

# TOWN OF Comprehensive Annual Financial Report

FY Ended June 30, 2019

## *Kiawah Island*® South Carolina



Photo by: Bob Hill

Mayor  
Craig Weaver

Council Members  
Chris Widuch, Mayor Pro Tempore  
Maryanne Connelly  
Dan Prickett  
Klaus Said

Town Administrator  
Stephanie Monroe Tillerson

Treasurer  
Dorota Szubert

**TOWN OF KIAWAH ISLAND,  
SOUTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### TABLE OF CONTENTS

#### Page

#### INTRODUCTORY SECTION

Letter of Transmittal .....	i – vii
Organizational Chart.....	viii and ix
Principal Officials.....	x
GFOA Certificate of Achievement .....	xi

#### FINANCIAL SECTION

Independent Auditor's Report .....	1 – 3
Management's Discussion and Analysis.....	4 – 16

#### Basic Financial Statements:

##### Government-wide Financial Statements

Statement of Net Position.....	17
Statement of Activities.....	18

##### Fund Financial Statements

Balance Sheet – Governmental Funds.....	19 and 20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	22 and 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24

Notes to the Financial Statements .....	25 – 64
---	---------

#### REQUIRED SUPPLEMENTARY INFORMATION

#### Schedule of Revenues, Expenditures and Changes in Fund Balances –

##### Budget and Actual – GAAP Basis:

General Fund .....	65
State Accommodations Tax Fund .....	66
County Accommodations Tax Fund.....	67
Local Accommodations Tax Fund.....	68
Beverage Permits Fund .....	69
Hospitality Tax Fund .....	70
Victims' Assistance Fund.....	71
Capital Projects Fund .....	72



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### TABLE OF CONTENTS (CONTINUED)

#### Page

#### REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – South Carolina Retirement System.....	73
Schedule of Contributions – South Carolina Retirement System .....	74
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Police Officers Retirement System .....	75
Schedule of Contributions – Police Officers Retirement System .....	76
Schedule of Changes in Total OPEB Liability and Related Ratios .....	77

#### OTHER SUPPLEMENTARY INFORMATION

Comparative Schedules of Revenues and Expenditures:	
General Fund .....	78
State Accommodations Tax Fund .....	79
County Accommodations Tax.....	80
Local Accommodations Tax.....	81
Beverage Permits Fund .....	82
Hospitality Tax Fund .....	83
Victims' Assistance Fund .....	84
Capital Projects Fund.....	85
Uniform Schedule of Court Fines, Assessments and Surcharges (Per ACT 96) .....	86 and 87

#### STATISTICAL SECTION

#### FINANCIAL TRENDS INFORMATION

Narrative .....	88
Schedule 1 – Net Position by Component – Last Ten Fiscal Years .....	89
Schedule 2 – Changes in Net Position – Last Ten Fiscal Years.....	90 and 91
Schedule 3 – Fund Balances – Governmental Funds – Last Ten Fiscal Years.....	92
Schedule 4 – Change in Fund Balances – Governmental Funds – Last Ten Fiscal Years.....	93

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### TABLE OF CONTENTS

#### Page

#### STATISTICAL SECTION (CONTINUED)

##### REVENUE CAPACITY

Narrative .....	94
Schedule 1 – Significant Revenue – Governmental Funds – Last Ten Fiscal Years.....	95
Schedule 2 – Significant Revenue – Percent of Business License by Class for the Last Ten Fiscal Years.....	96
Schedule 3 – Significant Revenue – Percent of Accommodations Taxes by Class for the Current Year and Last Three Fiscal Years.....	97

##### DEBT CAPACITY

Narrative .....	98
Schedule 1 – Ratio of Outstanding Debt by Type .....	99
Schedule 2 – Ratio of General Bonded Debt Outstanding.....	100
Schedule 3 – Legal Debt Margin Information .....	101

##### DEMOGRAPHIC AND ECONOMIC INFORMATION

Narrative .....	102
Demographic and Economic Information – Profile of General Demographic Characteristics.....	103 – 105

##### OPERATING INFORMATION

Narrative .....	106
Schedule 1 – Full-time Equivalent Town Government Employees by Function/Program – Last Ten Fiscal Years .....	107
Schedule 2 – Operating Indicators by Function – Last Ten Fiscal Years.....	108
Schedule 3 – Capital Assets Statistics by Function – Last Ten Fiscal Years.....	109

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### TABLE OF CONTENTS (CONTINUED)

#### Page

#### COMPLIANCE SECTION

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 <i>Government Auditing Standards</i> .....	110 and 111
Schedule of Findings and Responses .....	112

## **INTRODUCTORY SECTION**

---



October 23, 2019

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 ("the Town") for the fiscal year ended June 30, 2019.

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.

Mauldin & Jenkins, CPAs and Advisors, a firm of licensed certified public accountants, has audited the Town'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, 2019, 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's financial statements for the year ended June 30, 2019, 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 requires 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'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 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 (2018-2020) is the 17<sup>th</sup> full administration. The at-large elections are non-partisan. Currently, there are approximately 1,760 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 overall 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 one full-time position to 18 full-time positions.

The Town 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 non-profit 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 to its citizens and guests including, but not limited to:

- Public Safety: island-wide law enforcement through a contract with the 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 State 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.

### **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**

The 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 Accommodations 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 maintaining 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**

The 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. On numerous occasions, ACEC has hosted Grammy Award winning artists. 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 at a nominal fee. In FY2019 season, over 10,800 people attended ACEC events with a majority of the 36 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 oversees 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'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 the General Fund, Special Revenue Funds and Capital Project Funds and 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, Special Revenue Funds and Capital Projects Fund the comparisons are presented as part of the basic financial statements for the governmental funds.

## **LOCAL ECONOMIC CONDITIONS AND OUTLOOK**

Kiawah Island is a residential community incorporating a world-class resort and a unique, vibrant shopping village within a natural maritime setting that is being preserved and enhanced for current and future generations. Kiawah Island offers, in addition to its ten miles of beaches, perfectly preserved maritime forests, sand dunes and marshes where whitetail deer, alligators, bobcats, seabirds and sea turtles abound. Kiawah Island currently enjoys a relatively stable economic environment attributable to moderate growth in construction activity and tourism on the island.

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 Island 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 every five years 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 and start building emergency reserves, the Town focuses on environmental projects and improving our service delivery.

The Town, 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 12<sup>th</sup> 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, working in cooperation with other island entities, continuously engages in various environmental research projects. Over the last five 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 researches marsh sparrows and painted buntings.

In 2018, the Town's Wildlife and Communication Departments began airing a monthly video series called Wild About. This short video series, led by Town biologists, focuses on elements of nature, wildlife or the environment from life on Kiawah. This initiative was intended to be a fun public outreach and educational tool.

The Town has formed a partnership with the other island entities to identify ways rising seas might impact Kiawah Island and how to mitigate potential vulnerabilities. In collaboration with the Kiawah Conservancy, the Town has released the Grow Native plant database to help promote the use of native plants on the island and serve as a resource for the residents. The Town also contracted with McCormick Taylor for engineering and construction services for rehabilitation of the Kiawah Island Parkway. They are expected to recommend practical approaches to raise the elevation of Kiawah Island Parkway from Mingo Point to KIRE office to accommodate sea level rise, increased tide elevation and sunny day flooding. In the effort to ease beach traffic congestion on Beachwalker Drive, the Town contracted with Truluck Construction to add a right turn lane to Beachwalker Drive where it approaches Beachwalker County Park. This project impacted 800 feet of the roadway and cost approximately \$260,000.

As part of the Town's enhancement efforts, the Town completed inspection and cleaning of the Kiawah Island Parkway storm drainage system and shoreline improvements along Kiawah Island Parkway adjacent to the Kiawah River. The cost of these improvements was approximately \$190,000.

With the growing population of both full and part-time residents and an increasing number of tourists and visitors on the island, the Town has increased law enforcement coverage. In March 2019, the contract was signed with the Charleston County Sheriff's Office to assign four full-time, experienced deputies on Kiawah permanently. These deputies cover the first shift, are fully equipped and in marked vehicles.

For eight 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 20 organizations a total of \$150,000.

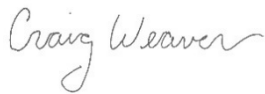
The Arts and Cultural Events Council ("ACEC") sponsors a wide range of performing art events supporting local and national musicians and artists. The Council plans a large repertoire of events hosting musical genres, including jazz, orchestra, blues, chamber, comedy, ballet, vocalists, holiday performances, Piccolo performances, a young artists' concert and a dance band. Town staff supports the Council 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 FY2019 season, over 10,800 people attended ACEC events, with a majority of the 36 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.

