



TOWN OF
Kiawah Island[®]
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Mayor
Craig Weaver

Council Members
John Wilson, Mayor Pro Tempore
John Koach
Diana Mezzanotte
Chris Widuch

Town Administrator
Stephanie Monroe Tillerson

Treasurer
Dorota Szubert

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Town of Kiawah Island, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

With

REPORT OF INDEPENDENT AUDITORS



Prepared By:

Treasurer's Office

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Introductory Section



**TOWN OF KIAWAH ISLAND
KIAWAH ISLAND, SOUTH CAROLINA**

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September 22, 2017

To Members of the Town Council and the Citizens of the Town of Kiawah Island, South Carolina:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Kiawah Island, South Carolina for the fiscal year ended June 30, 2017

This report contains management's representations concerning the finances of the Town of Kiawah Island. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed to protect government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Greene Finney & Horton LLP, a firm of licensed certified public accountants, has audited the Town of Kiawah Island's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded, that there was a reasonable basis for rendering an unqualified opinion that the Town of Kiawah Island's financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Kiawah Island's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

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 (2016-2018) is the sixteenth full administration. The at-large elections are non-partisan. Currently, there are approximately 1,600 voters on the rolls. These elected officials 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 ensuring 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 incorporation, the Town has grown from 1 full-time position to 17 full-time positions.

The Town of Kiawah Island is unique when compared to other South Carolina municipalities. Kiawah Island is a “residential Community with a resort surrounded by a unique and beautiful natural setting.” Also Kiawah Island Community Association (KICA), a private nonprofit property owner association, shares responsibility to serve residents and provides some services including road and drainage maintenance for owned property; premise security; landscaping; and recreation within the gated community. The Town provides services as prescribed by State statute to its citizens and guests including, but not limited to:

- Public Safety: island-wide law enforcement through a contract with Charleston County Sheriff's office and code enforcement; emergency response; disaster planning and recovery.
- Code Enforcement: provides code enforcement for municipal ordinances including business licenses. It also provides enforcement on the beach.
- Street and Drainage Maintenance: Beachwalker Drive, Kiawah Island Parkway from the roundabout at Betsy Kerrison Parkway to the front gate;
- Solid Waste Disposal: island-wide garbage, recycling, yard debris, brown trash and household hazardous waste collection and disposal for all residential property through a contract with Carolina Waste;
- Planning and Zoning Administration: through an agreement with Charleston County Planning;
- Criminal Court Administration: as part of the unified judicial system in South Carolina, the court 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: beach patrol, solid waste collection and beach condition monitoring;
- Communications: Town website, quarterly newsletter (Town Notes) , bi-weekly email blast and community forum; and
- Wildlife Studies: monitors, manages, and researches the Island's native wildlife species, and habitats while educating the general Island public in these areas.

Committees

The Town relies heavily on volunteer committees to support Town functions and strategies. The Town has committees as required by statute and also special committees to review and recommend policies, activities, and ordinances. These committees include the following:

Planning Commission

The primary objectives of the Planning Commission are to approve plats and make recommendations to the Town Council on planned development, zoning district and map amendments, zoning text amendments and comprehensive plan amendments. It is comprised of several individuals who serve year round.

Board of Zoning Appeals (BZA)

The BZA has three main purposes: 1) to hear and decide appeals when it is alleged by the appellant that an administrative official has made an error (Administrative Review); 2) to hear and decide applications for a variance from the requirements of the zoning regulations (Variances); and 3) to permit uses by exception, subject to the terms and conditions for those uses as identified in the zoning regulations (Special Exceptions).

Construction Board of Appeals

Construction Board of Appeals was formed to hear appeals regarding decisions and interpretations made by the Town's Building Official.

State Accommodations Tax Committee

The State Accommodation Tax Committee meets annually to consider SATAX applications and make recommendations to the Ways and Means Committee on how the Town's tourism related funding should be allocated during the following budget year.

Public Safety Committee

The Public Safety Committee is responsible for assisting the Town in meeting its state-mandated responsibilities with regard to maintain peace, order and law enforcement and to initiate and consider proposals and methods to upgrade and improve public safety on the island.

Public Works Committee

Public Works Committee was formed to assist the Town in monitoring and making recommendations to improve solid waste services, infrastructure, facilities and utility needs, and also to recommend and consider proposals and methods to upgrade and improve public works related services on the Island.

Environmental Committee

The Environmental Committee's primary objectives are to study and report on environmental issues such as alligator/fauna control, monitor health and population of birds and animals (bobcat, deer, fox, raccoon), make recommendations to town Council on ways to improve the quality of environmental services and the cost effectiveness of such services.

Arts and Cultural Events Council

The Arts and Cultural Events Council (ACEC) sponsors a wide range of performing art events supporting local and national musicians and artists. The Council plans a large repertoire of events hosting musical genres including jazz, orchestra, blues, chamber, comedy, ballet, vocalists, holiday performances, Piccolo performances, a young artists concert and a dance band. The Council is supported by Town Staff with an annual budget of over \$300,000 approved by Town Council each year. The Council is proud to offer first-class entertainment close to home with complimentary tickets or at a nominal fee. In FY2017 season, over 11,500 people attended ACEC events with a majority of the 28 performances being sold out. The Council believes our programs add value to the Kiawah Island brand while enhancing the quality of life for our residents and visitors.

Ways and Means

The Ways and Means Committee over sees all financial decisions including the annual budget, capital purchases and contracts.

Audit Committee

The Audit Committee oversees the Town's systems of internal controls, risk management, integrity of financial statements, compliance with legal and regulatory requirements and ethical standards, as well as performance of the Town's independent auditors.

Budget

The annual budget serves as the foundation for the Town of Kiawah Island's financial planning and control. All departments and affiliates of the Town are asked to submit budget requests to the Town Administrator. The Treasurer and Town Administrator then prepare a first draft and present it for review to the Town's Ways and Means Committee, which is comprised of the Mayor and the four Council Members. Any necessary revisions are made and a final draft is submitted to the Town Council. A second reading is scheduled for the June meeting to meet the June 30 adoption deadline. In accordance with the State laws a public hearing is held to receive citizen input prior to final adoption and the adopted budget is posted on the Town's website. The budget is prepared by fund and activities of General Fund, Special Revenue Funds and Capital Project Funds are included in the annual appropriate budget.

The legal level of budgetary control is determined by ordinance and maintained at the fund level. The budget is based on each object coded by fund. The Treasurer can approve budgeted expenditures that are less than \$1,000 for payment. The Town Administrator can approve budgeted expenditures under \$10,000. Expenditures under \$5,000 that are not specifically budgeted can be approved by the Mayor. Expenditures between \$5,000 and \$10,000 that are not budgeted require Mayor's and one Council Member's approval. All expenditures over \$10,000 must be reviewed and approved by the Ways and Means Committee. Transfers between funds, between departments, and from the Contingency Line Items are allowed with Council approval and may require an amendment to the budget ordinance or resolution. Any budget amendments require action of the full Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Special Revenue Funds, the comparisons are presented as part of the basic financial statements for the governmental funds.

The Town is also in the process of developing a long term financial plan and Capital Improvements Program to help anticipate future impacts and ensure achievements of the Town objectives.

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Kiawah Island currently enjoys a relative stable economic environment with the key indicators such as home sales, rental rates, business license revenues, recreation and tourism showing steady growth.

Other contributors to the Kiawah economy include the Sanctuary which offers 255 deluxe guest rooms, a spa, meeting facilities and fine dining, and the Andell Inn, a 100-room boutique hotel in Freshfields Village. Kiawah is recognized internationally for its world-class golf courses. The Resort sponsored several golf championships including the 1991 Ryder Cup and the 2012 PGA Championship. It ranks among the major employers in the region with over 1,000 employees, according to the Charleston Metro Chamber of Commerce.

Future golf championships like planned 2021 PGA, Town's Cultural Performing Art performances, and world-class facilities continue to contribute to Kiawah's tourism industry. The Town documented their long-term planning issues in the Town's Comprehensive Plan, which was updated and adopted December 2015. This plan is reviewed annually by the Planning Commission and Town Council.

TOWN INITIATIVES

With goals and priorities of financially sound Town government, top quality municipal service and strong partnership with our stakeholders, the Town continues to be a financially secure local government. While maintaining its strong fiscal health, the Town has continued to focus on environmental projects, improving our service delivery, and completing our new Municipal Center.

The Town of Kiawah Island, in partnership with the Kiawah Conservancy, continued a long-term bobcat ecology study on Kiawah Island using global positioning system (GPS) tracking collars. This year marked the 11th consecutive year of this study and a total of 73 bobcats have been fitted with collars to date. 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.

The Town of Kiawah Island, working in cooperation with other island entities, continuously engages in various environmental research projects. Over the last 3 years, the Town has partnered with the Kiawah Conservancy to conduct an alligator research project to study environmental contaminants in Kiawah's alligator population and has partnered with KICA on an alligator behavior and safety study, using both VHF and GPS transmitters.

Since 2009, the Town has operated a Fall Migration Bird Banding station. This station allows biologists to learn valuable information on a variety of bird species, including migration patterns and timing, survival, longevity, population distribution and physical condition. The Town also conducts research on marsh sparrows and painted buntings.

The Town, in conjunction with Coastal Science Engineering, conducted a beach renourishment project in FY 2014-2015 to mitigate erosion on the eastern end of Kiawah's beach. The work was performed by Lake Moultrie Construction Company/Ashridge Inc at a cost of approximately \$700,000. This project requires long-term mitigation, including piping plover surveys, macroinvertebrate surveys, aerial photography, and GPS surveys. The cost for mitigation activities during FY 2016-2017 was approximately \$75,000.

Last year the Town entered into an agreement with Meducare Air, a participating provider in the AirMedCare Network, the largest air ambulance membership network in the United States. AirMedCare Network participating providers have more than 245 air medical bases across 32 states, providing air ambulance services for residents who suffer a life-threatening illness or injury. This agreement provides coverage if an insured Kiawah Island resident is flown by Meducare Air, or participating provider, for a life-threatening emergency from within Charleston County. The cost of the transport not covered by their insurance provider will be covered under the Town Agreement. As an optional benefit of the Town's agreement, Kiawah Island residents may take advantage of upgrading to a full AirMedCare Network Membership to gain full coverage with no pickup location or insurance coverage restrictions.

Over the summer into the fall of 2016, the Town's Communications department worked diligently with web design firm Cobble Hill on the development of a fresh new Town website. The new website launched in late January 2017. Under the new design, the focus was to cover three main demographics- residents, visitors and businesses. The updated design incorporates enhanced graphics, improved navigation, a robust search engine, and centralized calendar to quickly and easily find out more about Town programs, events and services.

As part of the Town's enhancement efforts, the Town completed drainage repairs on Beachwalker Drive and anticipates repair work to begin on the Kiawah Island Parkway Bridge before the front gate in the fall of 2017. Also, the Town continues to focus on the Island beautification.

The Town joined the Community Rating System (CRS) in 1996. The CRS is a program offered by the National Flood Insurance Program (NFIP) that offers incentives on a community wide basis, for discounted flood insurance premiums. By using best construction practices, increased document retention, public outreach, and more stringent flood hazard regulations, a community is offered reduced insurance premiums. This year the Town made an aggressive commitment to lower the cost of flood insurance premiums within the Island. The Town's CRS rating was reduced to 5, which equates to a 20% reduction in flood insurance premiums for residents and businesses within the Town.

For six consecutive years, the Town has provided generous philanthropic support to charitable and educational organizations on Kiawah, Johns Island and the greater Charleston area. Charitable contributions are awarded once a year by the Town Council. This year the Town awarded 21 organizations a total of \$142,000.

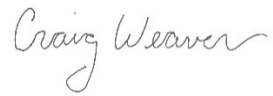
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The Town continues to participate as full board members of Charleston Area Regional Transportation Authority Board of Directors, the Berkeley-Charleston-Dorchester Council of Governments, the Charleston Area Transportation Study Committee, and the Charleston Visitors Bureau Board of Governors.

AWARDS AND ACKNOWLEDGEMENTS

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Kiawah for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twelfth consecutive year that the Town has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only and we believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements.

We would like to acknowledge the cooperation and support of Town Council in making this report possible.

A handwritten signature in cursive script that reads "Craig Weaver".

Craig Weaver
Mayor

A handwritten signature in cursive script that reads "Stephanie Monroe Tillerson".

Stephanie Monroe Tillerson
Town Administrator

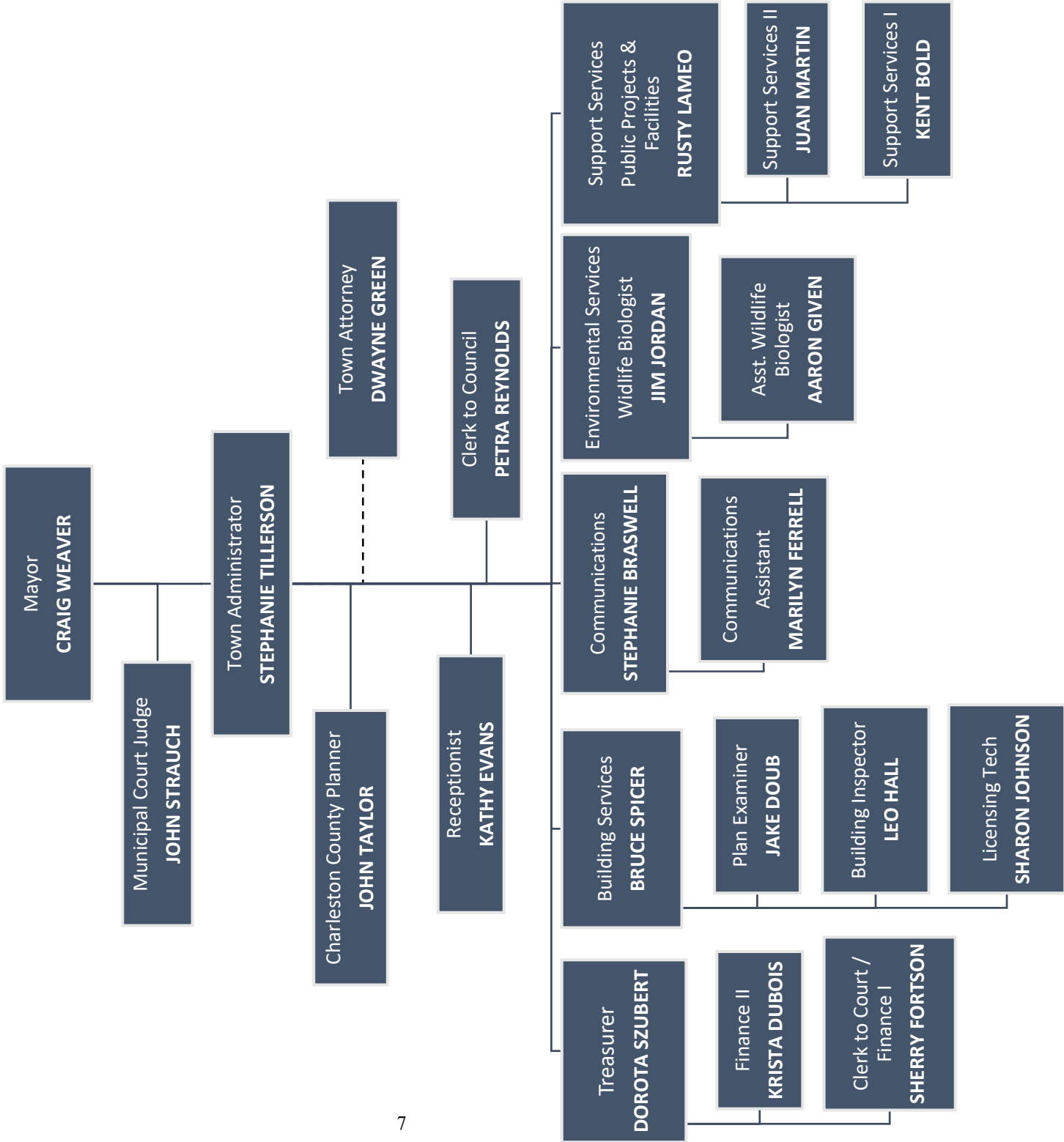
A handwritten signature in cursive script that reads "D. Szubert".

