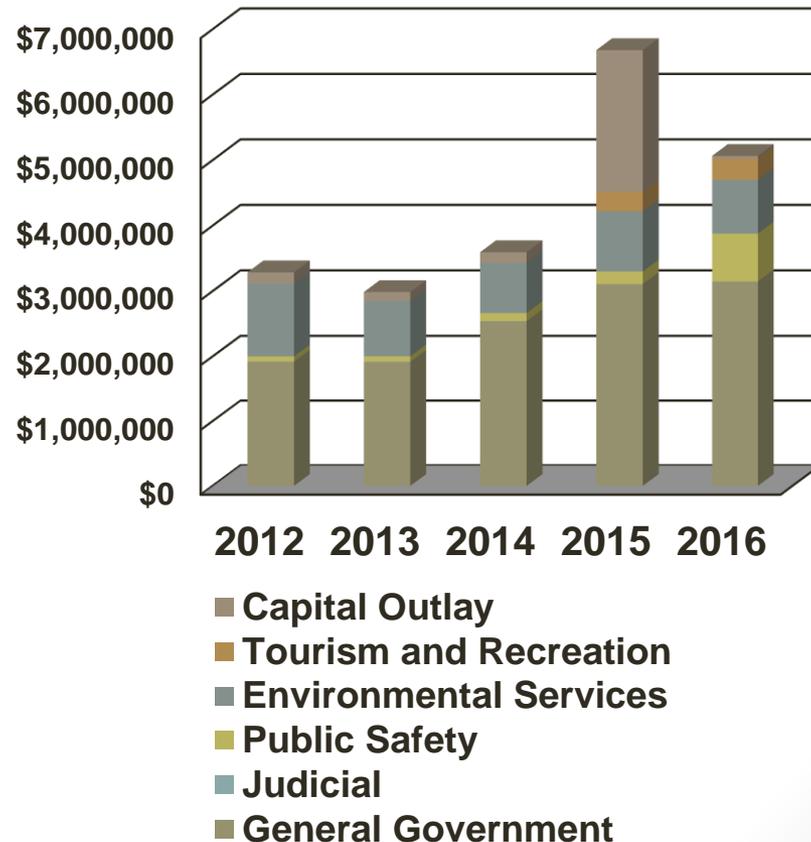
2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

General Fund Expenditures:

- \$1.5M (23.4%) decrease from 2015:
 - \$2.1M decrease in capital outlay due to the purchase of the land for the new municipal center in 2015. Capital outlay related to the new municipal center was reported in the Capital Projects Fund for 2016.
 - \$540k increase in public safety due to the salaries and benefits related to the deputies being reported in the General Fund in 2016 with a transfer from the State A-Tax Fund. They were reported in the State A-Tax fund in 2015.
 - \$101k decrease environmental services expenditures

GENERAL FUND EXPENDITURES



2016 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-\$8.6 million
- Expenditures-\$8.3 million



2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

Other Items of Note:

- Total capital assets were \$10.3M – an increase of \$1.1M from 2015 due to the following:
 - \$1.5M in additions including \$1.4M related to the construction of the new municipal center, \$90k in vehicles, \$34k in municipal center building/landscaping/miscellaneous, \$7k in computers and software and \$6k in equipment
 - \$373k in depreciation expense
- No accrual was made related to litigation as the amount of any gain is not estimable at the time of issuance of the report.
- The Capital Projects Fund was reclassified from the General Fund and reported as a major fund resulting in a decrease in opening fund balance in the General Fund of \$778k.
- Remaining construction commitments of \$6.7M as of June 30, 2016 related to the construction of the new municipal center.



2016 FINANCIAL AUDIT

TOWN OF KIAWAH ISLAND

Compliance

- No findings noted.
- No Single Audit was required for fiscal year 2016 as the federal expenditures were less than \$750k

Management Letter

- Required communications to management and those charged with governance:
 - Accounting Policies and Procedures Manual
 - Fraud Risk Management Program
 - Staff did a good job of addressing many of the findings from the prior year



2016 FINANCIAL AUDIT TOWN OF KIAWAH ISLAND

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2016
- Continue to work on improving documentation of internal controls, processes and policies
- Be careful approving the use of fund balance to balance the annual budget unless you have been saving for a major purchase