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 for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 13<sup>th</sup> 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.



Craig Weaver  
Mayor



Stephanie Monroe Tillerson  
Town Administrator



Dorota Szubert  
Town Treasurer



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## ORGANIZATIONAL CHART FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### ADMINISTRATION

**Finance** administers the financial affairs of the Town including cash management, accounting, debt administration, budget preparation and monitoring, investing Town funds, capital asset accounting, payroll, waste billing and collection, accounts payable and receivable, business licenses and provides financial customer service to waste customers, other Town departments, employees, and vendors. The Finance Department produces the Comprehensive Annual Financial Report, which includes general information about the Town, financial statements and manages the external audit process as well as statistical information. Risk management services includes administration of the Town's property and casualty insurance program and claims management.

**Development Services** coordinates and manages the Town's multi-departmental development process. The department is a central point of contact for citizens, business owners and developers; we work with these groups from their project's initial concept to the issuance of a certificate of occupancy and all steps in between. Our staff helps our clients understand and navigate the development process, with the goals of creating an exceptional environment for our citizens and development partners and providing exemplary service throughout all stages of developing and building on Kiawah Island.

This department consists of four divisions: Permitting, Plan Review, Inspections, Codes Compliance. The entire staff serves as representatives of the department and provides a variety of information to the public pertaining to building procedures, licensing requirement, zoning issues and code compliance.

**Communications and Public Engagement** ensures that information about Town programs and services is accessible to citizens and visitors to Kiawah Island. Functions include coordinating initiatives, communications, and strategic communications planning.

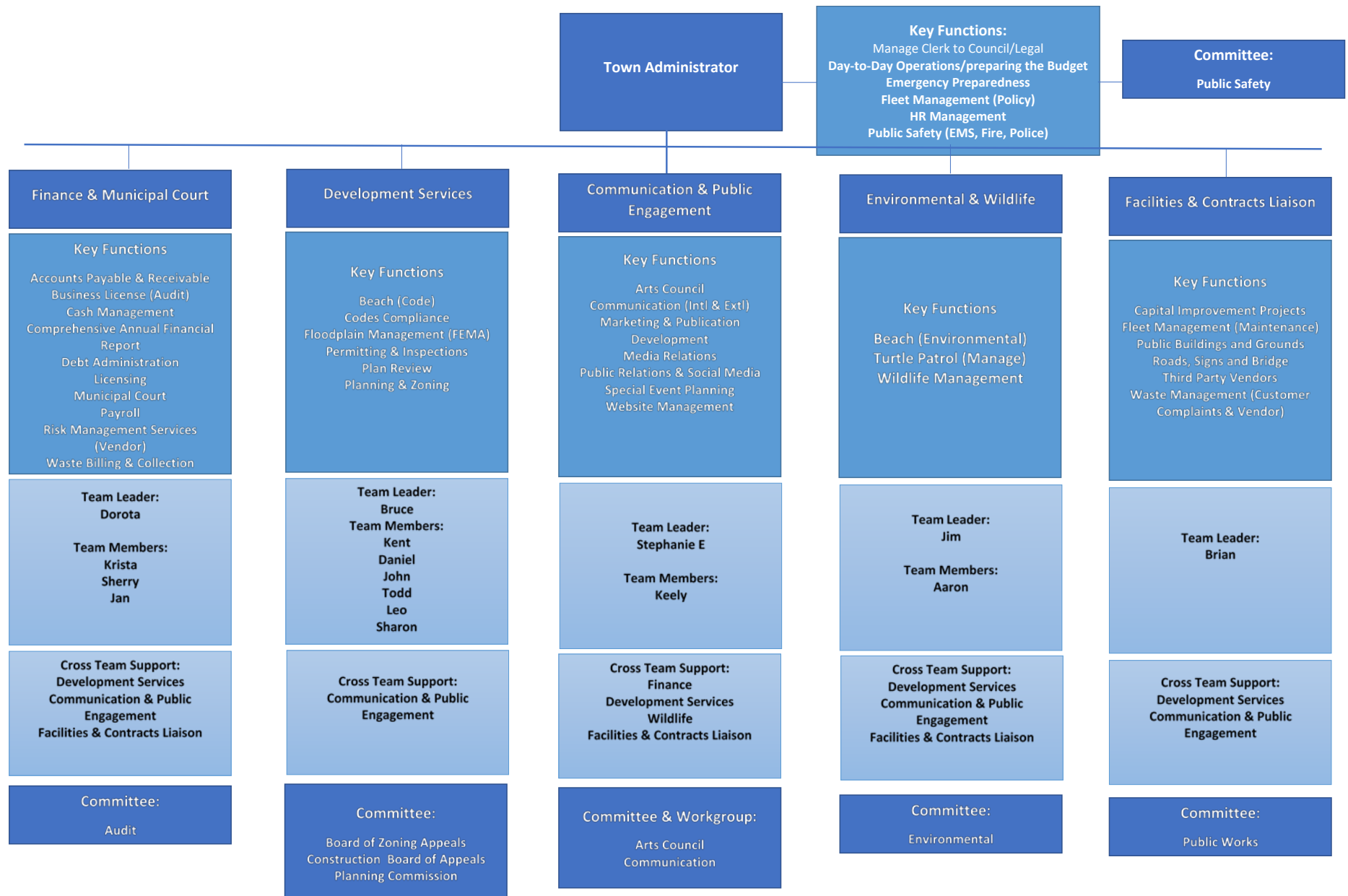
**Environmental and Wildlife** works to protect and restore ecological systems that work naturally to improve water quality, the environment, and the quality of life for residents and visitors. Kiawah recognizes the connection between the natural environment and our quality of life and is dedicated to providing a sustainable environment for its residents, businesses, and visitors to enjoy. The Environmental and Wildlife Department protects and restores our Town's unique natural systems through policy and regulation, restoration projects, wildlife and habitat protection and other environmental initiatives.

**Facilities and Contract Liaison** maintains and repairs Town buildings, grounds, Kiawah Island Parkway (Town limit), Beachwalker Drive, manages third-party contracts; conducts fleet maintenance for all Town vehicles and equipment.

The Facilities & Contract Liaison Department allows five departments to function as a team to accomplish goals and objectives. Sharing similar skill sets, labor, and equipment is necessary to complete projects as efficiently as possible and expand the ability to provide cost-effective services to our citizens and guests.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## ORGANIZATIONAL CHART FOR THE FISCAL YEAR ENDED JUNE 30, 2019



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### Elected Officials

Craig Weaver  
Maryanne Connelly  
Daniel Prickett  
Chris Widuch  
Klaus Said

Mayor  
Council Member  
Council Member  
Council Member  
Council Member

### 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, 2018**

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

---



## INDEPENDENT AUDITOR'S REPORT

---

**The Honorable Mayor and Members  
of the Town Council  
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, 2019, 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.



---

***Opinion***

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, 2019, 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.

***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, pension schedules, and OPEB schedule, 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the comparative schedules of revenues and expenses for the major funds, and the 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 Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

The comparative schedules of revenues and expenses for the major funds and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) are the responsibility of management and were 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 for the year ended June 30, 2019.

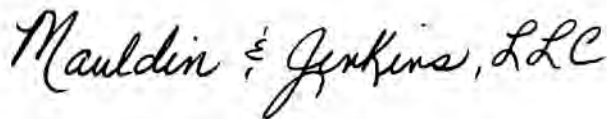
---

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.

The financial statements of the Town as of and for the year ended June 30, 2018 were audited by other auditors, whose report dated September 27, 2018 expressed an unmodified opinion on those statements. The report of the other auditors dated September 27, 2018 stated that the supplementary information for the year ended June 30, 2018 was subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those 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 their opinion, the supplementary information was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

**Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019, on our consideration of the Town'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 solely 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 the effectiveness of the Town's 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 the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Savannah, Georgia  
October 23, 2019

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## KIAWAH ISLAND, SOUTH CAROLINA

### REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2019

---

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, 2019. The intent of this discussion and analysis is to look at the Town's financial performance. 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 \$29,933,000 (*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 \$11,567,000.
- The government's total net position increased by \$2,678,000 from the prior year net position as total revenues of \$10,355,000 exceeded total expenses of \$7,677,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$21,274,000, an increase of \$2,892,000 from the prior year's fund balance. Of this amount, 49%, or \$10,348,000, 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 \$10,348,000, or 198%, of total General Fund expenditures for the year ended June 30, 2019.
- The Town's total capital assets decreased by \$275,000 during the current fiscal year primarily due to current year depreciation expense of \$619,00, exceeding capital asset additions of \$344,000.
- The Town's long-term obligations decreased \$343,000 due to the Town making principal payments on general obligation bonds during the year ended June 30, 2019 and reduction in compensated absences.