Dorota Szubert
Town Treasurer

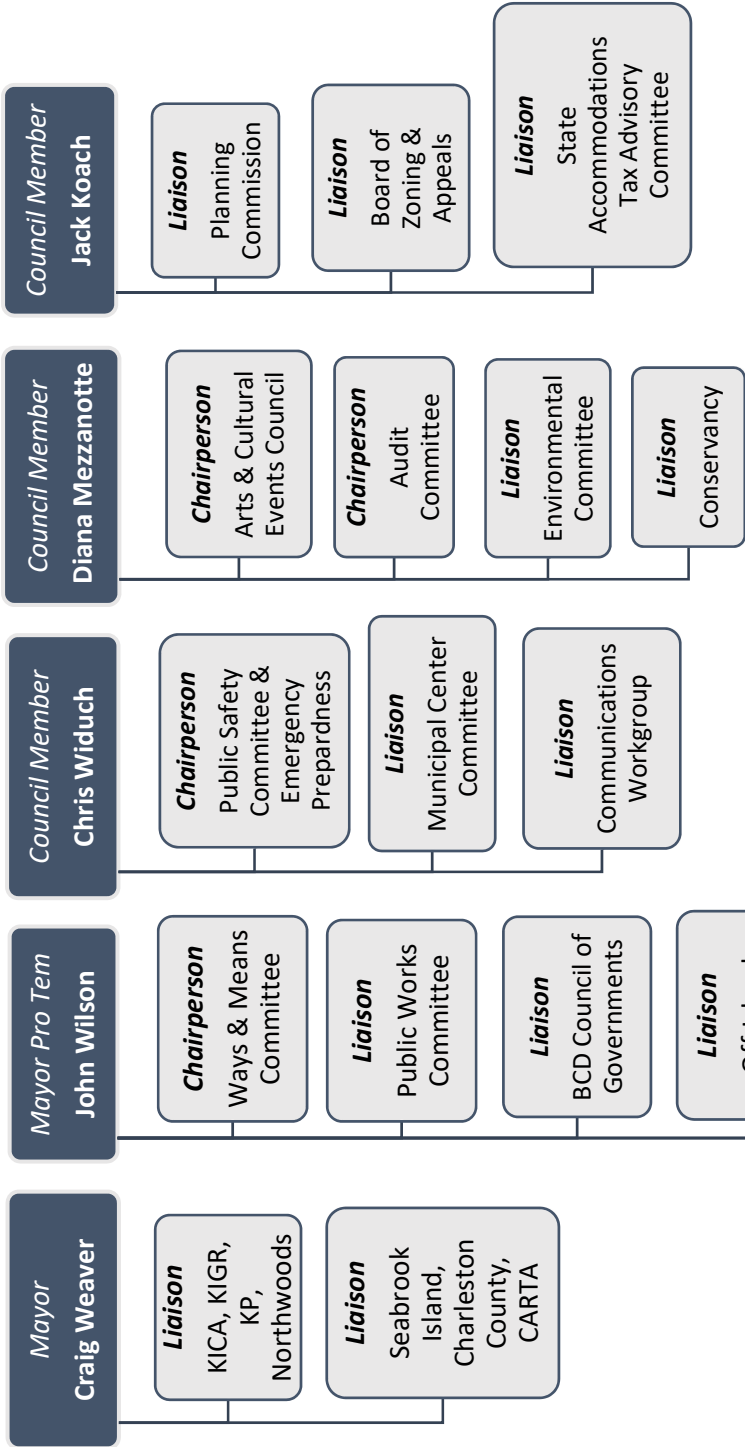
Town of Kiawah Island

2017 Organizational Chart and Functions

Town Staff



Town Council



TBD: Charleston Convention Bureau

Town of Kiawah Island, South Carolina
Principal Officials
For the Year Ended June 30, 2017

Elected Officials

Craig Weaver

John Koach

Diana Mezzanotte

Chris Widuch

John Wilson

Mayor

Councilmember

Councilmember

Councilmember

Councilmember

Other Officials

Stephanie Monroe Tillerson

Dorota Szubert

Town Administrator

Town Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Kiawah Island
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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Financial Section



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Greene, Finney & Horton, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Kiawah Island
Kiawah Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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OPEN BY APPOINTMENT ONLY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

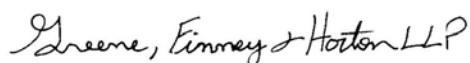
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kiawah Island's basic financial statements. The supplementary information, introductory section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of the Town of Kiawah Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kiawah Island's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 22, 2017

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

As management of the Town of Kiawah Island (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and notes to the financial statements to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$25,576,000 (*net position*). In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$6,117,000.
- The government's total net position increased by approximately \$701,000 from the prior year net position as total revenues of approximately \$9,244,000 exceeded total expenses of approximately \$8,544,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$16,624,000, a decrease of approximately \$174,000 from the prior year's fund balance. Of this amount, approximately 41% or \$6,805,000 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$6,805,000 or 129% of total General Fund expenditures for the year ended June 30, 2017.
- The Town's total capital assets increased by approximately \$4,042,000 during the current fiscal year primarily due to current year capital asset additions of approximately \$7,052,000 exceeding depreciation expense of approximately \$361,000 and net disposals of approximately \$2,649,000.
- The Town's long-term obligations increased \$3,000,000 due to the Town issuing \$3,000,000 in general obligation bonds during the year ended June 30, 2017 for the purpose of financing a portion of the new municipal center.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – The *Introductory Section* (which includes the letter of transmittal, the organizational chart, a listing of principal officials, and the Government Finance Officers' Association ("GFOA") certificate of achievement), the *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information), the *Statistical Section* (which includes various historical trend information about the Town), and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains required and other supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Figure A-1 Major Features of the Town's Government-Wide and Fund Financial Statements		
	Government-Wide Financial Statements	Fund Financial Statements
	Government-Wide Financial Statements	Governmental Funds
Scope	Entire Town government including the Town's blended component units	The activities of the Town that are not proprietary
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of balance sheet information	All balance sheet types – both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) expected to be used and liabilities and deferred inflows of resources (if any) that come due during the year or soon, thereafter; no capital assets included
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Financial Statements – The financial statements include two kinds of statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements consist of the Town's governmental activities as the Town does not have any business-type activities. The governmental activities include general government, judicial, public safety, environmental services, and tourism and recreation. Accommodation and hospitality taxes, business licenses, and building permits finance most of these activities.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements – The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town are governmental funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains eight (8) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, State Accommodations Tax Fund, County Accommodations Tax Fund, Local Accommodations Tax Fund, Beverage Permits Funds, Hospitality Tax Fund, and Victims' Assistance Fund – since they are considered major funds. The governmental fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Required Supplementary Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the Town's major governmental funds, the Town adopts an annual budget for its General Fund, as required by General Statutes, and for each of its major special revenue funds as listed above. The Town also reports required pension schedules as required supplementary information. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – Supplementary information is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for 2017 compared to 2016:

	Governmental Activities	
	2017	2016
Assets:		
Current Assets	\$ 17,661,781	\$ 17,874,662
Capital Assets, Net	14,320,757	10,278,569
Total Assets	<u>31,982,538</u>	<u>28,153,231</u>
Deferred Outflows of Resources:		
Deferred Pension Charges	701,951	541,894
Total Deferred Outflows of Resources	<u>701,951</u>	<u>541,894</u>
Liabilities:		
Net Pension Liability	2,964,364	2,807,386
Long-Term Obligations	3,000,000	-
Other Liabilities	1,000,815	1,002,865
Total Liabilities	<u>6,965,179</u>	<u>3,810,251</u>
Deferred Inflows of Resources:		
Deferred Pension Credits	143,572	9,788
Total Deferred Inflows of Resources	<u>143,572</u>	<u>9,788</u>
Net Position:		
Net Investment in Capital Assets	11,320,757	10,278,569
Restricted	8,138,456	9,046,099
Unrestricted	6,116,525	5,550,418
Total Net Position	<u>\$ 25,575,738</u>	<u>\$ 24,875,086</u>

The Town's total assets of approximately \$31,983,000 increased approximately \$3,829,000 from the prior year. The increase is primarily due to an increase of approximately \$4,042,000 in capital assets explained above and a decrease of approximately \$213,000 in current and other assets. This decrease resulted from a decrease of approximately \$343,000 in cash and investments related to the decreases in fund balance in the governmental funds partially offset by the increase of approximately \$120,000 in FEMA reimbursements due from the federal government.

The Town's total deferred outflows of resources of approximately \$702,000 increased approximately \$160,000 due to an increase in the Town's investment experience related to the retirement plans discussed in Note IV.B to the financial statements.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town's total liabilities of approximately \$6,965,000 increased approximately \$3,155,000 due to a \$3,000,000 increase in long-term obligations as a result of the Town issuing \$3,000,000 in general obligation bonds as discussed above and an increase of approximately \$157,000 in the Town's net pension liability as determined by the State's actuaries.

The Town's total deferred inflows of resources of approximately \$144,000 increased approximately \$134,000 due to an increase in the Town's changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions related to the retirement plans discussed in Note IV.B to the financial statements.

The Town's net position increased by approximately \$701,000 compared to the prior fiscal year due to a change in net position (net income) of approximately \$701,000 as total revenues of approximately \$9,244,000 exceeded total expenses of approximately \$8,544,000.

The Town's assets exceeded liabilities (net position) by approximately \$25,576,000 at June 30, 2017. The largest portion of the Town's net position of approximately \$11,321,000 (approximately 44% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town's net position of approximately \$8,138,000 (approximately 32% of total net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the Town's net position is unrestricted net position of approximately \$6,117,000 (approximately 24% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current and prior fiscal year, the Town was able to report positive balances in all three categories of net position.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for fiscal year 2017 compared to 2016.

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,916,752	\$ 3,542,255
Operating Grants and Contributions	119,541	-
General Revenues:		
Unrestricted SC Aid to Subdivisions	37,235	35,590
Local Option Sales Tax	530,338	501,770
Franchise Taxes	755,815	747,873
Interest	45,952	163,965
Hospitality Taxes	518,632	490,388
Accommodations Taxes	3,229,911	2,929,710
Lease Revenue	21,858	72,600
Beverage Permits	42,000	36,000
Gain on Disposal of Capital Assets	-	11,000
Miscellaneous	26,310	132,801
Total Revenues	<u>9,244,344</u>	<u>8,663,952</u>
Expenses:		
General Government	5,498,034	3,376,047
Judicial	23,831	2,023
Public Safety	693,444	747,401
Environmental Services	-	820,353
Tourism and Recreation	2,277,351	2,386,979
Interest and Other Charges	51,032	-
Total Expenses	<u>8,543,692</u>	<u>7,332,803</u>
Change in Net Position	700,652	1,331,149
Net Asset - Beginning of Year	<u>24,875,086</u>	<u>23,543,937</u>
Net Position - End of Year	<u>\$ 25,575,738</u>	<u>\$ 24,875,086</u>

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Net position for Governmental Activities increased by approximately \$701,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

Total governmental activities revenues increased by approximately \$580,000 or 7% from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Accommodations taxes increased approximately \$300,000 or 10% primarily due to continued growth in the tourism industry on the island as well as an approximate increase of \$161,000 related to corrected tax filings from businesses that filed as County businesses instead of businesses within the Town limits.
- Charges for services increased approximately \$374,000 or 11% primarily due to increases of approximately \$256,000 and \$107,000 in building permits and business licenses, respectively. Building permits increased due to the issuance of several permits related to a large project on the island and business licenses increased due to continued growth of business on the island.
- Operating grants and contributions increased approximately \$120,000 or 100% due to FEMA reimbursements related to Hurricane Matthew in October 2016.
- Interest income decreased approximately \$118,000 or 72% primarily due to a decrease in the amount invested as well as several investments maturing and being invested in a low yield investment.
- Miscellaneous revenues decreased approximately \$106,000 or 80% due to several one-time reimbursements received in the prior year.

Total governmental activities expenses increased by approximately \$1,211,000 or 17% from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- General Government expenses increased approximately \$2,122,000 or 63% primarily due to the Environmental Services department being combined with General Government in the year ended June 30, 2017. In addition, the Town had a net loss on disposal of approximately \$1,067,000 related to the sale of the old municipal center.
- Environmental Services expenses decreased approximately \$820,000 or 100% primarily due to the Environmental Services department being combined with General Government in the year ended June 30, 2017.
- Tourism and Recreation expenses decreased approximately \$110,000 or 5% primarily due to the Town retaining additional State Accommodations Tax funds in the year ended June 30, 2017 that were used to partially offset the tourism related expenditures for construction of the new municipal center.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$16,624,000, a decrease of approximately \$174,000 or 1% from the prior year fund balance. The decrease in fund balance was the result of expenditures and other financing uses of approximately \$17,867,000 exceeding revenues and other financing sources of approximately \$17,692,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$6,805,000 or 41% of the total fund balance for governmental funds constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending as it is legally restricted by an outside agency or has been committed or assigned by Town Council as follows: Non-spendable prepaid amounts of approximately \$108,000 or less than 1% represent various prepayments for services to be provided in the upcoming fiscal year; Restricted for (1) tourism related expenditures of approximately \$8,117,000 or 49% and (2) victims' assistance of approximately \$21,000 or less than 1% are restricted by the revenue source; Committed for capital improvements of approximately \$1,573,000 or 9% represents amounts that have been committed by Town Council for various capital projects and improvements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$6,913,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately \$6,805,000 represents approximately 129% of total General Fund expenditures for the year ended June 30, 2017.

Highlights for the General Fund were as follows:

- Total fund balance decreased by approximately \$839,000 or 11% due to expenditures and other financing uses of approximately \$7,253,000 exceeding revenues and other financing sources of approximately \$6,414,000.
- General Fund revenues increased approximately \$343,000 or 7% primarily due to increases of approximately \$256,000 and \$107,000 in building permits and business licenses, respectively. Building permits increased due to the issuance of several permits related to a large project on the island and business licenses increased due to continued growth of business on the island.
- General Fund expenditures increased approximately \$209,000 or 4% primarily due to an increase of approximately \$627,000 in storm cleanup costs related to Hurricane Matthew in October 2016, an increase of \$92,000 related to rentals as a result of the Town renting the old municipal center from the community association after the sale, and increases of approximately \$178,000 and \$131,000 related to salaries and fringe benefits, respectively, due to the addition of several employees and continued increases in fringe benefit rates. These increases were partially offset by a decrease of approximately \$947,000 in professional services related to non-recurring forensic auditing services, contract accounting services, and contract services for building permits as the Town brought the permitting function in-house in the year ended June 30, 2017.
- Transfers in increased approximately \$268,000 or 46% due to an additional transfer from the Local Accommodations Tax Fund to partially fund tourism related environmental and operating expenditures.
- Transfers out increased approximately \$515,000 or 35% due to increased transfers to the Capital Projects Fund to partially fund the construction of the new municipal center.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The fund balance of the State Accommodations Tax Fund decreased by approximately \$7,000 or 4% from the prior year. State Accommodations Tax Fund revenues increased by approximately \$83,000 or 6% while expenditures decreased approximately \$195,000 or 17% and transfers out increased approximately \$215,000 or 54%.