#### 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 are comprised of 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

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.

Figure A-1		
Major Features of the Town's Government-Wide and Fund Financial Statements		
	Government-wide Financial Statements	Fund 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"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>
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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

**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.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### **Financial Statements (Continued)**

The Town maintains eight 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 2019 compared to 2018:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current Assets	\$ 22,139,733	\$ 19,150,219
Capital Assets, Net	14,125,626	14,400,871
Total Assets	<u>\$ 36,265,359</u>	<u>\$ 33,551,090</u>
<b>Deferred Outflows of Resources</b>		
Deferred Pension Charges	\$ 682,803	\$ 1,040,233
Deferred OPEB Charges	57,605	57,438
Total Deferred Outflows of Resources	<u>\$ 740,408</u>	<u>\$ 1,097,671</u>
<b>Liabilities</b>		
Net Pension Liability	\$ 3,249,970	\$ 3,667,506
Net OPEB Liability	303,142	281,121
Long-Term Obligations	2,411,486	2,754,426
Other Liabilities	730,718	650,704
Total Liabilities	<u>\$ 6,695,316</u>	<u>\$ 7,353,757</u>
<b>Deferred Inflows of Resources</b>		
Deferred Pension Credits	\$ 370,369	\$ 119,521
Deferred OPEB Credits	6,595	7,587
Total Deferred Inflows of Resources	<u>\$ 376,964</u>	<u>\$ 127,108</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 11,791,626	\$ 11,733,871
Restricted	6,574,713	8,491,565
Unrestricted	11,567,148	6,942,460
Total Net Position	<u>\$ 29,933,487</u>	<u>\$ 27,167,896</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town's total assets of \$36,265,000 increased \$2,714,000 from the prior year. The increase is primarily due to an increase of \$2,990,000 in current assets, which resulted primarily from an increase of \$836,000 in unrestricted cash and investments and an increase of \$2,216,000 in restricted cash and cash investments. The increase is partially offset by a decrease in capital assets explained above.

The Town's total deferred outflows of resources of \$740,000 decreased \$357,000 due to an increase in the Town's investment experience related to the retirement and other post-employment benefit plans discussed in Note 10 of the financial statements.

The Town's total liabilities of \$6,695,000 decreased \$658,000 due to a decrease of \$418,000 in Net Pension Liability, \$343,000 in Long-term Obligations discussed in Note 10 of the financial statements and Note 7 of the financial statements, respectively, offset by an increase of \$22,000 in OPEB liability, as determined by the consulting actuaries, and an increase of \$80,000 in other liabilities related to an increase in unearned revenues.

The Town's total deferred inflows of resources of \$377,000 increased \$250,000 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 and other post-employment benefit plans discussed in Note 10 of the financial statements.

The Town's net position increased by \$2,766,000 compared to the prior fiscal year due to a change in net position (net income) of \$2,766,000 as total revenues of \$10,355,000 exceeded total expenses of \$7,589,000.

The Town's assets exceeded liabilities (net position) by \$29,933,000 at June 30, 2019. A large portion of the Town's net position of \$11,792,000 (39% 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 \$6,575,000 (22% 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 \$11,567,000 (39% 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for fiscal year 2019 compared to 2018.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 4,418,529	\$ 4,328,846
Operating Grants and Contributions	102,440	42,072
General Revenues:		
Unrestricted SC Aid to Subdivisions	37,177	36,724
Local Option Sales Tax	585,738	548,248
Franchise Taxes	857,732	793,197
Interest	432,733	210,255
Hospitality Taxes	576,884	560,182
Accommodations Taxes	3,180,810	3,008,349
Gain on Sale of Capital Assets	14,410	-
Miscellaneous	148,313	119,586
Total Revenues	<b>10,354,766</b>	<b>9,647,459</b>
<b>Expenses</b>		
General Government	4,669,754	4,485,727
Judicial	30,768	39,539
Public Safety	555,211	774,770
Tourism and Recreation	2,388,329	2,413,088
Interest and Other Charges	32,539	36,872
Total Expenses	<b>7,676,601</b>	<b>7,749,996</b>
Change in Net Position	<b>2,678,165</b>	<b>1,897,463</b>
Net Asset - Beginning of Year	<b>27,255,322</b>	<b>27,167,896</b>
Net Position - End of Year	<b>\$ 29,933,487</b>	<b>\$ 27,255,322</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### ***Governmental Activities***

Net position for Governmental Activities increased by \$2,678,000 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 \$707,000, or 7%, from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Accommodations taxes increased \$172,000, or 5%, primarily due to continued growth in the tourism industry on the island as well as an approximate increase of \$43,000 related to corrected tax filings from businesses that filed as County businesses instead of businesses within the Town limits.
- Charges for services increased \$90,000, or 2%, primarily due to increases of \$195,000 and \$32,000 in environment service fees and business licenses, respectively, offset by the decrease in building permits. Environmental service fees increased due to change in the fee structure for utility billing and business licenses increased due to continued growth of business on the island. Building permits revenue decreased due to the reduction of miscellaneous permit requirements.
- Operating grants and contributions increased \$60,000, or 60%, due to FEMA reimbursements related to Hurricane Irma in September 2018.
- Interest income increased \$222,000, or 51%, primarily due to a steady growth in the rate of return in SCLGIP.
- Miscellaneous revenues increased \$29,000, or 19%, due to one-time revenue received this year.

Total governmental activities expenses decreased by \$161,000, or 2%, from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- General Government expenses increased \$97,000, or 2%, primarily due to an increase in capital expenditures for infrastructure projects.
- Public Safety expenses decreased \$220,000, or 40%, primarily due to change in the public safety model.
- Tourism and Recreation expenses decreased \$25,000, or 1%, primarily due to the reduction in funding of some of the environmental projects.

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### ***Governmental Funds (Continued)***

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$21,274,000, an increase of \$2,892,000, or 15%, from the prior year fund balance. The increase in the fund balance was the result of revenues and other financing sources of \$14,925,000 exceeding expenditures and other financing uses of \$12,033,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

\$10,348,000, or 49%, 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 \$72,000, or less than 1%, represent various prepayments for services to be provided in the upcoming fiscal year; Restricted for: 1) tourism related expenditures of \$6,554,000, or 30%, and 2) victims' assistance of \$21,000, or less than 1%, are restricted by the revenue source; Committed for capital improvements of \$4,279,000, or 20%, 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 \$10,420,000. 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 \$10,348,000 represents 198% of total General Fund expenditures for the year ended June 30, 2019.

Highlights for the General Fund were as follows:

- Total fund balance increased by \$2,382,000, or 23%, due to revenues and other financing sources of \$8,149,000 exceeding expenditures and other financing uses of \$5,767,000.
- General Fund revenues increased \$475,000, or 7%, primarily due to increases of \$195,000 and \$108,000 in environmental service fee and miscellaneous revenue, respectively. Environmental service fees increased due to the change in the fees structure and miscellaneous revenues due to the receipt of the restitution check from the former Town Administrator.
- General Fund expenditures increased \$103,000, or 2%, primarily due to an increase of \$296,000 in expenditures related to infrastructure improvements on Beachwalker Drive and completion of shoreline improvements along the Kiawah Island Parkway adjacent to the Kiawah River.
- Transfers in increased \$709,000, or 41%, due to an additional transfer from the Local Accommodations Tax Fund to partially fund infrastructure improvement projects and additional deputies' coverage.
- Transfers out decreased \$177,000, or 32%, due to decreased transfers to the Capital Projects Fund to partially fund the construction of the new municipal center in the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### ***Governmental Funds (Continued)***

The fund balance of the State Accommodations Tax Fund increased by \$87,000, or 47%, from the prior year. State Accommodations Tax Fund revenues increased by \$70,000, or 4%, expenditures also increased \$106,000, or 10%, and transfers out decreased \$128,000, or 26%.

The fund balance of the County Accommodations Tax Fund increased by \$78,000, or 5%, from the prior year. County Accommodations Tax Fund revenues increased by \$84,000, or 6%, expenditures also increased \$52,000, or 9%. The decrease in expenditures is primarily due to a reduction in environmental projects funding. Transfers in decreased \$90,000, or 90%.

The fund balance of the Local Accommodations Tax Fund decreased by \$1,380,000, or 51%, from the prior year. Local Accommodations Tax Fund revenues increased by \$60,000, or 17%, while expenditures decreased \$27,000, or 38%, retreat expenditures in the prior year that was non-recurring. Transfers out increased \$1,710,000, or 72%. The increase in transfers out is primarily due to a one-time transfer of \$1,000,000 to Capital Projects Fund for the future beach renourishment.

The fund balance of the Beverage Permits Fund decreased by \$6,000, or 21%, from the prior year. Beverage Permits Fund revenues increased by \$2,000, or 4%. There were no expenditures for the Beverage Permits Fund. Transfers out were consistent with the prior year at \$50,000.

The fund balance of the Hospitality Tax Fund decreased by \$696,000, or 31%, from the prior year. Hospitality Tax Fund revenues increased by \$51,000, or 8%, while expenditures decreased by \$20,000, or 10%. Transfers out increased \$1,015,000, or 90%. The increase in transfers out is primarily due to a one-time transfer of \$1,000,000 to Capital Projects Fund for the future infrastructure projects.

The fund balance of the Victims' Assistance Fund remained consistent with the prior year. Victims' Assistance Fund revenues decreased by \$10,000, or 115%, while expenditures decreased by \$10,000, or 115%.

The fund balance of the Capital Projects Fund increased by \$2,427,000, or 56%, from the prior year. Capital Projects Fund revenues increased by \$23,000, or 56%; however, expenditures decreased by \$449,000, or 122% primarily due to the construction costs of the new municipal center in the prior year. Transfers in and sales of capital assets increased \$1,661,000, or 61%, and 14,000, or 99%, respectively. The increase in transfers in is primarily due to a one-time transfer of \$2,000,000 to build reserves for the future beach renourishment and infrastructure projects.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### *General Fund Budgetary Highlights*

There were no budget amendments made during the year ended June 30, 2019.

Overall, the Town's revenues were \$128,000, or 2%, less than the final budget, expenditures were \$725,000, or 12%, less than the final budget, and net other financing uses were \$210,000, or 21%, more than budgeted. Revenues were less than budgeted primarily due to a decrease of \$709,000 in building permits related to deferment to future years of the KIGR's projects. This negative variance is offset by positive variances in the majority of other revenue sources.

General government expenditures were \$725,000, or 12%, less than the final budgeted amount primarily attributable to the timing of full execution of the contract with the Charleston County Sheriff's Office, 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, 2019 and 2018 amounted to \$14,126,000 and \$14,401,000 (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, 2019 and 2018 were as follows:

	Governmental Activities	
	2019	2018
Land	\$ 2,088,092	\$ 2,088,092
Furniture and Fixtures	388,814	388,814
Signs and Fences	121,796	121,796
Equipment	95,316	81,695
Computers and Software	77,434	93,481
Vehicles	326,221	312,378
Municipal Center - Buildings, Landscaping and Miscellaneous	8,350,472	8,350,472
Infrastructure	7,042,520	6,779,747
Less: Accumulated Depreciation	(4,365,039)	(3,815,604)
Total	\$ 14,125,626	\$ 14,400,871

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

#### ***Capital Assets (Continued)***

The total decrease in the Town's investment in capital assets for the current fiscal year was \$275,000, or 2%. Major capital asset events during the current fiscal year included the following:

- Additions of \$344,000 included 58,000 in vehicles, \$263,000 related to infrastructure, \$9,000 in computers and software, and \$14,000 in equipment.
- Net dispositions of \$69,000 included \$25,000 in computers and \$44,000 related to vehicles.
- Depreciation expense of \$619,000 for governmental activities.

Additional information on the Town's capital assets can be found in Note 6 of the notes to the financial statements.

#### ***Debt Administration***

At year-end, the Town had \$2,334,000 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. The Town made \$333,000 in principal payments and \$33,000 in interest payments in the year ended June 30, 2019.

Additional information on the Town's long-term debt can be found in Note 7 of the notes to the financial statements.

### 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 homeowners. 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 and naming Kiawah Island on the top of vacation destinations in North America. The Town has invested appropriately in its most important asset, the beach with the strong commitment to beach nourishments.

In June 2019, the Town Council adopted a balanced budget for FY2020. The primary goal of the Town's budget appropriation is to carry out short and long-term priorities set by the Town Council to meet the expectations of our citizens. 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 licenses, local option sales tax, franchise fees, accommodation and hospitality taxes indicate growth over the past few years and continue to trend up for the foreseeable future.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Overall, the consolidated revenues are expected to remain steady when compared to FY2019 actual revenues. The consolidated expenditures FY2020 are budgeted at \$8,000,000, or 7%, greater than FY2019 actual. The largest components of the budget are personnel costs and contractual services.

### **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, South Carolina 29455 (843) 768-9166.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,054,101
Cash and cash equivalents, restricted	9,552,354
Accounts receivable, net of allowances	410,465
Due from state	782,492
Due from county	268,262
Prepaid expenses	72,059
Capital assets:	
Non-depreciable	2,088,092
Depreciable, net of accumulated depreciation	12,037,534
Total assets	<u>36,265,359</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension charges	682,803
Deferred OPEB charges	57,605
Total deferred outflows of resources	<u>740,408</u>
<b>LIABILITIES</b>	
Accounts payable	510,178
Accrued liabilities	94,110
Court fines and assessments payable	1,609
Unearned revenues	124,821
Long-term liabilities:	
Due within one year	410,486
Due in more than one year	2,001,000
Net pension liability	3,249,970
Total OPEB liability	303,142
Total liabilities	<u>6,695,316</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension credits	370,369
Deferred OPEB credits	6,595
Total deferred inflows of resources	<u>376,964</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,791,626
Restricted for:	
Tourism related expenses	6,553,563
Victims' assistance	21,150
Unrestricted	11,567,148
Total net position	<u><u>\$ 29,933,487</u></u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government	\$ 4,669,754	\$ 4,381,154	\$ 102,440	\$ -	\$ (186,160)
Judicial	30,768	37,375	-	-	6,607
Public safety	555,211	-	-	-	(555,211)
Tourism and recreation	2,388,329	-	-	-	(2,388,329)
Interest on long-term debt	32,539	-	-	-	(32,539)
Total governmental activities	<u>\$ 7,676,601</u>	<u>\$ 4,418,529</u>	<u>\$ 102,440</u>	<u>\$ -</u>	<u>(3,155,632)</u>
General revenues:					
Unrestricted SC aid to subdivisions					37,177
Local option sales tax					585,738
Franchise taxes					857,732
Interest					432,733
Hospitality tax					576,884
Accommodations tax					3,180,810
Miscellaneous revenues					148,313
Gain on sale of assets					14,410
Total general revenues					<u>5,833,797</u>
Change in net position					2,678,165
Net position, beginning of year					27,255,322
Net position, end of year					<u>\$ 29,933,487</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	State Accommodations Tax Fund	County Accommodations Tax Fund	Local Accommodations Tax Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,575,177	\$ -	\$ -	\$ -
Cash and cash equivalents, restricted	-	628,320	1,460,062	4,505,869
Due from state	161,933	615,559	-	-
Due from county	-	-	-	268,262
Due from other funds	3,558,650	-	-	-
Accounts receivable	332,948	-	-	-
Prepaid expenditures	72,059	-	-	-
Total assets	<u>\$ 13,700,767</u>	<u>\$ 1,243,879</u>	<u>\$ 1,460,062</u>	<u>\$ 4,774,131</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 198,028	\$ 245,785	\$ 53,786	\$ 4,138
Accrued liabilities	86,290	-	-	-
Municipal court fines and assessments payable	1,609	-	-	-
Unearned revenues	4,821	120,000	-	-
Due to other funds	<u>2,847,029</u>	<u>690,422</u>	<u>1,479</u>	<u>2,060,974</u>
Total liabilities	<u>3,137,777</u>	<u>1,056,207</u>	<u>55,265</u>	<u>2,065,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	<u>142,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>142,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	72,059	-	-	-
Restricted for:				
Tourism related expenditures	-	187,672	1,404,797	2,709,019
Victims' assistance	-	-	-	-
Committed for:				
Capital improvements	-	-	-	-
Unassigned	<u>10,348,426</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>10,420,485</u>	<u>187,672</u>	<u>1,404,797</u>	<u>2,709,019</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,700,767</u>	<u>\$ 1,243,879</u>	<u>\$ 1,460,062</u>	<u>\$ 4,774,131</u>

The accompanying notes are an integral part of these financial statements.