The fund balance of the County Accommodations Tax Fund decreased by approximately \$301,000 or 17% from the prior year. County Accommodations Tax Fund revenues increased by approximately \$18,000 or 4% while expenditures increased approximately \$375,000 or 260%. The increase in expenditures is primarily due to an increase in beach patrol costs of approximately \$270,000 that was funded by the State and Local Accommodations Tax Funds in the prior year as well as an increase of approximately \$69,000 related to beach monitoring and repairs expenditures that was funded by the Local Accommodations Tax Fund in the prior year. Transfers in increased approximately \$195,000 or 100% while transfers out increased approximately \$363,000 or 363%.

The fund balance of the Local Accommodations Tax Fund increased by approximately \$461,000 or 14% from the prior year. Local Accommodations Tax Fund revenues increased by approximately \$163,000 or 17% while expenditures decreased approximately \$305,000 or 91%. The decrease in expenditures is primarily due to approximately \$99,000 in beach patrol costs and approximately \$81,000 in beach monitoring and repairs expenditures that were funded by the County Accommodations Tax Fund in the current year, and a decrease of approximately \$79,000 related to the motoring retreat expenditures in the prior year that was non-recurring. Transfers out increased approximately \$247,000 or 69%.

The fund balance of the Beverage Permits Fund decreased by approximately \$8,000 or 16% from the prior year. Beverage Permits Fund revenues increased by approximately \$6,000 or 17%. There were no expenditures for the Beverage Permits Fund; however, transfers out increased approximately \$5,000 or 11%.

The fund balance of the Hospitality Tax Fund increased by approximately \$172,000 or 7% from the prior year. Hospitality Tax Fund revenues increased by approximately \$16,000 or 3% while expenditures increased by approximately \$71,000 or 44%. Transfers out were consistent with the prior year at \$122,000.

The fund balance of the Victim's Assistance Fund decreased by approximately \$1,000 or 6% from the prior year. Victims' Assistance Fund revenues increased by approximately \$1,000 or 95% while expenditures increased by approximately \$4,000 or 477%.

The fund balance of the Capital Projects Fund increased by approximately \$350,000 or 29% from the prior year. The Capital Projects Fund had no revenues; however, expenditures increased by approximately \$5,548,000 or 376% primarily due to the continued construction of the new municipal center. Bonds issued, sale of capital assets, and transfers in increased approximately \$3,000,000, \$1,571,000, and \$882,000, respectively, as a result of the Town financing a portion of the municipal center and sale of the old municipal center.

General Fund Budgetary Highlights

There were no budget amendments made during the year ended June 30, 2017.

Overall, the Town's revenues were approximately \$551,000 or 11% greater than the final budget, expenditures were approximately \$402,000 or 8% greater than the final budget, and net other financing uses were approximately \$404,000 or 26% less than budgeted. Revenues were greater than budgeted primarily due to business licenses exceeding budget by approximately \$454,000 and federal revenues exceeding budget by approximately \$120,000.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

General Government expenditures were approximately \$397,000 greater than the final budgeted amount primarily due to storm cleanup cost related to Hurricane Matthew in October 2016 while other departmental expenditures were fairly consistent with budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2017 and 2016 amounted to approximately \$14,321,000 and \$10,279,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, furniture and fixtures, signs and fences, equipment, computers and software, vehicles, municipal center (buildings, landscaping and miscellaneous), and infrastructure.

The Town's capital assets (net of depreciation) as of June 30, 2017 and 2016 were as follows:

	Governmental Activities	
	2017	2016
Land	\$ 2,088,092	\$ 3,663,635
Construction in Progress	8,326,114	1,378,945
Furniture and Fixtures	23,775	23,775
Signs and Fences	34,361	-
Equipment	225,510	245,520
Computers and Software	104,376	111,253
Vehicles	312,378	264,803
Municipal Center - Buildings, Landscaping and Miscellaneous	-	2,039,760
Infrastructure	6,602,351	6,602,351
Less: Accumulated Depreciation	(3,396,200)	(4,051,473)
Total	<u>\$ 14,320,757</u>	<u>\$ 10,278,569</u>

The total increase in the Town's investment in capital assets for the current fiscal year was approximately \$4,042,000 or 39%. Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$7,052,000 included approximately \$6,947,000 related to the construction of the new municipal center, approximately \$62,000 in vehicles, approximately \$34,000 related to signs and fences, approximately \$7,000 in computers and software, and approximately \$1,000 in equipment.
- Net dispositions of approximately \$2,649,000 included approximately \$1,576,000 in land and approximately \$1,072,000 in municipal center assets related to the sale of the old municipal center and approximately \$2,000 related to vehicles.
- Depreciation expense of approximately \$361,000 for governmental activities.

Additional information on the Town's capital assets can be found in Notes I and III of the notes to the financial statements.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA
KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

At year end, the Town had approximately \$3,000,000 in long-term general obligation bonds outstanding related to the bonds issued in October 2016 to partially finance the construction of the new municipal center. There were no principal payments made and Town made interest payments of approximately \$19,000 as well as closing costs of approximately \$22,000 in the year ended June 30, 2017. The Town had no debt outstanding as of June 30, 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy on Kiawah Island is fueled by the tourism, construction, and real estate industries, and by the accumulated wealth of our many retirees and second home owners. With the continued improvement in the regional and national economies, the Town has experienced steady economic growth in recent years, and this trend is expected to continue. Because of the Town's desirable coastal location, the long-term economic outlook also remains very positive. The public demand for coastal living and vacation experiences remains high, measured by Conde' Nast in naming Kiawah Island as # 1 island destination in the North America. The Town has invested appropriately in its most important asset, the beach with the strong commitment to beach renourishments.

The Town relies on several key indicators to gauge the status of the local economy and the likely impacts on the Town's budget and financial position, and the majority of these indicators, like business license fees, local option sales taxes, franchise fees, accommodation and hospitality taxes indicate steady growth over past few years and continue to trend up for the foreseeable future.

In June 2017, the Town Council adopted a balanced budget for FY2018. The budget represents a funding plan designed to meet the needs of the Town's citizens and finishing construction of the new Town Hall.

The Town continues to experience growth fueled by tourism, construction, and new home sales. Overall, the revenue is expected to increase by 3 percent for FY2018, primarily due to an increase in business license revenue, building permits, accommodation and hospitality taxes. The Town budgeted in FY2018, an increase in expenditures by 9 percent compared to FY2017, primarily due to an increase in operating cost of the new Municipal Center and repayment of the General Obligation Bond.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Kiawah Island's finances for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the Treasurer, Town of Kiawah Island, 4475 Betsy Kerrison Parkway, Kiawah Island, SC 29455 (843) 768-9166.

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Basic Financial Statements



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2017

	PRIMARY GOVERNMENT
	Governmental
	Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,269,841
Cash and Cash Equivalents, Restricted	4,677,115
Investments, Restricted	995,400
Due From Federal Government	119,541
Due From State	687,250
Due From County	399,180
Accounts Receivable	404,236
Accrued Interest Receivable	1,680
Prepaid Items and Deposits	107,538
Total Current Assets	17,661,781
Non-Current Assets:	
Capital Assets:	
Non-Depreciable	10,414,206
Depreciable, Net	3,906,551
Total Non-Current Assets	14,320,757
TOTAL ASSETS	31,982,538
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	701,951
TOTAL DEFERRED OUTFLOWS OF RESOURCES	701,951
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	986,118
Municipal Court Fines and Assessments Payable	871
Accrued Interest Payable	9,885
Unearned Revenue	3,941
Total Current Liabilities	1,000,815
Non-Current Liabilities:	
Net Pension Liability	2,964,364
Long-Term Obligations, Due Within One Year	333,000
Long-Term Obligations, Due In More Than One Year	2,667,000
Total Non-Current Liabilities	5,964,364
TOTAL LIABILITIES	6,965,179
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	143,572
TOTAL DEFERRED INFLOWS OF RESOURCES	143,572
NET POSITION	
Net Investment in Capital Assets	11,320,757
Restricted For:	
Tourism Related Expenses	8,117,306
Victims' Assistance	21,150
Unrestricted	6,116,525
TOTAL NET POSITION	\$ 25,575,738

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	Expenses	Charges For Services	Operating Grants And Contributions	Capital	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 5,498,034	3,899,157	119,541	-	\$ (1,479,336)
Judicial	23,831	17,595	-	-	(6,236)
Public Safety	693,444	-	-	-	(693,444)
Tourism and Recreation	2,277,351	-	-	-	(2,277,351)
Interest and Other Charges	51,032	-	-	-	(51,032)
TOTAL GOVERNMENTAL ACTIVITIES	8,543,692	3,916,752	119,541	-	(4,507,399)
TOTAL - PRIMARY GOVERNMENT	\$ 8,543,692	3,916,752	119,541	-	(4,507,399)
General Revenues:					
Unrestricted SC Aid to Subdivisions					37,235
Local Option Sales Taxes					530,338
Franchise Taxes					755,815
Interest					45,952
Hospitality Tax					518,632
Accommodations Tax					3,229,911
Lease Revenue					21,858
Beverage Permits					42,000
Miscellaneous					26,310
Total General Revenues					5,208,051
CHANGE IN NET POSITION					700,652
NET POSITION, Beginning of Year					24,875,086
NET POSITION, End of Year					\$ 25,575,738

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND	COUNTY ACCOMMODATIONS TAX FUND
ASSETS			
Cash and Cash Equivalents	\$ 10,269,841	-	-
Cash and Cash Equivalents, Restricted	-	-	-
Investments, Restricted	-	-	829,834
Due From Federal Government	119,541	-	-
Due From State	88,050	557,200	-
Due From County	-	-	-
Due From Other Funds	182,117	-	612,308
Accounts Receivable	341,126	-	-
Accrued Interest Receivable	733	-	327
Prepaid Items and Deposits	107,538	-	-
TOTAL ASSETS	\$ 11,108,946	557,200	1,442,469
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 214,763	199,958	5,944
Municipal Court Fines and Assessments Payable	871	-	-
Due To Other Funds	3,929,621	182,117	-
Unearned Revenue	3,941	-	-
TOTAL LIABILITIES	4,149,196	382,075	5,944
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	46,982	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	46,982	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,196,178	382,075	5,944
FUND BALANCES			
Nonspendable:			
Prepays	107,538	-	-
Restricted For:			
Tourism Related Expenditures	-	175,125	1,436,525
Victims' Assistance	-	-	-
Committed For:			
Capital Improvements	-	-	-
Unassigned	6,805,230	-	-
TOTAL FUND BALANCES	6,912,768	175,125	1,436,525
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,108,946	557,200	1,442,469

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	BEVERAGE PERMITS FUND	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 10,269,841
2,978,935	-	1,698,180	-	-	4,677,115
-	-	165,566	-	-	995,400
-	-	-	-	-	119,541
-	42,000	-	-	-	687,250
399,180	-	-	-	-	399,180
413,591	1,074	743,559	21,993	2,137,096	4,111,738
-	-	63,110	-	-	404,236
410	-	210	-	-	1,680
-	-	-	-	-	107,538
3,792,116	43,074	2,670,625	21,993	2,137,096	\$ 21,773,519
-	-	159	843	564,451	\$ 986,118
-	-	-	-	-	871
-	-	-	-	-	4,111,738
-	-	-	-	-	3,941
-	-	159	843	564,451	5,102,668
-	-	-	-	-	46,982
-	-	-	-	-	46,982
-	-	159	843	564,451	5,149,650
-	-	-	-	-	107,538
3,792,116	43,074	2,670,466	-	-	8,117,306
-	-	-	21,150	-	21,150
-	-	-	-	1,572,645	1,572,645
-	-	-	-	-	6,805,230
3,792,116	43,074	2,670,466	21,150	1,572,645	16,623,869
3,792,116	43,074	2,670,625	21,993	2,137,096	\$ 21,773,519

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TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	16,623,869
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
Employee receivables will be collected in the future but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.		46,982
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$17,716,957 and the accumulated depreciation was \$3,396,200.		14,320,757
Accrued interest on the outstanding bonds in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the funds.		(9,885)
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(2,405,985)
Long-term obligations, including debt, lease purchase obligations and compensated absences, if applicable, are not due or payable in the current period and therefore are not reported in the governmental funds. Long-term obligations consisted of general obligation bonds outstanding.		<u>(3,000,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>25,575,738</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND	COUNTY ACCOMMODATIONS TAX FUND
REVENUES			
Building Permits	\$ 1,246,429	-	-
Business Licenses	2,290,018	-	-
Lease Revenue	21,858	-	-
SC Aid to Subdivisions	37,235	-	-
Franchise Fee Revenue	755,815	-	-
Beverage Permit Revenue	-	-	-
Local Option Sales Tax	530,338	-	-
Fines and Forfeitures	14,738	-	-
Interest	27,524	-	4,246
Miscellaneous	48,310	-	3,883
Accommodations Tax	106,954	1,557,132	477,000
Environmental Service Fee	362,710	-	-
Federal Revenue	119,541	-	-
Hospitality Tax	-	-	-
TOTAL REVENUES ALL SOURCES	5,561,470	1,557,132	485,129
EXPENDITURES			
Current:			
General Government	4,165,272	-	-
Judicial	19,507	-	-
Public Safety	665,838	-	-
Tourism and Recreation	317,929	945,726	518,865
Capital Outlay	104,887	-	-
Debt Service:			
Interest and Other Fiscal Charges	-	-	-
TOTAL EXPENDITURES	5,273,433	945,726	518,865
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	288,037	611,406	(33,736)
OTHER FINANCING SOURCES (USES)			
Bonds Issued	-	-	-
Transfers In	852,361	-	195,000
Transfers Out	(1,979,636)	(618,000)	(462,500)
Sale of Capital Assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,127,275)	(618,000)	(267,500)
NET CHANGES IN FUND BALANCES	(839,238)	(6,594)	(301,236)
FUND BALANCES, Beginning of Year	7,752,006	181,719	1,737,761
FUND BALANCES, End of Year	\$ 6,912,768	175,125	1,436,525

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LOCAL ACCOMMODATIONS TAX FUND	BEVERAGE PERMITS FUND	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 1,246,429
-	-	-	-	-	2,290,018
-	-	-	-	-	21,858
-	-	-	-	-	37,235
-	-	-	-	-	755,815
-	42,000	-	-	-	42,000
-	-	-	-	-	530,338
-	-	-	2,857	-	17,595
8,504	-	5,678	-	-	45,952
827	-	-	-	-	53,020
1,088,825	-	-	-	-	3,229,911
-	-	-	-	-	362,710
-	-	-	-	-	119,541
-	-	518,632	-	-	518,632
1,098,156	42,000	524,310	2,857	-	9,271,054
-	-	-	-	35,643	4,200,915
-	-	-	4,324	-	23,831
-	-	-	-	-	665,838
30,000	-	230,806	-	-	2,043,326
-	-	-	-	6,947,169	7,052,056
-	-	-	-	41,147	41,147
30,000	-	230,806	4,324	7,023,959	14,027,113
1,068,156	42,000	293,504	(1,467)	(7,023,959)	(4,756,059)
-	-	-	-	3,000,000	3,000,000
-	-	-	-	2,792,136	3,839,497
(607,361)	(50,000)	(122,000)	-	-	(3,839,497)
-	-	-	-	1,581,823	1,581,823
(607,361)	(50,000)	(122,000)	-	7,373,959	4,581,823
460,795	(8,000)	171,504	(1,467)	350,000	(174,236)
3,331,321	51,074	2,498,962	22,617	1,222,645	16,798,105
3,792,116	43,074	2,670,466	21,150	1,572,645	\$ 16,623,869

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(174,236)
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Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenues related to the employee repayment plans.	(26,710)
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Governmental funds report only proceeds received from the sale of capital assets, without any consideration for the net book value of the asset(s) that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the asset(s) sold.	(2,648,985)
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Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position.	(3,000,000)
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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This amounts represents the change in accrued interest from the prior year.	(9,885)
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Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(130,705)
--	-----------

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents the amount that capital asset additions exceeded depreciation expense in the current year.	6,691,173
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TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	700,652
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The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Kiawah Island (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Town’s reporting entity applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. The accounting and reporting framework and the more significant accounting principles and practices are discussed below.