<b>Beverage Permits Fund</b>	<b>Hospitality Tax Fund</b>	<b>Victims' Assistance Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,478,924	\$ 11,054,101
-	2,958,103	-	-	9,552,354
5,000	-	-	-	782,492
-	-	-	-	268,262
24,174	-	22,647	2,800,208	6,405,679
-	77,517	-	-	410,465
-	-	-	-	72,059
<u>\$ 29,174</u>	<u>\$ 3,035,620</u>	<u>\$ 22,647</u>	<u>\$ 4,279,132</u>	<u>\$ 28,545,412</u>
\$ -	\$ 6,944	\$ 1,497	\$ -	\$ 510,178
-	-	-	-	86,290
-	-	-	-	1,609
-	-	-	-	124,821
-	805,775	-	-	6,405,679
<u>-</u>	<u>812,719</u>	<u>1,497</u>	<u>-</u>	<u>7,128,577</u>
-	-	-	-	142,505
-	-	-	-	142,505
-	-	-	-	72,059
29,174	2,222,901	-	-	6,553,563
-	-	21,150	-	21,150
-	-	-	4,279,132	4,279,132
-	-	-	-	10,348,426
<u>29,174</u>	<u>2,222,901</u>	<u>21,150</u>	<u>4,279,132</u>	<u>21,274,330</u>
<u>\$ 29,174</u>	<u>\$ 3,035,620</u>	<u>\$ 22,647</u>	<u>\$ 4,279,132</u>	<u>\$ 28,545,412</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

---

Amounts reported for governmental activities in the statement of activities are different because:

Fund balances, end of year	\$ 21,274,330
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,125,626
Revenues that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	142,505
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.	(7,820)
The Town's proportionate share 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.	(2,937,536)
The OPEB liability and related deferred outflows and inflows or resources do not require the use of current financial resources, therefore, they are not reported in the governmental funds.	(252,132)
Long-term obligations, including debt, lease purchase obligations and compensated absences 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 and compensated absences.	<u>(2,411,486)</u>
Net position of governmental activities	<u>\$ 29,933,487</u>

**The accompanying notes are an integral part of these financial statements.**



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	State Accommodations Tax Fund	County Accommodations Tax Fund	Local Accommodations Tax Fund
<b>Revenues:</b>				
Building permits	\$ 1,250,846	\$ -	\$ -	\$ -
Business licenses	2,535,128	-	-	-
Franchise fee revenue	857,732	-	-	-
Beverage permit revenue	-	-	-	-
Local option sales tax	585,738	-	-	-
Fines and forfeitures	28,662	-	-	-
Interest	175,646	20,092	42,731	87,943
Miscellaneous	185,490	-	-	-
Accommodations tax	127,714	1,585,786	484,000	967,051
Environmental service fee	551,180	-	-	-
Federal revenue	102,440	-	-	-
Hospitality tax	-	-	-	-
Total revenues	<u>6,400,576</u>	<u>1,605,878</u>	<u>526,731</u>	<u>1,054,994</u>
<b>Expenditures</b>				
Current:				
General government	4,024,914	-	-	-
Judicial	20,068	-	-	-
Public safety	505,544	-	-	-
Tourism and recreation	301,200	1,033,669	549,026	70,507
Capital outlay	365,703	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>5,217,429</u>	<u>1,033,669</u>	<u>549,026</u>	<u>70,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,183,147</u>	<u>572,209</u>	<u>(22,295)</u>	<u>984,487</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,748,792	-	100,000	-
Transfers out	(549,526)	(485,000)	-	(2,364,404)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>1,199,266</u>	<u>(485,000)</u>	<u>100,000</u>	<u>(2,364,404)</u>
Net change in fund balances	2,382,413	87,209	77,705	(1,379,917)
<b>Fund balances, beginning of year</b>	<u>8,038,072</u>	<u>100,463</u>	<u>1,327,092</u>	<u>4,088,936</u>
<b>Fund balances, end of year</b>	<u><u>\$ 10,420,485</u></u>	<u><u>\$ 187,672</u></u>	<u><u>\$ 1,404,797</u></u>	<u><u>\$ 2,709,019</u></u>

The accompanying notes are an integral part of these financial statements.

<b>Beverage Permits Fund</b>	<b>Hospitality Tax Fund</b>	<b>Victims' Assistance Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,250,846
-	-	-	-	2,535,128
-	-	-	-	857,732
44,000	-	-	-	44,000
-	-	-	-	585,738
-	-	8,713	-	37,375
-	65,114	-	41,207	432,733
-	-	-	-	185,490
-	-	-	-	3,164,551
-	-	-	-	551,180
-	-	-	-	102,440
-	576,884	-	-	576,884
44,000	641,998	8,713	41,207	10,324,097
-	-	-	-	4,024,914
-	-	8,713	-	28,781
-	-	-	-	505,544
-	200,383	-	-	2,154,785
-	-	-	-	365,703
-	-	-	333,000	333,000
-	-	-	33,507	33,507
-	200,383	8,713	366,507	7,446,234
44,000	441,615	-	(325,300)	2,877,863
-	-	-	2,737,602	4,586,394
(50,000)	(1,137,464)	-	-	(4,586,394)
-	-	-	14,410	14,410
(50,000)	(1,137,464)	-	2,752,012	14,410
(6,000)	(695,849)	-	2,426,712	2,892,273
35,174	2,918,750	21,150	1,852,420	18,382,057
\$ 29,174	\$ 2,222,901	\$ 21,150	\$ 4,279,132	\$ 21,274,330

# 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 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	2,892,273
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital depreciation exceeded outlay in the current period.

Total capital outlay	\$	343,610	
Total depreciation expense		<u>(618,855)</u>	(275,245)

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 revenue related to the employee repayment plans and judgement receivable.		16,259
---	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:

Principal retirement of bonds		333,000
-------------------------------	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension liability	\$	(190,742)	
Total OPEB liability		(20,862)	
Accrued interest		968	
Compensated absences		<u>(77,486)</u>	(288,122)

Change in net position of governmental activities.	\$	<u><u>2,678,165</u></u>
--	----	-------------------------

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

---

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2019

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Kiawah Island, South Carolina (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 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 as a primary government. The financial statements of the Town include the accounts of all the 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 all governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. 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.



## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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 1% 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.

#### C. 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 (the "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.

#### D. 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Investments (Continued)

- (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) 1) General obligations of the State of South Carolina or any of its political units; or 2) 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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Investments (Continued)

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's only investment was in the South Carolina Local Government Investment Pool.

#### E. 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).

#### F. 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 non-spendable for prepaid items has been recognized to signify that a portion of fund balances is not available for other subsequent expenditures.

#### G. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Capital Assets (Continued)

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:

Furniture and fixtures	5 – 7 years
Signes and fences	10 – 15 years
Equipment	3 – 5 years
Computers and software	3 years
Vehicles	3 – 5 years
Municipal center	10 – 40 years
Infrastructure	20 – 50 years

#### H. 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, 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 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position 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 two types 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, and 2) the Town reports deferred OPEB charges in its Statement of Net Position in connection with the OPEB Plan. The deferred pension and OPEB charges are either: a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date), or b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Governmental Funds 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 three types of deferred inflows of resources: 1) the Town reports unavailable revenue only in the Governmental Funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available, 2) the Town also 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, and 3) the Town reports deferred OPEB credits in its Statement of Net Position in connection with the OPEB Plan. The deferred pension and OPEB credits are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

*Non-spendable* – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or passage of an ordinance. Only the Town Council may modify or rescind the commitment.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The Town Council has not delegated such authority as of June 30, 2019.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Fund Equity (Continued)

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### K. Pensions and Other Post-employment Benefits

In government-wide financial statements, pensions and OPEB are required to be recognized and disclosed using the accrual basis of accounting (see Note 10 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The Town recognizes net pension and net OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified 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 and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities 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 plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. 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.

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 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, 2019.

#### Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2019, General Fund expenditures exceeded appropriations at the legal level of budgetary control (department) for public safety and capital outlay in the amounts of \$81,485 and \$172,903, respectively. This overspending was funded by underspending in other departments.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS

**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, 2019, none of the Town's bank balances were subject to custodial credit risk.

As of June 30, 2019, the Town had the following investments and maturities:

Investment	Maturity	Percentage	Fair Value
South Carolina Government Investment Pool	37.6 days	100%	\$ 19,797,288

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72 "Fair Value Measurement and Application", investments are carried at fair value determined annually based upon: a) quoted market prices for identical or similar investments, or b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**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.