A. Financial Reporting Entity

The incorporation of the Town of Kiawah Island, South Carolina, was certified by the State of South Carolina on September 13, 1988, under Section 5-1-70 of the 1976 Code of Laws of the State of South Carolina. The Town has a mayor-council form of government comprised of a Mayor and four council members (strong Mayor Government). As required by GAAP, the financial statements present the Town of Kiawah Island as a primary government. The financial statements of the Town include the accounts of all Town operations defined as the financial reporting entity.

As required by GAAP, the financial statements present the Town’s financial information with its component units, if any. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it did not meet all the conditions described above if excluding it would cause the Town’s financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has no blended or discretely presented component units.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes grants and donations. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. All revenues (including franchise fees, intergovernmental revenues, licenses, etc.) are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of grant related revenues. Grant related revenues are considered to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable, if applicable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column, if applicable.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used as an aid to management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the Town:

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds, if any) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The Town's major governmental fund types are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Capital Projects Fund, a major fund** and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction, renovation of capital facilities, and other capital assets for the Town, except for those financed by other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following major Special Revenue Funds:

- i. The **State Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to a portion of the hotel/motel 2% fee levied by the State of South Carolina and remitted to the Town that are legally restricted for advertising, promotion, and tourism related expenditures.
- ii. The **County Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the allocation of Charleston County Accommodations Fees received that are legally restricted for advertising, promotion, and tourism related expenditures.
- iii. The **Local Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the 1% fee imposed on the rental of any accommodation within the Town that are legally restricted for advertising, promotion, and tourism related expenditures.
- iv. The **Beverage Permits Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the fee imposed by the State of South Carolina on Sunday liquor sales that is restricted for capital and tourism related expenditures.
- v. The **Hospitality Tax Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the 2% tax imposed by Charleston County on food and beverage sales within the Town that is restricted for tourism related expenditures.
- vi. The **Victims' Assistance Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the fees from court fines that is restricted for victims' assistance.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. *Cash, Cash Equivalents, and Investments*

Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool"), if any, to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

Investments

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds and fund types within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. During the past year, the Town has had the following investments:

- Securities as described in (b) above
- Open-ended money market mutual funds as described in (g) above

2. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide various services. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of the year-end, balances of interfund amounts or payables have been recorded.

All trade receivables are shown net of an allowance for uncollectibles (if any).

3. Prepaid Items

Prepaid balances are for payments made by the Town in the current year to obtain services in the subsequent fiscal year. The Town uses the consumption method to account for these items. The portion of fund balance shown as nonspendable for prepaid items has been recognized to signify that a portion of fund balances is not available for other subsequent expenditures.

4. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

4. Capital Assets (Continued)

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. As allowed by GASB #34, the Town has elected to prospectively report public domain (“infrastructure”) general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. The Town maintains a minimum capitalization threshold of \$1,000 for all capital assets and a useful life of two years.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are capitalized over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Furniture and fixtures	5-7
Signs and fences	10-15
Equipment	3-5
Computers and software	3
Vehicles	3-5
Municipal Center	10-40
Infrastructure	20-50

5. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements for the Primary Government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are recorded as expenses in the period the debt is issued. Bonds payable are reported net of the applicable bond premiums or discounts, if applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period, if applicable. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

6. *Deferred Outflows and Inflows of Resources*

As defined by GASB Concept Statement No. 4, *Elements of Financial Statements*, deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources: (1) The Town reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenues* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (reimbursement revenues) in the period the amounts become available. (2) The Town reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

7. *Fund Balance*

The Town implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB #54") in the year ended June 30, 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarify the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Town classifies governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

7. Fund Balance (Continued)

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Town Council is the only party that has the authority to assign fund balance.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

9. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

10. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

10. Fair Value (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

11. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all funds. The Town's procedures are as follows:

1. Prior to July 1, the Ways and Means Committee submits to the Mayor and Town Council a proposed budget for the year commencing July 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. The Council legally enacts the budget through the passage of an ordinance.
3. The Mayor is responsible for the administration of the budget. Town Council shall approve any budgeted operating expenditure/expense for which insufficient funds remain. The budget may be modified during the year only by a majority vote of Town Council.
4. Budget to actual comparison is employed as a management control device during the year for all funds.
5. All annual appropriations lapse at year-end.
6. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended by Council.

There were no amendments to the budget during the year ended June 30, 2017.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town follows the South Carolina Code of Laws Section 6-5-15 as its policy for custodial credit risk which states that to the extent that these deposits exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation, the bank or savings and loan association at the time of deposit must: (1) furnish an indemnity bond in a responsible surety company authorized to do business in this State; or (2) pledge as collateral: (a) obligations of the United States; (b) obligations fully guaranteed both as to principal and interest by the United States; (c) general obligations of this State or any political subdivision of this State; or (d) obligations of the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation; or provide an irrevocable letter of credit issued by the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit otherwise meets the criteria established and prescribed by the local entity. As of June 30, 2017, none of the Town's bank balances of approximately \$3,288,000 (with a carrying value of approximately \$3,060,000) were subject to custodial credit risk.

Investments

As of June 30, 2017, the Town had the following investments and maturities:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating ^	Fair Value	Investment Maturities in Years	
				< 1 yr	1 - 3 yrs
Open Ended Money Market					
Mutual Funds, Investing in					
Governmental Securities	Level 1	AAAm-G, Aaa, NR	\$ 11,886,809	11,886,809	\$ -
Federal Farm Credit Banks	Level 1	AA+, Aaa, AAA	995,400	-	995,400
Total			<u>\$ 12,882,209</u>	<u>11,886,809</u>	<u>\$ 995,400</u>

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

⁽¹⁾ See Note I.C.10 for details of the Town's fair value hierarchy.

NR – Not rated.

Interest Rate Risk: The Town's investment policy limits the weighted average maturity of investments to less than five years.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments policy states that an independent third party with whom the bank has a current custodial agreement with will always hold collateral and that a clearly marked evidence of ownership must be supplied to the Town and retained.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy for credit risk states that the risk shall be mitigated by investing in safe institutions, but does not have strict guidelines regarding credit ratings. The Town follows the investment policy statutes of the State of South Carolina related to credit risk for investments.

Concentration of Credit Risk for Investments: The Town's investment policy states that no more than 50% of the Town's investment portfolio will be invested in a single security type. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Reconciliation to Financial Statements

A reconciliation of cash and investments as shown in the Statement of Net Position follows:

Description	Amount
Carrying Amount of Deposits	\$ 3,060,147
Fair Value of Investments	12,882,209
Total Deposits	<u>\$ 15,942,356</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 10,269,841
Cash and Cash Equivalents, Restricted	4,677,115
Investments, Restricted	<u>995,400</u>
Total Cash and Cash Equivalents	<u>\$ 15,942,356</u>

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2017 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, etc.).

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables

Receivables at June 30, 2017 are as follows:

	General	State	County	Local	Beverage	Hospitality	Totals
	Fund	Tax Fund	Tax Fund	Tax Fund	Permits Fund	Tax Fund	
Local Options Sales Tax	\$ 49,543	-	-	-	-	-	\$ 49,543
FEMA Reimbursements	119,541	-	-	-	-	-	119,541
Brokers Tax Collections	195,019	-	-	-	-	-	195,019
Franchise Fees	81,876	-	-	-	-	-	81,876
Accommodations Taxes	29,326	557,200	-	399,180	-	-	985,706
Beverage Permits	-	-	-	-	42,000	-	42,000
Hospitality Taxes	-	-	-	-	-	63,110	63,110
State Aid to Subdivisions	9,181	-	-	-	-	-	9,181
Environmental Service Fees	12,138	-	-	-	-	-	12,138
Employee Receivable	46,982	-	-	-	-	-	46,982
Accrued Interest	733	-	327	410	-	210	1,680
Other Receivables	5,111	-	-	-	-	-	5,111
Net Receivables	\$ 549,450	557,200	327	399,590	42,000	63,320	\$ 1,611,887

The receivables listed above include an allowance of approximately \$9,000 related to the environmental service fees receivable as of June 30, 2017. No other significant amounts were deemed uncollectible. Employee receivables of \$46,982 were not collected soon enough after year end to pay for expenditures of the current period; thus, they have been deferred and recorded as unavailable revenues until the revenues are received.

C. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2017, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	\$ 182,117	\$ 3,929,621
State Accommodations Tax Fund	-	182,117
County Accommodations Tax Fund	612,308	-
Local Accommodations Tax Fund	413,591	-
Beverage Permits Fund	1,074	-
Hospitality Tax Fund	743,559	-
Victims' Assistance Fund	21,993	-
Capital Projects Fund	2,137,096	-
Totals	\$ 4,111,738	\$ 4,111,738

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

The General Fund net payable is a result of other funds depositing money into the General Fund's central depository account. The State Accommodations Tax net payable is a result of the General Fund central depository account financing expenditures of the State Accommodations Tax Fund. This payable will be reimbursed to the General Fund when deposits are received after year end. The County and Local Accommodations Tax Funds, Beverage Permits Fund, Hospitality Tax Fund, Victims' Assistance Fund, and Capital Projects Fund net receivables are a result of deposits made into the General Fund central depository account during the year. These receivables will be reduced as expenditures are paid out of the General Fund central depository account.

Transfers between funds for the year ended June 30, 2017, consisted of the following:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 852,361	\$ 1,979,636
State Accommodations Tax Fund	-	618,000
County Accommodations Tax Fund	195,000	462,500
Local Accommodations Tax Fund	-	607,361
Beverage Permits Fund	-	50,000
Hospitality Tax Fund	-	122,000
Capital Projects Fund	2,792,136	-
Totals	<u>\$ 3,839,497</u>	<u>\$ 3,839,497</u>

The General Fund transfers in represent transfers from the Local Accommodations Tax Fund to partially fund tourism related arts and cultural events, tourism related environmental expenditures, and tourism related operational costs, transfers from the State Accommodations Tax Fund to partially fund tourism related public safety expenditures, and transfers from the Hospitality Tax Fund to partially fund tourism related arts and cultural events. The Capital Projects Fund transfers in represent funds transferred from the General Fund, County Accommodations Tax Fund, Local Accommodations Tax Fund, Hospitality Tax Fund, and Beverage Permit Fund to partially fund tourism related construction projects. The County Accommodations Tax Fund transfers in represent funds transferred from the State Accommodations Tax Fund to partially fund tourism related public safety expenditures. The General Fund, County Accommodations Tax Fund, and Beverage Permit Fund transfers out represent funds transferred to the Capital Projects Fund to partially fund tourism related construction projects. The State Accommodations Tax Fund transfers out represent transfers to the General Fund and the County Accommodations Tax Fund to partially fund tourism related public safety expenditures. The Local Accommodations Tax Fund transfers out represent transfers to the Capital Projects Fund to partially fund tourism related construction projects and transfers to the General Fund to partially fund tourism related arts and cultural events, tourism related environmental expenditures, and tourism related operational costs. The Hospitality Tax Fund transfers out represent transfers to the Capital Projects Fund to partially fund tourism related construction projects and transfers to the General Fund to partially fund tourism related arts and cultural events.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 3,663,635	-	1,575,543	\$ 2,088,092
Construction In Progress	1,378,945	6,947,169	-	8,326,114
Total Capital Assets, Non-Depreciable	<u>5,042,580</u>	<u>6,947,169</u>	<u>1,575,543</u>	<u>10,414,206</u>
Capital Assets, Depreciable:				
Furniture and Fixtures	23,775	-	-	23,775
Signs and Fences	-	34,361	-	34,361
Equipment	245,520	1,399	21,409	225,510
Computers and Software	111,253	6,687	13,564	104,376
Vehicles	264,803	62,440	14,865	312,378
Municipal Center - Buildings, Landscaping and Miscellaneous	2,039,760	-	2,039,760	-
Infrastructure	6,602,351	-	-	6,602,351
Total Capital Assets, Depreciable	<u>9,287,462</u>	<u>104,887</u>	<u>2,089,598</u>	<u>7,302,751</u>
Less: Accumulated Depreciation for:				
Furniture and Fixtures	20,144	2,331	-	22,475
Signs and Fences	-	286	-	286
Equipment	219,742	8,778	21,409	207,111
Computers and Software	102,428	14,661	13,564	103,525
Vehicles	186,581	55,413	13,125	228,869
Municipal Center - Buildings, Landscaping and Miscellaneous	952,738	15,320	968,058	-
Infrastructure	2,569,840	264,094	-	2,833,934
Total Accumulated Depreciation	<u>4,051,473</u>	<u>360,883</u>	<u>1,016,156</u>	<u>3,396,200</u>
Total Capital Assets, Depreciable, Net	<u>5,235,989</u>	<u>(255,996)</u>	<u>1,073,442</u>	<u>3,906,551</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,278,569</u>	<u>6,691,173</u>	<u>2,648,985</u>	<u>\$ 14,320,757</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense for the Town's governmental activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 126,858
Tourism and Recreation	234,025
Total - Governmental Activities	<u>\$ 360,883</u>

E. Long-Term Obligations

In October 2016, the Town issued a long-term Series 2016 General Obligation Bond ("GO Bond") with a par amount of \$3,000,000 at a coupon rate of 1.34%. Interest payments are due semi-annually beginning in April 2017 through October 2025. Principal payments are due annually beginning October 2017 through October 2025. This GO Bond was issued for the purpose of partially funding the construction of the new municipal center.

The following is a summary of changes in the Town's governmental activities long-term obligations for the year ended June 30, 2017:

Long-Term Obligations	Beginning of Year	Additions	Reductions	End of Year	Due Within One Year
Governmental Activities:					
Debt:					
General Obligation Bonds					
GO Bonds, Series 2016	\$ -	3,000,000	-	3,000,000	\$ 333,000
Governmental Activities Long-Term Obligations	<u>\$ -</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>\$ 333,000</u>

General Fund resources have typically been used to service all long-term obligations.

Annual debt service requirements to maturity for all long-term debt as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 333,000	37,969	\$ 370,969
2019	333,000	33,507	366,507
2020	333,000	29,045	362,045
2021	333,000	24,582	357,582
2022	333,000	20,120	353,120
2023-2026	1,335,000	35,798	1,370,798
Totals	<u>\$ 3,000,000</u>	<u>181,021</u>	<u>\$ 3,181,021</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Commitments and Contingencies

1. Agreements

In July 2012, the Town contracted with a private entity for collections and disposal of residential solid waste, recycling and collection and disposal of yard debris. In addition, the Town has signed a contract with a sister company for dumpster pickup for multifamily developments on the island. These agreements may be terminated by either party upon giving written notice of at least sixty (60) days prior to the effective date of such termination. Total expense for the year ended June 30, 2017 was approximately \$885,000.