**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.

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

Statement of Net Position:

Cash and cash equivalents	\$ 11,054,101
Cash and cash equivalents, restricted	9,552,354
Total cash and investments	<u>\$ 20,606,455</u>
Cash and investments deposited with financial institutions	\$ 809,167
South Carolina Local Government Investment Pool	19,797,288
	<u>\$ 20,606,455</u>

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES

Receivables at June 30, 2019 are as follows:

	General Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Beverage Permits Fund	Hospitality Tax Fund	Total
Receivables:						
Local option sales tax	\$ 129,536	\$ -	-	\$ -	\$ -	\$ 129,536
Accommodations taxes	-	615,559	-	-	-	615,559
Due from county	-	-	268,262	-	-	268,262
Franchise fees	113,634	-	-	-	-	113,634
Beverage permits	-	-	-	5,000	-	5,000
Hospitality tax	-	-	-	-	77,517	77,517
Other receivables	251,711	-	-	-	-	251,711
Net total receivables	<u>\$ 494,881</u>	<u>\$ 615,559</u>	<u>268,262</u>	<u>\$ 5,000</u>	<u>\$ 77,517</u>	<u>\$ 1,461,219</u>

No significant amounts were deemed uncollectible for the year ended June 30, 2019. Lien and judgement receivables of \$142,505 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.

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2019, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b>Major Governmental Funds:</b>		
General Fund	\$ 3,558,650	\$ 2,847,029
Beverage Permits Fund	24,174	-
Victims' Assistance Fund	22,647	-
Capital Projects Fund	2,800,208	-
State Accommodations Tax Fund	-	690,422
County Accommodations Tax Fund	-	1,479
Local Accommodations Tax Fund	-	2,060,974
Hospitality Tax Fund	-	805,775
	<u>\$ 6,405,679</u>	<u>\$ 6,405,679</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The General Fund net receivable is a result of deposits made into the General Fund central depository account during the year. The State, County, and Local Accommodations Tax Funds and the Hospitality Tax Fund net payables are a result of the General Fund central depository account financing expenditures of these funds. These payables will be reimbursed to the General Fund when deposits are received after year-end. The Beverage Permits 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, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ 1,748,792	\$ 549,526
State Accommodations Tax Fund	-	485,000
County Accommodations Tax Fund	100,000	-
Local Accommodations Tax Fund	-	2,364,404
Beverage Permits Fund	-	50,000
Hospitality Tax Fund	-	1,137,464
Capital Projects Fund	2,737,602	-
	<u>\$ 4,586,394</u>	<u>\$ 4,586,394</u>

## NOTES TO THE FINANCIAL STATEMENTS

---

### **NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

The General Fund transfers in represent funds transferred from the Local and County Accommodations Tax Funds to partially fund tourism related arts and cultural events, tourism related environmental expenditures, tourism related public safety 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, 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 beach patrol expenditures.

The General 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 to partially fund tourism related public safety expenditures and the County Accommodations Tax Fund to partially fund tourism-related beach patrol 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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town's governmental activities for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,088,092	\$ -	\$ -	\$ -	\$ 2,088,092
Total	<u>2,088,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,088,092</u>
Capital assets, being depreciated:					
Furniture and fixtures	388,814	-	-	-	388,814
Signs and fences	121,796	-	-	-	121,796
Equipment	81,695	13,621	-	-	95,316
Computers and software	93,481	8,965	(25,012)	-	77,434
Vehicles	312,378	58,251	(44,408)	-	326,221
Municipal Center - buildings, landscaping and miscellaneous	8,350,472	-	-	-	8,350,472
Infrastructure	<u>6,779,747</u>	<u>262,773</u>	<u>-</u>	<u>-</u>	<u>7,042,520</u>
Total	<u>16,128,383</u>	<u>343,610</u>	<u>(69,420)</u>	<u>-</u>	<u>16,402,573</u>
Less accumulated depreciation for:					
Furniture and fixtures	(55,544)	(55,545)	-	-	(111,089)
Signs and fences	(12,466)	(12,180)	-	-	(24,646)
Equipment	(70,216)	(11,581)	-	-	(81,797)
Computers and software	(84,318)	(5,832)	25,012	-	(65,138)
Vehicles	(279,174)	(52,013)	44,408	-	(286,779)
Municipal Center - buildings, landscaping and miscellaneous	(208,762)	(208,762)	-	-	(417,524)
Infrastructure	<u>(3,105,124)</u>	<u>(272,942)</u>	<u>-</u>	<u>-</u>	<u>(3,378,066)</u>
Total	<u>(3,815,604)</u>	<u>(618,855)</u>	<u>69,420</u>	<u>-</u>	<u>(4,365,039)</u>
Total capital assets, being depreciated, net	<u>12,312,779</u>	<u>(275,245)</u>	<u>-</u>	<u>-</u>	<u>12,037,534</u>
Governmental activities capital assets, net	<u>\$ 14,400,871</u>	<u>\$ (275,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,125,626</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

General government	\$ 385,311
Tourism and recreation	233,544
Total depreciation expense - governmental activities	<u>\$ 618,855</u>

### NOTE 7. LONG-TERM LIABILITIES

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, 2019:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
GO Bonds, Series 2016	\$ 2,667,000	\$ -	\$ (333,000)	\$ 2,334,000	\$ 333,000
Compensated absences	-	169,932	(92,446)	77,486	77,486
Total long-term liabilities	<u>\$ 2,667,000</u>	<u>\$ 169,932</u>	<u>\$ (425,446)</u>	<u>\$ 2,411,486</u>	<u>\$ 410,486</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, 2019 are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 333,000	\$ 29,045	\$ 362,045
2021	333,000	24,582	357,582
2022	333,000	20,120	353,120
2023	333,000	15,658	348,658
2024	334,000	11,189	345,189
2025 and 2026	668,000	8,951	676,951
Total	<u>\$ 2,334,000</u>	<u>\$ 109,545</u>	<u>\$ 2,443,545</u>



## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 8. COMMITMENTS AND CONTINGENCIES

#### Agreements

In July 2018, the Town reentered into a contract with Carolina Waste for collections and disposal of residential solid waste, recycling and collection and disposal of yard debris for a period of five years with the Town retaining the unilateral right of automatic renewal for two additional one-year terms. The contract stipulates the amounts to be paid based on service types and frequencies, which vary from year to year. Total expense for the year ended June 30, 2019 was approximately \$1,013,000.

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 and amended the agreement in June 2018. 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 \$320,765. Total expense for the year ended June 30, 2019 was approximately \$319,000, and was funded by county and state accommodations taxes.

The Town entered into a landscape maintenance contract in May 2019 with Greenery LLC for the landscaping and maintenance of the Kiawah Island Parkway and the municipal center. This agreement is effective for three years with an additional one-year extension not to exceed five years. Total commitments under this contract are approximately \$160,000 per year through May 2019. Total expenses for the year ended June 30, 2019, in the amount of approximately \$196,000 were funded by hospitality taxes, accommodation taxes and the General Fund.

In December 2018, the Town entered into contract with Charleston County Sheriff's Office for an elevated level of professional police protection. The agreement is for two staffed patrol units, with each unit working one of the two twelve hour shifts concurrent with CCSO day shift 7 am to 7 pm, seven days per week. The assignment is for two deputies beginning March 1, 2019 with up to two additional deputies to be assigned upon availability. It is an annual contract with the option to extend with the same terms and conditions, subject to approval by the Charleston County and CCSO.

The Town also entered 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 March 2019 through December 2019, and provides for two deputies on second and third shift for seven days per week. The deputies are paid an hourly rate through the Town's payroll process.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Litigation

The Town is party to various legal proceedings that normally occur in governmental operations. In the opinion of Town management, based on the advice of legal counsel with respect to litigation, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the Town's financial position.

In June 2018, the former Town Treasurer and Town Administrator pled guilty to various fraud-related charges. In August 2018, the Town was awarded restitution of approximately \$105,000 from the former Town Administrator and approximately \$92,000 from the former Town Treasurer. The restitution from the former Town Administrator was received in October 2018 and recorded as miscellaneous revenue. The restitution from the former Treasurer is recorded in accounts receivable and unavailable revenue. A payment plan has been set up for the outstanding obligation; the payments in the amount of \$400 per month have been received.

### NOTE 9. 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, 2019, the Town made premium payments totaling approximately \$43,000. 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, 2018 were approximately \$148,500,000.

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, 2019, the Town made payments totaling approximately \$25,000. The State Accident Fund's net position from its most recently issued audited financial statements as of June 30, 2018 was approximately \$37,705,000.

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, 2019, the Town made premium payments totaling approximately \$171,000. The EIP's net position from its most recently issued audited financial statements as of June 30, 2018 was approximately \$360,220,000.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 9. RISK MANAGEMENT (CONTINUED)

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.

### NOTE 10. EMPLOYEE BENEFITS

#### 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. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission ("RSIC") as co-trustees of the Retirement Trust Funds.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### 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 the PORS. Magistrates are required to participate in the 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/current annual salary. A brief summary of benefit terms for each system is presented below.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### 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 1%, or \$500, 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in the SCRS and PORS ("Plans") employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9% of earnable compensation for the SCRS and 5% 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 1% 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 30-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 30-year amortization period; this increase is not limited to one-half of 1% per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 90%, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 90%. Any decrease in contribution rates must maintain the 2.9% and 5% differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 90%, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90%.

The Retirement System Funding and Administration Act of 2017 increases employer contribution rates to 13.56% for the SCRS and 16.24% for the PORS, effective July 1, 2017. It also removes the 2.9% and 5% differential and increases and establishes a ceiling on employee contribution rates at 9% and 9.75% for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for the SCRS and 21.24% for the PORS. The amortization period is scheduled to be reduced one year for each of the next ten years to a 20-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from 90 to 85.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### 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		
	2017	2018	2019	2017	2018	2019
Employer Contribution Rate: <sup>^</sup>						
Retirement	11.41%	13.41%	<b>14.41%</b>	13.84%	15.84%	<b>16.84%</b>
Incidental Death Benefit	0.15%	0.15%	<b>0.15%</b>	0.20%	0.20%	<b>0.20%</b>
Accidental Death Contributions	0.00%	0.00%	<b>0.00%</b>	0.20%	0.20%	<b>0.20%</b>
	<u>11.56%</u>	<u>13.56%</u>	<u><b>14.56%</b></u>	<u>14.24%</u>	<u>16.24%</u>	<u><b>17.24%</b></u>
Employee Contribution Rate	<u>8.66%</u>	<u>9.00%</u>	<u><b>9.00%</b></u>	<u>9.24%</u>	<u>9.75%</u>	<u><b>9.75%</b></u>

<sup>^</sup> 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
2019	\$ 203,070	100%	\$ 8,904	100%
2018	193,865	100%	12,586	100%
2017	182,502	100%	10,157	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
2019	\$ 1,483,554	\$ 56,651	\$ 1,540,205
2018	1,429,682	77,500	1,507,182
2017	1,578,737	71,327	1,650,064

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan 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. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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.

The June 30, 2018 total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually



## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

##### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
	100%		
	Total expected real return		5.03%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		7.28%

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Pension Liabilities, 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 the June 30, 2018 measurement date, for the SCRS and PORS, are presented in the following table:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability</u>	<u>Fiduciary Net Position as a Percentage of the Pension</u>	<u>Town's Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$ 6,735,446	\$ 3,644,129	\$ 3,091,317	54.1%	0.013796%
PORS	\$ 414,547	\$ 255,894	\$ 158,653	61.7%	0.00560%

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.

At June 30, 2019, the Town reported liabilities of \$3,091,317 and \$158,653 for its proportionate share of the net pension liabilities for the SCRS and PORS, respectively. The net pension liabilities were measured as of June 30, 2018, 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 of July 1, 2017 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, 2018 measurement date, the Town's SCRS proportion was 0.013796%, which was a decrease of 0.001854% from its proportion measured as of June 30, 2017. At the June 30, 2018 measurement date, the Town's PORS proportion was 0.00560%, which was an increase of 0.0003% from its proportion measured as of June 30, 2017.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

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

For the year ended June 30, 2019, the Town recognized pension expense of approximately \$374,000 and \$15,000 for the SCRS and PORS, respectively. At June 30, 2019, 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:

<u>SCRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,580	\$ 18,192
Changes of assumptions	122,646	-
Net difference between projected and actual earnings on pension plan investments	49,106	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	267,899	335,123
Employer contributions subsequent to the measurement date	<u>203,070</u>	<u>-</u>
Total	<u>\$ 648,301</u>	<u>\$ 353,315</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

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

<u>PORS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,888	\$ -
Changes of assumptions	10,461	-
Net difference between projected and actual earnings on pension plan investments	3,173	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	7,076	17,054
Employer contributions subsequent to the measurement date	<u>8,904</u>	<u>-</u>
Total	<u>\$ 34,502</u>	<u>\$ 17,054</u>

The amounts of \$203,070 and \$8,904 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 ending June 30, 2020. 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 ending June 30,	<u>SCRS</u>	<u>PORS</u>
2019	\$ 121,954	\$ 5,072
2020	101,035	3,033
2021	(118,522)	(336)
2022	(12,551)	775

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. 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.

##### Sensitivity Analysis

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 7.25%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate:

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's portion - SCRS	\$ 3,950,036	\$ 3,091,317	\$ 2,477,290
Town's portion - PORS	\$ 213,880	\$ 158,653	\$ 113,412

##### Plan Fiduciary Net Position

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

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plans (Continued)

##### Payable to Plans

The Town reported payables of approximately \$45,000 and \$13,000 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019 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 2019.

#### 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 ended June 30, 2019, were approximately \$18,000.

#### Other Post-employment Benefit Plan

##### Plan Description

The Town provides health, dental, and vision benefits to eligible employees and their beneficiaries through a single-employer plan administered by the Town. The Town extends these benefits to retirees and beneficiaries that meet eligibility provisions of the Town's Post-Employment Health Insurance Policy, as described below. The Town has not made any contributions to an irrevocable trust as of June 30, 2019, and no assets are accumulated in a trust as defined by GAAP.

##### Plan Membership

As of June 30, 2019, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit term:

Inactive Members or Beneficiaries Currently Receiving Benefits	1
Active Members	<u>17</u>
Total Membership	<u><u>18</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Other Post-employment Benefit Plan (Continued)

##### Plan Benefits and Contributions

Benefit terms are established and amended by the Mayor and Town Council and are based on years of service. Retirees of the Town who have been enrolled as an active participant in the South Carolina Public Employee Benefit Authority ("PEBA") Health Plan may elect to continue their coverage upon retirement. To receive employer funded State Health benefits, a retiree must be eligible for retirement under the SCRS based on the following requirements:

- Hired prior to July 1, 2012 – Retirees must be eligible to retire by meeting one of the following criteria: 1) attainment of age 60 and at least 5 years of service, or 2) attainment of age 55 and at least 25 years of service or attainment of at least 28 years of service.
- Hired on or after July 1, 2012 – Retirees must have attained age 60 and have at least eight years of service or satisfy the Rule of 90 requirement (age plus years of service credit equals 90).

The Town pays a portion of the total pre-65 medical or dental premiums under the PEBA plan on behalf of eligible members and dependents based on the number of years of service as follows:

<u>Years of Service</u>	<u>Percentage of Premium Paid by the Town</u>	
	<u>Employer Share</u>	<u>Employee Share</u>
Less than 5	0%	100%
5 – 10	15%	85%
11 – 20	30%	70%
20 or more	50%	50%

The Town's code of ordinances grants the authority to establish and amend the contribution requirements of the OPEB Plan to the Mayor and Town Council. Retirees pay a percentage of premium based on the years of service upon retirement as described above. During the year ended June 30, 2019, the Town paid benefits of approximately \$9,000. The Town is not required to make contributions to pre-fund future benefits, and no such contributions have been made. Employees are not required to contribute to the OPEB Plan.



## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Other Post-employment Benefit Plan (Continued)

##### Actuarial Assumptions and Method

Actuarial valuations of the OPEB Plan 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, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the Plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	3.50%
Healthcare Cost Trend Rate	6.5% graded to 4.15% for 2032 and beyond
Payroll Growth	2.50% per year
Coverage Elections	100% of eligible retirees will elect coverage and 100% of those will elect to cover the spouse
Active Participation/Marriage	80% of all active employees are assumed to be married with female spouses assumed to be three years younger
Mortality Table	2017 Public Retirees of South Carolina Mortality Table

The discount rate was based on the Bond Buyer's 20 bond index.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Other Post-employment Benefit Plan (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The Town's total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

	<b>Total OPEB Liability (a)</b>
Balances as of June 30, 2018	\$ 281,121
Changes for the year:	
Service Cost	15,401
Interest	10,635
Change of Assumptions	8,678
Benefit Payments	(9,286)
Implicit Rate Subsidy Fulfillment	<u>(3,407)</u>
Net Changes	<u>22,021</u>
Balances as of June 30, 2019	<u><u>\$ 303,142</u></u>

The changes of assumptions above is a result of the Town decreasing the discount rate from 3.87% to 3.50% for the year ended June 30, 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Other Post-employment Benefit Plan (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2019, the Town recognized OPEB expense of approximately \$34,000. At June 30, 2019, the Town reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 49,930	\$ -
Change of Assumptions	7,675	6,595
Total	<u>\$ 57,605</u>	<u>\$ 6,595</u>

Amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

Year Ending June 30,	Total
2020	\$ 7,519
2021	7,519
2022	7,519
2023	7,519
2024	7,519
Thereafter	<u>13,415</u>
Total	<u>\$ 51,010</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

#### Other Post-employment Benefit Plan (Continued)

##### Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The Town has not made any contributions to an irrevocable trust and plans to continue on the pay-as-you-go basis. Therefore, the 20-year municipal bond index rate was applied to all periods of projected benefit payments to determine the OPEB liability.