The Town signed an agreement for beach patrol services in February 2017 effective February 7, 2017 through February 6, 2020 with an option for two one-year renewals. This contractor provides staff to patrol the beach and maintain a safe environment. This agreement may be terminated by either party upon giving written notice of at least thirty (30) days prior to the effective date of such termination. The annual cost of the contract is expected to be \$299,165. Total expense for the year ended June 30, 2017, was approximately \$270,000 and was funded by county accommodations taxes.

The Town entered into a landscape maintenance contract in May 2016 for the landscaping and maintenance of the Kiawah Island Parkway and the municipal center. This agreement is effective for three years with two optional one-year extensions. Total commitments under this contract are approximately \$152,000 per year through May 2019. Total expenses for the year ended June 30, 2017 in the amount of approximately \$150,000, were funded by hospitality taxes and the General Fund.

The Town enters into an annual contract with the Charleston County Sheriff's Office for police protection, traffic control, and emergency response. The contract for the year ended June 30, 2018 is effective for August 2, 2017 through July 30, 2018 and provides for three deputies on first and third shift and four deputies on second shift for twenty-four hours per day and seven days per week. The deputies are paid an hourly rate through the Town's payroll process.

As of June 30, 2017, the Town had remaining construction commitments of approximately \$312,000 primarily related to construction of the new Town Hall.

2. Litigation

The Town is currently determining its course of action related to potentially fraudulent activity that occurred under previous management that will likely result in a monetary gain to the Town. The amount of any gain is not estimable at this time; thus, no receivable has been recorded.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the Town is a member of the South Carolina State Fiscal Accountability Authority Insurance Reserve Fund, a public entity risk pool operating as a common risk management and insurance program for South Carolina governments for general risk. The Town pays an annual premium for this coverage. For the year ended June 30, 2017, the Town made premium payments totaling approximately \$35,000. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The Insurance Reserve Fund's net position from its most recently issued audited financial statements as of June 30, 2016 were approximately \$191,160,000.

The Town also participates in the South Carolina State Accident Fund, a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The Town pays an annual premium for this coverage. For the year ended June 30, 2017, the Town made payments totaling approximately \$37,000. The State Accident Fund's net position from its most recently issued audited financial statements as of June 30, 2016 was a deficit of approximately \$14,474,000.

The Town has also joined together with other local governments in the South Carolina Employee Insurance Program ("EIP") to provide medical, dental, and life insurance for its employees. This is also a public entity risk pool operating as a common risk management and insurance program. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the EIP to the South Carolina Public Employee Benefit Authority ("PEBA"). For the year ended June 30, 2017, the Town made premium payments totaling approximately \$167,000. The EIP's net position from its most recently issued audited financial statements as of June 30, 2016 was approximately \$282,169,000.

For the above risk management programs, the Town has not significantly reduced insurance coverage from the previous year and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which the Town participates, the Town has effectively transferred all risk with no liability for unfunded claims.

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public-school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS ("Plans") employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates			PORS Rates		
	2015	2016	2017	2015	2016	2017
Employer Contribution Rate: [^]						
Retirement	10.75%	10.91%	11.41%	13.01%	13.34%	13.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.90%</u>	<u>11.06%</u>	<u>11.56%</u>	<u>13.41%</u>	<u>13.74%</u>	<u>14.24%</u>
Employee Contribution Rate	<u>8.00%</u>	<u>8.16%</u>	<u>8.66%</u>	<u>8.41%</u>	<u>8.74%</u>	<u>9.24%</u>

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed by the Town to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2017	\$ 182,502	100%	\$ 10,157	100%
2016	139,326	100%	11,339	100%
2015	\$ 144,768	100%	\$ 9,397	100%

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2017	\$ 1,578,737	71,327	\$ 1,650,064
2016	1,259,731	82,527	1,342,258
2015	\$ 1,328,143	70,078	\$ 1,398,221

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2015 actuarial valuations as adopted by the PEBA Board and the SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Plan's fiscal year ended June 30, 2016 using generally accepted actuarial principles. Information included in these notes are based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for the SCRS and PORS are as follows:

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations, was based upon the 30-year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	23,996,362,354	\$ 21,359,852,398	52.9%
PORS	\$ 6,412,510,458	3,876,035,732	\$ 2,536,474,726	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)**

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At June 30, 2017, the Town reported liabilities of approximately \$2,797,000 and \$167,000 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2015 that was projected forward to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2016 measurement date, the Town's SCRS proportion was 0.01310 percent, which was a decrease of 0.00097 percent from its proportion measured as of June 30, 2015. At the June 30, 2016 measurement date, the Town's PORS proportion was 0.00659 percent, which was an increase of 0.00021 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of approximately \$307,000 and \$18,000 for the SCRS and PORS, respectively. At June 30, 2017, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 28,997	\$ 3,038
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	235,341	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	220,014	136,840
The Town's Contributions Subsequent to the Measurement Date	182,502	-
Total SCRS	<u>666,854</u>	<u>139,878</u>
PORS		
Differences Between Expected and Actual Experience	2,479	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	18,945	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	3,516	3,694
The Town's Contributions Subsequent to the Measurement Date	10,157	-
Total PORS	<u>35,097</u>	<u>3,694</u>
Total SCRS and PORS	<u>\$ 701,951</u>	<u>\$ 143,572</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)***Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$183,000 and \$10,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2018	\$ 122,623	4,462	\$ 127,085
2019	107,466	4,336	111,802
2020	66,561	7,487	74,048
2021	47,824	4,961	52,785
Total	<u>\$ 344,474</u>	<u>21,246</u>	<u>\$ 365,720</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the Town's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
The Town's proportionate share of the net pension liability of the SCRS	\$ 3,489,538	2,797,286	\$ 2,221,013
The Town's proportionate share of the net pension liability of the PORS	218,969	167,078	120,443
Total Pension Liability	<u>\$ 3,708,507</u>	<u>2,964,364</u>	<u>\$ 2,341,456</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plans

The Town reported payables of approximately \$42,000 and \$2,000 to the PEBA as of June 30, 2017, representing required employer and employee contributions for the month of June 2017 for the SCRS and PORS, respectively. These amounts are included in Accounts Payable and Accrued Liabilities on the financial statements and were paid in July 2017.

Plan Developments

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS and PORS contribution rates to 13.56% and 16.24%, respectively, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS and PORS employer rate totaling 18.56% and 21.24%, respectively, for fiscal year 2023 and thereafter. The legislation (a) would also increase and cap the employee SCRS and PORS contribution rates to 9.00% and 9.75%, respectively, after June 30, 2027, (b) provide for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (c) lower the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (d) for some years reduce the funding period of unfunded liabilities from 30 years to 20 years.

C. Deferred Compensation Plans

Employees of the Town have the opportunity to participate in a deferred compensation plan under programs administered by the South Carolina Deferred Compensation Commission. The multiple-employer plan was created in accordance with Internal Revenue Code Section 401(k). The plan, available to all full-time Town employees, at their option, permits participants to defer a portion of their salary until future years. Only upon termination, retirement, disability, death, or an approved hardship is the deferred compensation available to an employee. Total employer matching payments for year ending June 30, 2017, were approximately \$6,000.

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Required Supplementary Information



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Building Permits	\$ 1,254,000	1,254,000	1,246,429	\$ (7,571)
Business Licenses	1,836,000	1,836,000	2,290,018	454,018
Lease Revenue	18,150	18,150	21,858	3,708
SC Aid to Subdivisions	35,000	35,000	37,235	2,235
Franchise Fee Revenue	795,000	795,000	755,815	(39,185)
Local Option Sales Tax	490,000	490,000	530,338	40,338
Fines and Forfeitures	12,000	12,000	14,738	2,738
Interest	80,000	80,000	27,524	(52,476)
Miscellaneous	20,000	20,000	48,310	28,310
Environmental Service Fees	350,000	350,000	362,710	12,710
Accommodations Taxes - State	120,000	120,000	106,954	(13,046)
Federal Revenue	-	-	119,541	119,541
TOTAL REVENUES	5,010,150	5,010,150	5,561,470	551,320
EXPENDITURES				
Current:				
General Government	3,768,740	3,768,740	4,165,272	(396,532)
Judicial	20,623	20,623	19,507	1,116
Public Safety	622,131	622,131	665,838	(43,707)
Tourism and Recreation	300,000	300,000	317,929	(17,929)
Capital Outlay	160,000	160,000	104,887	55,113
TOTAL EXPENDITURES	4,871,494	4,871,494	5,273,433	(401,939)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	138,656	138,656	288,037	149,381
OTHER FINANCING SOURCES (USES)				
Transfers In	852,361	852,361	852,361	-
Transfers Out	(2,383,533)	(2,383,533)	(1,979,636)	403,897
TOTAL OTHER FINANCING SOURCES (USES)	(1,531,172)	(1,531,172)	(1,127,275)	403,897
NET CHANGES IN FUND BALANCES				
	(1,392,516)	(1,392,516)	(839,238)	553,278
FUND BALANCES, Beginning of Year				
	7,752,006	7,752,006	7,752,006	-
FUND BALANCES, End of Year				
	\$ 6,359,490	6,359,490	6,912,768	\$ 553,278

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$1,392,516.

Note: The General Fund had expenditures exceeding final appropriations of \$401,938 that were covered by revenues exceeding appropriations by \$551,319.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
STATE ACCOMMODATIONS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax - State	\$ 1,600,000	1,600,000	1,557,132	\$ (42,868)
TOTAL REVENUES	1,600,000	1,600,000	1,557,132	(42,868)
EXPENDITURES				
Purchased Services:				
Advertising/Promotional	972,407	972,407	945,726	26,681
TOTAL EXPENDITURES	972,407	972,407	945,726	26,681
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	627,593	627,593	611,406	(16,187)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(618,000)	(618,000)	(618,000)	-
NET CHANGES IN FUND BALANCES	9,593	9,593	(6,594)	(16,187)
FUND BALANCES, Beginning of Year	181,719	181,719	181,719	-
FUND BALANCES, End of Year	\$ 191,312	191,312	175,125	\$ (16,187)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
COUNTY ACCOMMODATIONS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 10,000	10,000	4,246	\$ (5,754)
Accommodations Tax - County	480,000	480,000	477,000	(3,000)
Other Miscellaneous Revenues	-	-	3,883	3,883
TOTAL REVENUES	490,000	490,000	485,129	(4,871)
EXPENDITURES				
Supplies:				
Energy	2,400	2,400	4,994	(2,594)
General	5,000	5,000	2,529	2,471
Brochures	15,000	15,000	-	15,000
Purchased Services:				
Administrative	258,960	258,960	269,859	(10,899)
Administrative	686	686	-	686
Communications	7,500	7,500	-	7,500
Cleaning/Debris Removal	30,250	30,250	48,345	(18,095)
Kiawah Island Conservancy	58,000	58,000	58,000	-
Environmental Research	46,550	46,550	45,452	1,098
Educational Programs	17,500	17,500	17,500	-
Maintenance	101,000	101,000	69,437	31,563
Water and Sewer	3,200	3,200	2,749	451
TOTAL EXPENDITURES	546,046	546,046	518,865	27,181
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,046)	(56,046)	(33,736)	22,310
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(267,500)	(267,500)	(267,500)	-
NET CHANGES IN FUND BALANCES	(323,546)	(323,546)	(301,236)	22,310
FUND BALANCES, Beginning of Year	1,737,761	1,737,761	1,737,761	-
FUND BALANCES, End of Year	\$ 1,414,215	1,414,215	1,436,525	\$ 22,310

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$323,546.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
LOCAL ACCOMMODATIONS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 30,000	30,000	8,504	\$ (21,496)
Accommodations Tax - Local	950,000	950,000	1,088,825	138,825
Other Miscellaneous Revenues	-	-	827	827
TOTAL REVENUES	980,000	980,000	1,098,156	118,156
EXPENDITURES				
General Supplies	2,500	2,500	-	2,500
Purchased Services:				
Professional Services	62,000	62,000	30,000	32,000
TOTAL EXPENDITURES	64,500	64,500	30,000	34,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	915,500	915,500	1,068,156	152,656
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(607,362)	(607,362)	(607,361)	1
NET CHANGES IN FUND BALANCES	308,138	308,138	460,795	152,657
FUND BALANCES, Beginning of Year	3,331,321	3,331,321	3,331,321	-
FUND BALANCES, End of Year	\$ 3,639,459	3,639,459	3,792,116	\$ 152,657

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - BEVERAGE PERMITS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Beverage Permit Revenue	\$ 39,000	39,000	42,000	\$ 3,000
TOTAL REVENUES	39,000	39,000	42,000	3,000
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(50,000)	(50,000)	(50,000)	-
NET CHANGES IN FUND BALANCES	(11,000)	(11,000)	(8,000)	3,000
FUND BALANCES, Beginning of Year	51,074	51,074	51,074	-
FUND BALANCES, End of Year	\$ 40,074	40,074	43,074	\$ 3,000

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$11,000.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 25,000	25,000	5,678	\$ (19,322)
Hospitality Tax	500,000	500,000	518,632	18,632
TOTAL REVENUES	525,000	525,000	524,310	(690)
EXPENDITURES				
Supplies:				
Energy	3,000	3,000	4,739	(1,739)
Purchased Services:				
Maintenance	145,000	145,000	145,337	(337)
Water and Sewer	55,000	55,000	80,730	(25,730)
TOTAL EXPENDITURES	203,000	203,000	230,806	(27,806)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	322,000	322,000	293,504	(28,496)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(122,000)	(122,000)	(122,000)	-
NET CHANGES IN FUND BALANCES	200,000	200,000	171,504	(28,496)
FUND BALANCES, Beginning of Year	2,498,962	2,498,962	2,498,962	-
FUND BALANCES, End of Year	\$ 2,698,962	2,698,962	2,670,466	\$ (28,496)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: Expenditures exceeded final appropriations by \$27,806 primarily due to the timing of payments versus appropriations.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - VICTIMS' ASSISTANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Victims' Assistance Fines and Forfeitures	\$ 2,000	2,000	2,857	\$ 857
TOTAL REVENUES ALL SOURCES	2,000	2,000	2,857	857
EXPENDITURES				
Judicial:				
Purchased Services:				
Professional Services	2,000	2,000	4,324	(2,324)
TOTAL EXPENDITURES	2,000	2,000	4,324	(2,324)
NET CHANGES IN FUND BALANCES	-	-	(1,467)	(1,467)
FUND BALANCES, Beginning of Year	22,617	22,617	22,617	-
FUND BALANCES, End of Year	\$ 22,617	22,617	21,150	\$ (1,467)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: Expenditures exceeded final appropriations by \$2,324 and were partially covered by revenues exceeding appropriations by \$857. The remaining difference is primarily due to the timing of payments versus appropriations.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM****LAST FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
Town of Kiawah Island's Proportion of the Net Pension Liability	0.01310%	0.01407%	0.01174%	0.01174%
Town of Kiawah Island's Proportionate Share of the Net Pension Liability	\$ 2,797,286	2,668,443	2,021,411	\$ 2,105,917
Town of Kiawah Island's Covered Payroll	\$ 1,259,731	1,328,143	1,069,095	\$ 842,824
Town of Kiawah Island's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	222.05%	200.92%	189.08%	249.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.906%	56.992%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of data were available; thus, only four years were presented.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 182,502	139,326	144,768	\$ 112,992
Contributions in Relation to the Contractually Required Contribution	182,502	139,326	144,768	112,992
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town of Kiawah Island's Covered Payroll	\$ 1,578,737	1,259,731	1,328,143	\$ 1,069,095
Contributions as a Percentage of Covered Payroll	11.56%	11.06%	10.90%	10.57%

Notes to Schedule:

Only four years of data were available; thus, only four years were presented.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM****LAST FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
Town of Kiawah Island's Proportion of the Net Pension Liability	0.00659%	0.00638%	0.00668%	0.00668%
Town of Kiawah Island's Proportionate Share of the Net Pension Liability	\$ 167,078	138,943	127,845	\$ 138,433
Town of Kiawah Island's Covered Payroll	\$ 82,527	70,078	77,187	\$ 41,113
Town of Kiawah Island's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.45%	198.27%	165.63%	336.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.44%	64.57%	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of data were available; thus, only four years were presented.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 10,157	11,339	9,397	\$ 10,314
Contributions in Relation to the Contractually Required Contribution	10,157	11,339	9,397	10,314
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town of Kiawah Island's Covered Payroll	\$ 71,327	82,527	70,078	\$ 77,187
Contributions as a Percentage of Covered-Employee Payroll	14.24%	13.74%	13.41%	13.36%

Notes to Schedule:

Only four years of data were available; thus, only four years were presented.

Supplementary Information



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Building Permits	\$ 1,254,000	1,254,000	1,246,429	\$ (7,571)
Business Licenses	1,836,000	1,836,000	2,290,018	454,018
Lease Revenue	18,150	18,150	21,858	3,708
SC Aid to Subdivisions	35,000	35,000	37,235	2,235
Franchise Fee Revenue	795,000	795,000	755,815	(39,185)
Local Option Sales Tax	490,000	490,000	530,338	40,338
Fines and Forfeitures	12,000	12,000	14,738	2,738
Interest	80,000	80,000	27,524	(52,476)
Miscellaneous	20,000	20,000	48,310	28,310
Environmental Service Fees	350,000	350,000	362,710	12,710
Accommodations Taxes - State	120,000	120,000	106,954	(13,046)
Federal Revenue	-	-	119,541	119,541
TOTAL REVENUES	5,010,150	5,010,150	5,561,470	551,320
EXPENDITURES				
Salaries	1,643,569	1,643,569	1,582,384	61,185
Other Employee Benefits	154,526	154,526	157,378	(2,852)
Health Insurance	202,989	202,989	167,025	35,964
Retirement	206,074	206,074	206,845	(771)
Supplies:				
Energy	9,334	9,334	8,511	823
General	68,359	68,359	78,224	(9,865)
Minor Assets	14,400	14,400	11,808	2,592
Purchased Services:				
Administrative	124,382	124,382	76,758	47,624
Advertising/Promotional	6,200	6,200	7,512	(1,312)
Communications	41,579	41,579	47,601	(6,022)
Cleaning/Debris Removal	890,000	890,000	885,483	4,517
Printing	20,183	20,183	3,826	16,357
Liability Insurance	63,752	63,752	70,294	(6,542)
Professional	217,752	217,752	255,862	(38,110)
Maintenance	305,900	305,900	322,544	(16,644)
Water & Sewer	5,000	5,000	2,749	2,251
Travel	71,200	71,200	41,439	29,761
Rentals	145,260	145,260	136,973	8,287
Tourism and Recreation	300,000	300,000	317,929	(17,929)
Contingency	50,000	50,000	11,445	38,555
Contributions	167,500	167,500	146,370	21,130
Other Miscellaneous Expenditures	3,535	3,535	2,239	1,296
Storm Cleanup Costs	-	-	627,347	(627,347)
Capital Outlay	160,000	160,000	104,887	55,113
TOTAL EXPENDITURES	4,871,494	4,871,494	5,273,433	(401,939)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 138,656	138,656	288,037	\$ 149,381

(Continued)

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 852,361	852,361	852,361	\$ -
Transfers Out	(2,383,533)	(2,383,533)	(1,979,636)	403,897
TOTAL OTHER FINANCING SOURCES (USES)	(1,531,172)	(1,531,172)	(1,127,275)	403,897
NET CHANGES IN FUND BALANCES	(1,392,516)	(1,392,516)	(839,238)	553,278
FUND BALANCES, Beginning of Year	7,752,006	7,752,006	7,752,006	-
FUND BALANCES, End of Year	\$ 6,359,490	6,359,490	6,912,768	\$ 553,278

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND**

YEAR ENDED JUNE 30, 2017

	2017	2016	VARIANCE
REVENUES			
Building Permits	\$ 1,246,429	990,258	\$ 256,171
Business Licenses	2,290,018	2,183,207	106,811
Lease Revenue	21,858	72,600	(50,742)
SC Aid to Subdivisions	37,235	35,590	1,645
Franchise Fee Revenue	755,815	747,873	7,942
Local Option Sales Tax	530,338	501,770	28,568
Fines and Forfeitures	14,738	9,447	5,291
Interest	27,524	96,460	(68,936)
Miscellaneous	48,310	120,454	(72,144)
Environmental Service Fees	362,710	357,877	4,833
Accommodations Taxes - State	106,954	102,598	4,356
Federal Revenue	119,541	-	119,541
TOTAL REVENUES	5,561,470	5,218,134	343,336
EXPENDITURES			
Salaries	1,582,384	1,404,852	177,532
Other Employee Benefits	157,378	116,449	40,929
Health Insurance	167,025	132,142	34,883
Retirement	206,845	151,361	55,484
Supplies:			
Energy	8,511	10,411	(1,900)
General	78,224	95,390	(17,166)
Minor Assets	11,808	4,840	6,968
Purchased Services:			
Administrative	76,758	121,417	(44,659)
Advertising/Promotional	7,512	2,639	4,873
Communications	47,601	33,676	13,925
Cleaning/Debris Removal	885,483	819,659	65,824
Printing	3,826	22,525	(18,699)
Liability Insurance	70,294	62,539	7,755
Professional	255,862	1,203,012	(947,150)
Maintenance	322,544	239,008	83,536
Water & Sewer	2,749	2,709	40
Travel	41,439	26,853	14,586
Rentals	136,973	45,043	91,930
Tourism and Recreation	317,929	324,226	(6,297)
Contingency	11,445	-	11,445
Contributions	146,370	204,836	(58,466)
Other Miscellaneous Expenditures	2,239	-	2,239
Storm Cleanup Costs	627,347	-	627,347
Capital Outlay	104,887	40,473	64,414
TOTAL EXPENDITURES	5,273,433	5,064,060	209,373
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 288,037	154,074	\$ 133,963

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
STATE ACCOMMODATIONS TAX FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
REVENUES			
Accommodations Taxes - State	\$ 1,557,132	1,474,366	\$ (82,766)
TOTAL REVENUES	<u>1,557,132</u>	<u>1,474,366</u>	<u>(82,766)</u>
EXPENDITURES			
Purchased Services:			
Advertising/Promotional	945,726	1,140,589	(194,863)
TOTAL EXPENDITURES	<u>945,726</u>	<u>1,140,589</u>	<u>(194,863)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 611,406</u>	<u>333,777</u>	<u>\$ (277,629)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
COUNTY ACCOMMODATIONS TAX FUND**

YEAR ENDED JUNE 30, 2017

	2017	2016	VARIANCE
REVENUES			
Interest	\$ 4,246	16,329	\$ 12,083
Accommodations Taxes - County	477,000	450,622	(26,378)
Other Miscellaneous Revenues	3,883	-	(3,883)
TOTAL REVENUES	485,129	466,951	(18,178)
EXPENDITURES			
Supplies:			
Energy	4,994	10,273	(5,279)
General	2,529	3,118	(589)
Purchased Services:			
Beach Patrol Costs	269,859	-	269,859
Administrative	-	23,499	(23,499)
Communications	-	11,132	(11,132)
Cleaning/Debris Removal	48,345	62,178	(13,833)
Kiawah Island Conservancy	58,000	-	58,000
Environmental Research	45,452	-	45,452
Educational Programs	17,500	-	17,500
Maintenance	69,437	23,201	46,236
Water and Sewer	2,749	10,833	(8,084)
TOTAL EXPENDITURES	518,865	144,234	374,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (33,736)	322,717	\$ 356,453

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
LOCAL ACCOMMODATIONS TAX FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 8,504	33,347	\$ 24,843
Accommodations Taxes - Local	1,088,825	902,124	(186,701)
Other Miscellaneous Revenues	827	-	(827)
TOTAL REVENUES	<u>1,098,156</u>	<u>935,471</u>	<u>(162,685)</u>
EXPENDITURES			
Beach Consulting and Repairs	-	22,873	(22,873)
Beach Studies and Monitoring	-	80,751	(80,751)
Purchased Services:			
Professional Services	30,000	177,943	(147,943)
Cleaning/Debris Removal	-	53,515	(53,515)
TOTAL EXPENDITURES	<u>30,000</u>	<u>335,082</u>	<u>(305,082)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,068,156</u>	<u>600,389</u>	<u>\$ (467,767)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
BEVERAGE PERMITS FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
REVENUES			
Beverage Permit Revenue	\$ 42,000	36,000	\$ (6,000)
TOTAL REVENUES	<u>42,000</u>	<u>36,000</u>	<u>(6,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 42,000</u>	<u>36,000</u>	<u>\$ (6,000)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
HOSPITALITY TAX FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 5,678	17,829	\$ 12,151
Hospitality Tax	518,632	490,388	(28,244)
TOTAL REVENUES	<u>524,310</u>	<u>508,217</u>	<u>(16,093)</u>
EXPENDITURES			
Supplies:			
Energy	4,739	793	3,946
Purchased Services:			
Maintenance	145,337	119,491	25,846
Water and Sewer	80,730	39,696	41,034
TOTAL EXPENDITURES	<u>230,806</u>	<u>159,980</u>	<u>70,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 293,504</u>	<u>348,237</u>	<u>\$ 54,733</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
VICTIMS' ASSISTANCE FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
REVENUES			
Victims' Assistance Fines and Forfeitures	\$ 2,857	1,466	\$ (1,391)
TOTAL REVENUES	<u>2,857</u>	<u>1,466</u>	<u>(1,391)</u>
EXPENDITURES			
Judicial:			
Purchased Services:			
Professional Services	4,324	750	3,574
TOTAL EXPENDITURES	<u>4,324</u>	<u>750</u>	<u>3,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,467)</u>	<u>716</u>	<u>\$ 2,183</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
EXPENDITURES			
Purchased Services:			
Closing Costs	\$ 35,643	-	\$ 35,643
Capital Outlay	6,947,169	1,475,984	5,471,185
Debt Service:			
Interest and Other Fiscal Charges	41,147	-	41,147
TOTAL EXPENDITURES	<u>7,023,959</u>	<u>1,475,984</u>	<u>5,547,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,023,959)</u>	<u>(1,475,984)</u>	<u>\$ 5,547,975</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2017

COURT FINES

Court Fines Collected	\$ 14,738
Court Fines Retained by the Town	(14,738)
Total Court Fines Remitted to State Treasurer	\$ -

COURT ASSESSMENTS

Court Assessments Collected	\$ 13,372
Court Assessments Retained by the Town	-
Total Court Assessments Remitted to the State Treasurer	\$ 13,372

COURT SURCHARGES

Court Surcharges Collected	\$ 2,066
Court Surcharges Retained by the Town	-
Total Court Surcharges Remitted to the State Treasurer	\$ 2,066

COURT PULLOUTS

Court Pullouts Collected	\$ 200
Court Pullouts Retained by the Town	-
Total Court Pullouts Remitted to the State Treasurer	\$ 200

VICTIMS' ASSISTANCE

Funds Available for Carryforward, Beginning of Year	\$ 22,617
Court Assessments and Surcharges Allocated to Victims' Assistance	2,857
Victims' Assistance Expenditures	(4,324)
Funds Available for Carryforward, End of Year	\$ 21,150

Statistical Section (Unaudited)



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Financial Trends Information

Narrative

The financial trends information section of the Comprehensive Annual Financial Report for the year ended June 30, 2017 for the Town of Kiawah Island, South Carolina is comprised of four schedules. The schedules are:

- Net Position by Component – The schedule shows the breakdown by Net Investment in Capital Assets, Restricted and Unrestricted for net position classified by governmental and business-type activities. These numbers are compared to previous years.
- Changes in Net Position – This schedule presents the expenses and revenues classified by function or type culminating into the change in net position. These numbers are compared to previous years.
- Fund Balances, Governmental Funds – This schedule shows the General Fund and other governmental fund balances broken down by classification (nonspendable, restricted, committed, assigned and unassigned). These numbers are compared to previous years.
- Changes in Fund Balances, Governmental Funds – This schedule breaks the revenue down by type and shows the expenses by function. It also shows transfers. The schedule results in showing the change in fund balance. These numbers are compared to previous years.

Financial Trends Information

Net Position by Component, Last Ten Fiscal Years

Town of Kiawah Island Schedule 1

(Prepared using the accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 5,869,920	5,898,135	8,283,790	7,953,918	7,873,960	7,646,108	7,403,382	9,135,027	10,278,569	\$ 11,320,757
Restricted	5,707,701	6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,988,779	9,046,099	8,138,456
Unrestricted	7,558,741	7,888,160	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	6,420,131	5,550,418	6,116,525
Total government activities net position	\$ 19,136,362	20,134,485	21,773,977	22,422,471	22,829,834	23,176,541	24,822,195	23,543,937	24,875,086	\$ 25,575,738
Business-type Activities:										
Net Investment in Capital Assets	\$ -	-	-	-	-	-	-	-	-	\$ -
Unrestricted	161,458	102,884	-	-	-	-	-	-	-	-
Total business-type activities net position	\$ 161,458	102,884	-	-	-	-	-	-	-	\$ -
Primary Government:										
Net Investment in Capital Assets	\$ 5,869,920	5,898,135	8,283,790	7,953,918	7,873,960	7,646,108	7,403,382	9,135,027	10,278,569	\$ 11,320,757
Restricted	5,707,701	6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,988,779	9,046,099	8,138,456
Unrestricted	7,720,199	7,991,044	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	6,420,131	5,550,418	6,116,525
Total primary government net position	\$ 19,297,820	20,237,369	21,773,977	22,422,471	22,829,834	23,176,541	24,822,195	23,543,937	24,875,086	\$ 25,575,738

Financial Trends Information

Changes in Net Position - Last Ten Fiscal Years

Town of Kiawah Island Schedule 2

(Prepared using the accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Government activities:										
General government - (3)	\$ 1,774,989	1,893,588	1,597,727	1,866,909	2,049,514	2,052,957	2,685,958	3,289,126	3,376,047	\$ 5,498,034
Judicial	5,559	6,395	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831
Public safety	51,956	92,167	74,624	96,529	78,583	83,124	123,575	192,325	747,401	693,444
Environmental services - (3)	-	-	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-
Tourism and recreation	1,411,537	1,466,819	1,269,734	1,759,356	2,023,584	2,278,884	2,067,716	3,085,648	2,386,979	2,277,351
Interest and Other Charges	-	-	-	-	-	-	-	-	-	51,032
Total governmental activities expenses	3,244,041	3,458,969	3,839,112	4,722,025	5,271,541	5,268,326	5,643,493	7,488,893	7,332,803	8,543,692
Business-type activities:										
Solid waste (enterprise)	762,755	816,968	-	-	-	-	-	-	-	-
Total business-type activities expenses	762,755	816,968	-	-	-	-	-	-	-	-
Total primary government expenses	\$ 4,006,796	4,275,937	3,839,112	4,722,025	5,271,541	5,268,326	5,643,493	7,488,893	7,332,803	\$ 8,543,692
Program Revenues										
Government activities:										
Charges for services:										
General government - (3)	\$ 1,778,374	1,845,126	1,722,676	1,639,614	1,737,421	1,790,186	2,810,519	3,117,157	3,173,464	\$ 3,899,157
Judicial	9,976	9,727	12,780	17,992	12,339	17,426	14,126	35,206	10,914	17,595
Environmental services - (3)			233,043	349,831	339,014	333,543	321,686	272,611	357,877	-
Tourism and recreation - (1)	2,263,926	1,849,228	1,567,821	1,878,064	2,076,645	2,387,382	2,499,681	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	119,541
Total governmental activities revenues	4,052,276	3,704,081	3,536,320	3,885,501	4,165,419	4,528,537	5,646,012	3,424,974	3,542,255	4,036,293
Business-type activities:										
Charges for services:										
Solid Waste	234,408	258,378	-	-	-	-	-	-	-	-
Total business-type activities revenues	234,408	258,378	-	-	-	-	-	-	-	-
Total primary government revenues	\$ 4,286,684	3,962,459	3,536,320	3,885,501	4,165,419	4,528,537	5,646,012	3,424,974	3,542,255	\$ 4,036,293
Net (Expense) / Revenue										
Government activities	\$ 808,235	245,112	(302,792)	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	\$ (4,507,399)
Business-type activities	(528,347)	(558,590)	-	-	-	-	-	-	-	-
Total primary government net expense	\$ 279,888	(313,478)	(302,792)	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	\$ (4,507,399)

(Continued)

Financial Trends Information

Changes in Net Position - Last Ten Fiscal Years

Town of Kiawah Island Schedule 2

(Prepared using the accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Government activities:										
SC aid to subdivisions	\$ 37,972	36,226	30,381	29,369	29,731	35,079	36,915	35,590	35,590	\$ 37,235
Franchise fee revenue	301,858	312,611	402,825	432,781	447,449	544,695	540,321	662,823	747,873	755,815
Local options sales tax	318,538	289,973	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338
Interest - (2)	404,492	309,086	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952
Hospitality tax	288,276	255,009	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632
Accommodations tax - (1)	-	-	-	-	-	-	-	2,724,872	2,929,710	3,229,911
Lease revenue	-	-	-	-	-	-	-	72,600	72,600	21,858
Beverage permits - (1)	-	-	-	-	-	-	-	30,000	36,000	42,000
Contributions and grants	28,059	36,315	300,000	265,637	116,044	3,535	-	-	-	-
Miscellaneous	19,479	13,791	8,730	15,115	26,606	40,762	8,179	197,555	132,801	26,310
Gain on sale of assets	-	-	-	-	18,600	11,000	-	-	11,000	-
Transfers	(525,000)	(500,000)	-	-	-	-	-	-	-	-
Total governmental activities	873,674	753,011	1,839,400	1,469,919	1,513,485	1,086,496	1,643,135	4,906,706	5,121,697	5,208,051
Business-type activities:										
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	4,104	16	-	-	-	-	-	-	-	-
Transfers	525,000	500,000	-	-	-	-	-	-	-	-
Total business-type activities	529,104	500,016	-	-	-	-	-	-	-	-
Total primary government	\$ 1,402,778	1,253,027	1,839,400	1,469,919	1,513,485	1,086,496	1,643,135	4,906,706	5,121,697	\$ 5,208,051
Change in Net Position										
Governmental activities	\$ 1,681,909	998,123	1,536,608	633,395	407,363	346,707	1,645,654	842,787	1,331,149	\$ 700,652
Business-type activities	757	(58,574)	-	-	-	-	-	-	-	-
Total primary government	\$ 1,682,666	939,549	1,536,608	633,395	407,363	346,707	1,645,654	842,787	1,331,149	\$ 700,652

Notes:

- (1) - Prior to 2015, accommodations tax and beverage permit revenues were included in program revenues for the tourism and recreation function in the statistical schedule.
- (2) - Interest shown on this schedule has been adjusted to include "Mark to market valuation" shown in prior years.
- (3) - The Environmental Services function has been combined with the General Government function beginning in the year ended June 30, 2017, including the charges for services.

Financial Trends Information

Fund Balances, Governmental Funds, Last Ten Fiscal Years

Town of Kiawah Island Schedule 3

(Prepared using the modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable for Prepaid Items	\$ 52,577	53,612	46,468	48,200	70,413	55,062	130,041	958	49,147	\$ 107,538
Restricted for Tourism Related Capital Improvements - (1)	-	-	-	-	-	-	-	777,645	-	-
Assigned for Budget Carryovers for Future Years' Expenditures	-	-	-	-	-	-	-	-	602,653	-
Assigned for Future Years' Expenditures	-	-	-	-	-	-	-	-	1,742,296	-
Unassigned	7,506,164	7,834,548	8,578,074	8,932,721	8,929,497	9,078,755	9,855,854	8,477,442	5,357,910	6,805,230
Total General Fund	\$ 7,558,741	7,888,160	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	9,256,045	7,752,006	\$ 6,912,768
All Other Governmental Funds										
Restricted for:										
Victims Assistance	\$ -	-	-	12,129	11,864	15,317	16,055	21,901	22,617	\$ 21,150
Tourism Related Capital Improvements - (1)	-	-	-	-	-	-	344,698	-	1,222,645	-
Tourism Related Expenditures	5,707,701	6,348,190	4,865,645	5,475,503	5,944,100	6,381,299	7,072,165	7,189,233	7,800,837	8,117,306
Committed for:										
Capital Improvements	-	-	-	-	-	-	-	-	-	1,572,645
	\$ 5,707,701	6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,211,134	9,046,099	\$ 9,711,101
Total all governmental funds	\$13,266,442	14,236,350	13,490,187	14,468,553	14,955,874	15,530,433	17,418,813	\$16,467,179	16,798,105	\$16,623,869

Notes:

(1) - Prior to 2015, the fund balance in the General Fund restricted for tourism-related capital improvements was included with all other governmental funds. In 2016, the Capital Projects Fund was reported separately from the General Fund for the first time.

Financial Trends Information

Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

Town of Kiawah Island Schedule 4

(Prepared using the modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Building permits	\$ 47,436	30,251	28,168	27,768	38,310	35,974	823,214	1,069,063	990,258	\$ 1,246,429
Business Licenses	1,634,338	1,718,275	1,597,908	1,515,246	1,602,511	1,657,812	1,920,755	2,048,093	2,183,207	2,290,018
Lease Revenue	72,600	72,600	72,600	72,600	72,600	72,400	66,550	72,600	72,600	21,858
SC aid to subdivision	37,972	36,226	30,381	29,369	29,731	35,079	36,915	35,590	37,235	35,590
Franchise fee revenue	301,858	312,611	402,825	432,781	447,449	544,695	540,321	662,823	747,873	755,815
Beverage permit revenue	24,000	24,000	24,000	24,000	24,000	24,000	27,900	30,000	36,000	42,000
Local option sales tax	318,538	289,973	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338
Fines and Forfeitures	9,976	9,727	12,780	17,992	12,339	17,426	14,126	35,207	10,913	17,595
Interest - (1)	404,492	309,086	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952
Contributions and grants	28,059	36,315	300,000	265,637	116,044	3,535	-	-	-	-
Miscellaneous	19,479	13,791	8,730	15,115	26,606	40,762	8,179	136,210	120,454	53,020
Accommodations tax - state	1,264,453	1,058,856	937,695	1,039,783	1,143,911	1,343,031	1,344,377	1,410,368	1,576,964	1,664,086
Accommodations tax - county	280,498	226,630	102,261	240,629	267,679	299,411	323,596	439,500	450,622	477,000
Accommodations tax - local	718,975	563,742	527,865	597,652	665,055	744,940	803,808	875,004	902,124	1,088,825
Environmental service fee	-	-	233,043	349,831	339,014	333,543	321,686	272,611	357,877	362,710
Federal revenue	-	-	-	-	-	-	-	-	-	119,541
Hospitality tax	288,276	255,009	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632
Total revenues	5,450,950	4,957,092	5,375,720	5,355,420	5,660,304	5,604,033	7,289,147	8,270,335	8,640,605	9,271,054
General government - (2)	1,501,935	1,618,348	1,338,514	1,732,462	1,916,588	1,913,402	2,540,362	3,106,370	3,145,721	4,200,915
Judicial	5,559	6,395	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831
Public safety	51,956	92,167	74,624	96,529	78,583	83,124	123,575	192,416	732,014	665,838
Environmental service - (2)	-	-	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-
Tourism and recreation	1,400,267	1,455,549	1,260,381	1,519,400	1,783,957	2,015,603	1,805,285	2,838,110	2,104,111	2,043,326
Capital outlay	175,670	314,725	2,654,221	44,531	292,595	174,984	165,301	2,163,279	1,516,457	7,052,056
Interest and Other Fiscal Charges	-	-	-	-	-	-	-	-	-	41,147
Total expenditures	3,135,387	3,487,184	6,224,767	4,392,153	5,191,583	5,040,474	5,400,767	9,221,969	8,320,679	14,027,113
Excess of revenues over (under) expenditures	2,315,563	1,469,908	(849,047)	963,267	468,721	563,559	1,888,380	(951,634)	319,926	(4,756,059)
Bonds issued	-	-	-	-	-	-	-	-	-	3,000,000
Proceeds from sale of assets	-	-	-	-	18,600	11,000	-	-	11,000	1,581,823
Transfers In	-	75,102	-	-	-	-	-	587,000	2,494,500	3,839,497
Transfers Out	(525,000)	(575,102)	-	-	-	-	-	(587,000)	(2,494,500)	(3,839,497)
Net change in fund balance	\$ 1,790,563	969,908	(849,047)	963,267	487,321	574,559	1,888,380	(951,634)	330,926	\$ (174,236)

Notes:

(1) - Interest shown on this schedule has been adjusted to include "Mark to market valuation" shown in prior years.

(2) - The Environmental Services function has been combined with the General Government function beginning in the year ended June 30, 2017.

Revenue Capacity

Narrative

The revenue capacity information section of the Comprehensive Annual Financial Reports for the year end June 30, 2017 for the Town of Kiawah Island, South Carolina is comprised of two schedules. The schedule are:

- Significant Revenue, Governmental Funds – The schedule shows the breakdown by type revenue in the governmental funds. These numbers are compared to previous years.
- Significant Revenue, Percent of Business License by Class – The schedule shows the breakdown of business license revenue, one of the major revenues of the Town, by business class. These numbers are compared to previous years.
- Significant Revenue, Percent of Accommodations Taxes by Class – The schedule shows the breakdown of accommodations tax revenue, one of the major revenues of the Town, by rental class. These numbers will be compared to previous years when the data is available.

Revenue Capacity

Significant Revenue, Governmental Funds Last Ten Years

Town of Kiawah Island

Schedule 1

(Prepared using the modified accrual basis of accounting)

General Fund

Fiscal Year Ended June 30,	Business License	Local Option Sales Tax	Franchise Fees	Building Permits	Total
2017	\$ 2,290,018	530,338	755,815	1,246,429	\$ 4,822,600
2016	2,183,207	501,770	747,873	990,258	4,423,108
2015	2,048,093	430,527	662,823	1,069,063	4,210,506
2014	1,920,755	357,575	540,321	823,214	3,641,865
2013	1,657,812	362,654	544,695	35,974	2,601,135
2012	1,602,511	363,092	447,449	38,310	2,451,362
2011	1,515,246	291,513	432,781	27,768	2,267,308
2010	1,597,908	291,961	402,825	28,168	2,320,862
2009	1,718,275	289,973	312,611	30,251	2,351,110
2008	\$ 1,634,338	318,538	301,858	47,436	\$ 2,302,170

Special Revenue Fund

Accommodations Taxes

Fiscal Year Ended June 30,	State	County	Local	Total
2017	\$ 1,664,086	477,000	1,088,825	\$ 3,229,911
2016	1,576,964	450,622	902,124	2,929,710
2015	1,410,368	439,500	875,004	2,724,872
2014	1,344,104	323,596	803,808	2,471,508
2013	1,252,129	299,411	744,940	2,296,480
2012	1,062,965	267,679	665,055	1,995,699
2011	964,044	240,629	597,652	1,802,325
2010	867,060	102,261	527,865	1,497,186
2009	982,163	226,630	563,742	1,772,535
2008	\$ 1,177,480	280,498	718,975	\$ 2,176,953

Revenue Capacity

Significant Revenue, Percent of Business License by Class for Last Ten Years

Town of Kiawah Island Schedule 2

Class License Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lessors of Real Estate	32.0%	37.7%	33.0%	30.6%	26.1%	25.2%	31.5%	25.1%	29.4%	26.8%
Construction	16.3%	14.3%	16.6%	18.0%	21.0%	21.7%	20.5%	19.2%	18.1%	18.6%
Landscaping	2.8%	2.1%	2.4%	2.6%	3.7%	2.9%	3.3%	4.2%	3.9%	3.1%
Plumbing / Heating/ AC	3.4%	1.8%	2.2%	1.9%	2.1%	1.2%	2.0%	1.1%	1.0%	0.9%
Painting	2.4%	0.9%	1.1%	1.1%	1.6%	1.2%	1.5%	1.3%	1.1%	1.3%
Carpentry	2.2%	1.9%	2.3%	2.5%	2.3%	3.6%	3.0%	3.2%	3.1%	3.0%
Electrical Contractors	1.7%	0.6%	0.7%	0.7%	1.3%	0.8%	1.1%	1.9%	1.9%	2.1%
Janitorial Services	1.7%	0.4%	0.5%	0.2%	0.9%	0.3%	0.9%	0.7%	0.8%	0.6%
Carpet / Upholstery	1.6%	0.5%	0.4%	0.3%	0.5%	0.3%	0.4%	0.3%	0.3%	0.4%
Masonry / Stone	1.2%	0.3%	0.4%	0.2%	0.6%	0.1%	0.2%	0.5%	0.4%	0.4%
Floor Laying	1.0%	0.4%	0.4%	0.3%	0.6%	0.4%	0.7%	0.7%	0.8%	1.0%
Architectural Services	1.0%	1.2%	0.9%	0.6%	1.4%	0.9%	0.9%	1.5%	1.8%	2.1%
Roofing / Siding	1.0%	0.6%	0.6%	0.6%	1.1%	0.7%	0.5%	0.5%	0.5%	0.8%
Interior Design Services	0.9%	1.1%	0.9%	0.7%	1.2%	0.6%	1.6%	1.0%	1.1%	0.9%
Exterminating / Pest Control	0.9%	0.3%	0.3%	0.4%	0.6%	0.4%	0.5%	0.5%	0.4%	0.5%
All other classes	29.9%	36.2%	37.3%	39.3%	35.1%	39.9%	31.4%	38.3%	35.4%	37.5%
	100.0%	100.1%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue Capacity

Significant Revenue, Percent of Accommodations Taxes by Class for Last Two Years

Town of Kiawah Island Schedule 3

Class License Description	2016	2017
Hotels	38%	40%
Real Estate/Rental Management Companies	41%	45%
Homes/Villas	21%	15%
	100.0%	100.0%

Debt Capacity

Narrative

The debt capacity information section of the Comprehensive Annual Financial Reports for the year end June 30, 2017 for the Town of Kiawah Island, South Carolina is comprised of two schedules. They are:

- Ratios of Outstanding Debt by Type: – This schedule shows the net outstanding debt by debt instrument as well as the debt as a percentage of personal income and per capita.
- Ratios of General Bonded Debt Outstanding: – This schedule shows the net outstanding general obligation debt as a percentage of estimated actual taxable value of property and per capita.
- Legal Debt Margin Information: – This schedule details the net debt applicable to the legal debt limit per Article 8, Section 7 of the South Carolina Constitution of 1895.

Debt Capacity

Ratio of Outstanding Debt by Type

Town of Kiawah Island Schedule 1

Fiscal Year	General Obligation Bonds	Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
2017	\$ 3,000,000	\$ 3,000,000	1.8%	\$ 1,694
2016	-	-	n/a	n/a
2015	-	-	n/a	n/a
2014	-	-	n/a	n/a
2013	-	-	n/a	n/a
2012	-	-	n/a	n/a
2011	-	-	n/a	n/a
2010	-	-	n/a	n/a
2009	-	-	n/a	n/a
2008	\$ -	\$ -	n/a	n/a

Notes:

¹Personal income information obtained from the US Census Bureau.

²See Schedule 1 of the Demographic and Economic Information section for the total population.

Debt Capacity

Ratio of General Bonded Debt Outstanding

Town of Kiawah Island Schedule 2

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
2017	\$ 3,000,000	-	\$ 3,000,000	0.99%	\$ 1,694
2016	-	-	-	n/a	n/a
2015	-	-	-	n/a	n/a
2014	-	-	-	n/a	n/a
2013	-	-	-	n/a	n/a
2012	-	-	-	n/a	n/a
2011	-	-	-	n/a	n/a
2010	-	-	-	n/a	n/a
2009	-	-	-	n/a	n/a
2008	\$ -	-	\$ -	n/a	n/a

Notes:

¹The estimated taxable value of property was obtained from the Charleston County Assessor's Office.

²See Schedule 1 of the Demographic and Economic Information section for the total population.

Debt Capacity

Legal Debt Margin Information

Town of Kiawah Island Schedule 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 24,276,473
Total Net Debt Applicable to Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,000,000
Legal Debt Margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21,276,473

Total Net Debt Applicable to the
Limit as a Percentage of Debt Limit

n/a n/a n/a n/a n/a 12.36%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 303,455,910
Total Assessed Value	<u>\$ 303,455,910</u>
Debt Limit (8% of Total Assessed Value)	\$ 24,276,473
Debt Applicable to Limit:	
General Obligation Bonds (Excluding Premiums)	3,000,000
Less: Amounts Issued Under Referendum	-
Total Net Debt Applicable to Limit	<u>3,000,000</u>
Legal Debt Margin	<u>\$ 21,276,473</u>

Note: Article Eight (8) Section Seven (7) of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight per centum (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exempt was thirty five per centum (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight per centum (8%) of assessed valuation; whereas, with a referendum any amount can be floated.

Demographic and Economic Information

Narrative

The demographic and economic information section of the Comprehensive Annual Financial Reports for the year end June 30, 2017 for the Town of Kiawah Island, South Carolina is comprised of six schedules and graphs. They are:

- Profile of General Demographic Characteristics: – This schedule and graph shows the population by age. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.
- Population by Race - This schedule and graph shows the population by race. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.
- Housing Occupancy - This schedule and graph shows the housing totals and their occupancy rates. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.
- Educational Attainment - This schedule and graph shows the rates for level of education. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.
- School Enrollment - This schedule and graph shows the school enrollment by age. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.
- Median Household Income - This schedule and graph shows the household income by age groups. These numbers are based on the U.S. Census Bureau 2011-2015 American Community Survey 5-year estimates.

The Town has provided the most relevant information for the demographic and economic information; thus, the tables may not include 10 years of data.

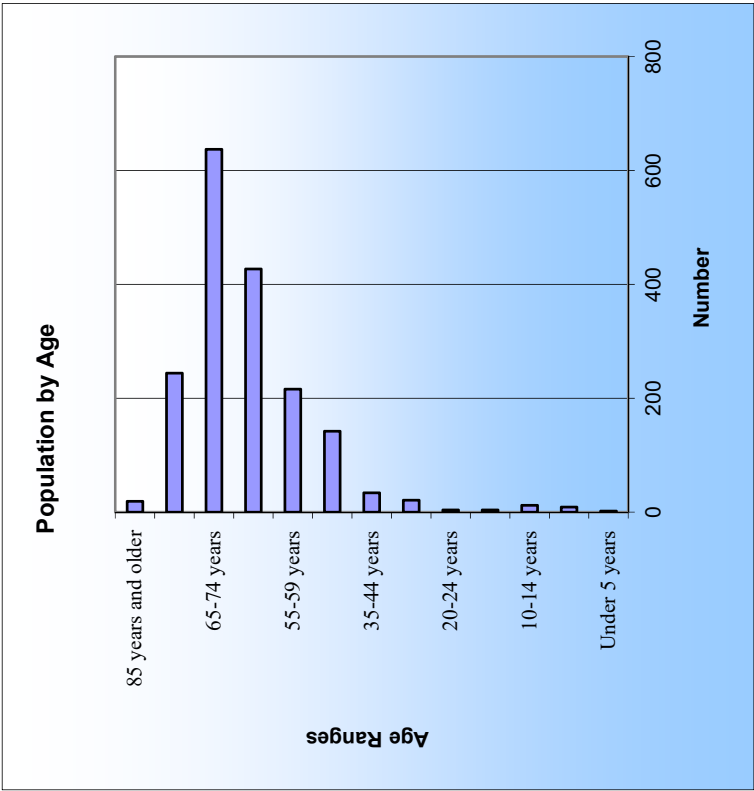
Demographic and Economic Information

Town of Kiawah Island
21 Beachwalker Drive
Kiawah Island, SC 29455



Profile of General Demographic Characteristics:

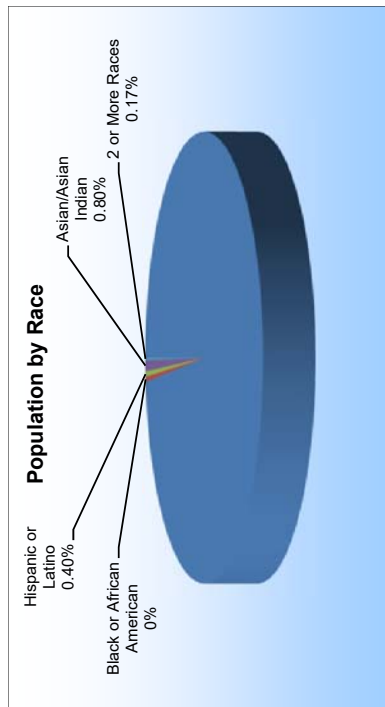
	Number	Percent
Population	1771	100
Sex and Age		
Male	903	51.0
Female	868	49.0
Under 5 years	2	0.1
5-9 years	9	0.5
10-14 years	12	0.7
15-19 years	4	0.2
20-24 years	4	0.2
25-34 years	21	1.2
35-44 years	34	1.9
45-54 years	142	8.0
55-59 years	216	12.2
60-64 years	427	24.1
65-74 years	637	36.0
75-84 years	244	13.8
85 years and older	19	1.1
Median age	65.4	(X)



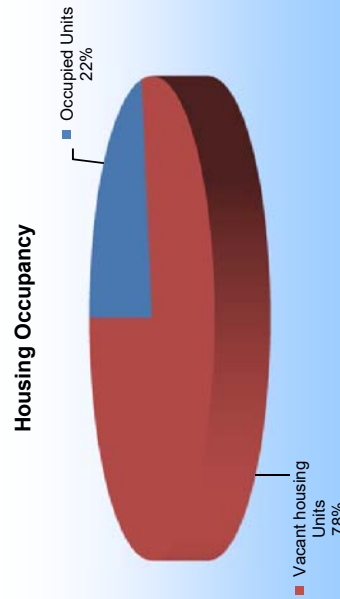
Demographic and Economic Information (Continued)

Profile of General Demographic Characteristics: (Continued)

Race	Number	Percent
White	1731	98.3
Black or African American	6	0.3
Hispanic or Latino	7	0.4
Asian/Asian Indian	14	0.8
2 or More Races	3	0.2



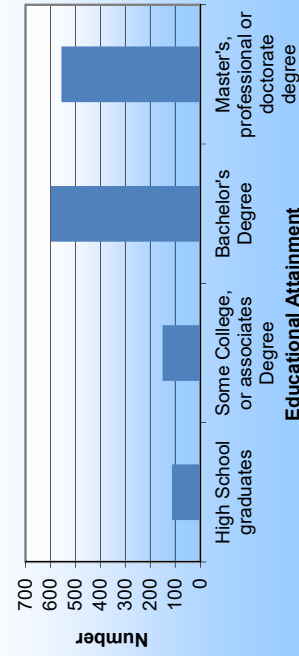
Housing Occupancy	Number	Percent
Total Housing Units	3459	100
Occupied Units	773	22.3
Vacant housing Units	2686	77.7
Seasonal Vacation Use	2331	67.4
Home owner vacancy rate (%)	3.3	(X)
Rental Vacancy rate (%)	51.1	(X)



Educational Attainment

Educational Attainment	Number	Percent
Population 25 and older	1418	
High School graduates	113	8.0
Some College, or associates Degree	151	10.6
Bachelor's Degree	598	42.2
Master's, professional or doctorate degree	556	39.2

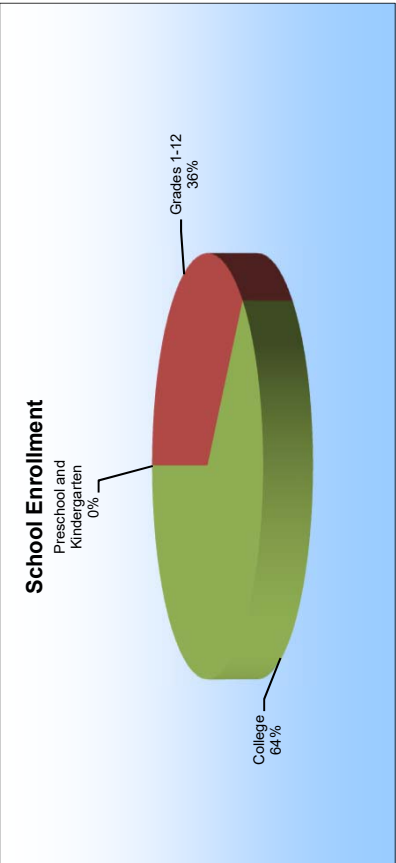
Educational Attainment



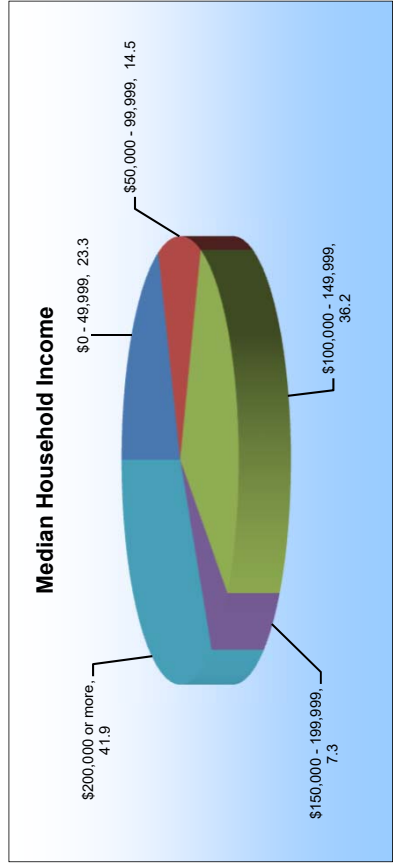
Demographic and Economic Information (Continued)

Profile of General Demographic Characteristics: (Continued)

School Enrollment			
		Number	
Population 3 years and older		39	
		Number	Percent
Preschool and Kindergarten		0	-
Grades 1-12		14	35.9
College		25	64.1



Median Household Income in \$	Amount	Percent
Median Household income		
\$0 - 49,999	138,125	23.3
\$50,000 - 99,999	146	14.5
\$100,000 - 149,999	227	36.2
\$150,000 - 199,999	46	7.3
\$200,000 or more	263	41.9



Sources: 2011-2015 American Community Survey 5-Year Estimates per the U.S. Census Bureau

Operating Information

Narrative

The operating information section of the Comprehensive Annual Financial Reports for the year end June 30, 2017 for the Town of Kiawah Island, South Carolina is comprised of three schedules. They are:

- Full-time Equivalent Town Government Employees by Function – This schedule shows the breakdown by function of the Town's employees. These numbers are compared to previous years
- Operating Indicators by Function – This schedule shows operating indicators like traffic ticket volume and solid waste tons to demonstrate services provided. These numbers are compared to previous years
- Capital Assets Statistics by Function – This schedule shows capital asset statistics to demonstrate the use of assets acquired. These numbers are compared to previous years

Operating Information

Full-time Equivalent Town Government Employees by Function/Program, Last Ten Fiscal Years

Town of Kiawah Island Schedule 1

	Management Services	Finance	Administrative Services	Building	Other	Deputies	Solid Waste	Total
2017	1	3	3	7	3	46	0	63
2016	1	3	3	4	3	58	0	72
2015	1	3	3	4	3	55	0	69
2014	1	3	2	4	2	40	0	52
2013	1	2	2	3	2	29	0	39
2012	1	2	2	2	2	29	0	38
2011	1	2	2	2	2	29	0	38
2010	1	2	2	2	2	29	0	38
2009	1	2	1	2	2	29	1	38
2008	1	2	1	2	2	29	1	38

Notes:

Source: Town's Human Resource Office

Deputies are recorded at actual number of contractual staff.

The Deputies are all part time and are full time County deputies.

Operating Information

Operating Indicators by Function

Last Ten Fiscal Years

Town of Kiawah Island

Schedule 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Police										
Traffic tickets issued	110	115	171	239	123	126	165	254	154	165
Criminal issues	34	3	5	6	4	2	17	24	29	1
Solid Waste										
Waste by (tons)	4482	3947	3819	2453	2354	2044	1995	1939	2098	2141
Culture and recreation										
Recreation permits issued	7	7	3	3	4	3	26	6	3	3
Town sponsored events	17	23	39	31	32	33	34	39	37	38
Code Enforcement										
Tickets issued	32	54	96	226	90	181	79	104	28	85

Note:
Source: Town of Kiawah Island

Operating Information

Capital Assets Statistics by Function Last Ten Fiscal Years

Town of Kiawah Island Schedule 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Public Safety										
Vehicles	2	2	2	2	2	3	4	4	4	7
Radios	15	13	13	13	13	13	13	31	34	34
Solid Waste										
Collection trucks	2	2	2	2	3	3	3	3	5	5
Contractors	2	2	2	2	1	1	1	1	1	1
Land and Building										
Municipal meeting rooms	3	3	3	3	3	3	3	3	3	3
Municipal center square footage	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Highways and Streets										
Streets (miles)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Signs	57	57	57	57	57	57	57	57	68	71

Note:

Source: Town of Kiawah Island

Compliance Section



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Kiawah Island
Kiawah Island, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 22, 2017