As noted previously, the Town decreased the discount rate from 3.87% to 3.50% for the year ended June 30, 2019.

##### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the Town's total OPEB liability to changes in the discount rate, calculated using the discount rate of 3.50%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.50%) or 1% point higher (4.50%) than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB Liability	\$ 327,718	\$ 303,142	\$ 280,234

The following table presents the sensitivity of the Town's total OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.75% decreasing to 4.15%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.75% decreasing to 3.15%) or 1% point higher (7.75% decreasing to 5.15%) than the current rate:

	<b>1% Decrease (5.75% decreasing to 3.15%)</b>	<b>Current Discount Rate (6.75% decreasing to 4.15%)</b>	<b>1% Increase (7.75% decreasing to 5.15%)</b>
Total OPEB Liability	\$ 269,467	\$ 303,142	\$ 342,872

## **REQUIRED SUPPLEMENTARY INFORMATION**

---

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Building permits	\$ 1,959,517	\$ 1,959,517	\$ 1,250,846	\$ (708,671)
Business licenses	2,266,000	2,266,000	2,535,128	269,128
Franchise fee revenue	847,858	847,858	857,732	9,874
Local option sales tax	555,464	555,464	585,738	30,274
Fines and forfeitures	45,900	45,900	28,662	(17,238)
Interest	100,000	100,000	175,646	75,646
Miscellaneous	70,000	70,000	185,490	115,490
Environmental service fee	571,815	571,815	551,180	(20,635)
Accommodations tax	112,200	112,200	127,714	15,514
Federal revenue	-	-	102,440	102,440
Total revenues	<u>6,528,754</u>	<u>6,528,754</u>	<u>6,400,576</u>	<u>(128,178)</u>
<b>Expenditures</b>				
Current:				
General government	5,001,580	5,001,580	4,024,914	976,666
Judicial	20,818	20,818	20,068	750
Public safety	424,059	424,059	505,544	(81,485)
Tourism and recreation	303,053	303,053	301,200	1,853
Capital outlay	<u>192,800</u>	<u>192,800</u>	<u>365,703</u>	<u>(172,903)</u>
Total expenditures	<u>5,942,310</u>	<u>5,942,310</u>	<u>5,217,429</u>	<u>724,881</u>
Excess of revenues over expenditures	<u>586,444</u>	<u>586,444</u>	<u>1,183,147</u>	<u>596,703</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,538,573	1,538,573	1,748,792	210,219
Transfers out	<u>(549,526)</u>	<u>(549,526)</u>	<u>(549,526)</u>	<u>-</u>
Total other financing sources, net	<u>989,047</u>	<u>989,047</u>	<u>1,199,266</u>	<u>210,219</u>
Net change in fund balances	<u>1,575,491</u>	<u>1,575,491</u>	<u>2,382,413</u>	<u>806,922</u>
<b>Fund balances, beginning of year</b>	<u>8,038,072</u>	<u>8,038,072</u>	<u>8,038,072</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 9,613,563</u>	<u>\$ 9,613,563</u>	<u>\$ 10,420,485</u>	<u>\$ 806,922</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## STATE ACCOMMODATIONS TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Interest	\$ 5,000	\$ 5,000	\$ 20,092	\$ 15,092
Accommodations tax	1,560,667	1,560,667	1,585,786	25,119
Total revenues	1,565,667	1,565,667	1,605,878	40,211
<b>Expenditures</b>				
Purchased Services:				
Advertising/promotional	1,084,700	1,084,700	1,033,669	51,031
Total expenditures	1,084,700	1,084,700	1,033,669	51,031
Excess of revenues over expenditures	480,967	480,967	572,209	91,242
<b>Other Financing Uses</b>				
Transfers out	(485,000)	(485,000)	(485,000)	-
Total other financing uses	(485,000)	(485,000)	(485,000)	-
Net change in fund balances	(4,033)	(4,033)	87,209	91,242
Fund balances, beginning of year	100,463	100,463	100,463	-
Fund balances, end of year	\$ 96,430	\$ 96,430	\$ 187,672	\$ 91,242

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COUNTY ACCOMMODATIONS TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Interest	\$ 10,000	\$ 10,000	\$ 42,731	\$ 32,731
Accommodations tax	484,000	484,000	484,000	-
Total revenues	494,000	494,000	526,731	32,731
<b>Expenditures</b>				
Purchased Services:				
Advertising/promotional	618,465	618,465	549,026	69,439
Total expenditures	618,465	618,465	549,026	69,439
Deficiency of revenues under expenditures	(124,465)	(124,465)	(22,295)	102,170
<b>Other Financing Sources</b>				
Transfers in	100,000	100,000	100,000	-
Total other financing sources	100,000	100,000	100,000	-
Net change in fund balances	(24,465)	(24,465)	77,705	102,170
<b>Fund balances, beginning of year</b>	1,327,092	1,327,092	1,327,092	-
<b>Fund balances, end of year</b>	<u>\$ 1,302,627</u>	<u>\$ 1,302,627</u>	<u>\$ 1,404,797</u>	<u>\$ 102,170</u>



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## LOCAL ACCOMMODATIONS TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Interest	\$ 25,000	\$ 25,000	\$ 87,943	\$ 62,943
Accommodations tax	1,007,760	1,007,760	967,051	(40,709)
Total revenues	1,032,760	1,032,760	1,054,994	22,234
<b>Expenditures</b>				
Purchased Services:				
Advertising/promotional	75,000	75,000	70,507	4,493
Total expenditures	75,000	75,000	70,507	4,493
Excess of revenues under expenditures	957,760	957,760	984,487	26,727
<b>Other Financing Uses</b>				
Transfers out	(2,154,186)	(2,154,186)	(2,364,404)	(210,218)
Total other financing uses	(2,154,186)	(2,154,186)	(2,364,404)	(210,218)
Net change in fund balances	(1,196,426)	(1,196,426)	(1,379,917)	(183,491)
<b>Fund balances, beginning of year</b>	4,088,936	4,088,936	4,088,936	-
<b>Fund balances, end of year</b>	\$ 2,892,510	\$ 2,892,510	\$ 2,709,019	\$ (183,491)

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## BEVERAGE PERMITS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Beverage permit revenue	\$ 45,000	\$ 45,000	\$ 44,000	\$ (1,000)
Total revenues	45,000	45,000	44,000	(1,000)
<b>Other Financing Uses</b>				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing uses	(50,000)	(50,000)	(50,000)	-
Net change in fund balances	(5,000)	(5,000)	(6,000)	(1,000)
<b>Fund balances, beginning of year</b>	35,174	35,174	35,174	-
<b>Fund balances, end of year</b>	<u>\$ 30,174</u>	<u>\$ 30,174</u>	<u>\$ 29,174</u>	<u>\$ (1,000)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## HOSPITALITY TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Interest	\$ 20,000	\$ 20,000	\$ 65,114	\$ 45,114
Hospitality tax	577,320	577,320	576,884	(436)
Total revenues	597,320	597,320	641,998	44,678
<b>Expenditures</b>				
Purchased Services:				
Advertising/promotional	219,750	219,750	200,383	19,367
Total expenditures	219,750	219,750	200,383	19,367
Excess of revenues over expenditures	377,570	377,570	441,615	64,045
<b>Other Financing Uses</b>				
Transfers out	(1,137,464)	(1,137,464)	(1,137,464)	-
Total other financing uses	(1,137,464)	(1,137,464)	(1,137,464)	-
Net change in fund balances	(759,894)	(759,894)	(695,849)	64,045
<b>Fund balances, beginning of year</b>	2,918,750	2,918,750	2,918,750	-
<b>Fund balances, end of year</b>	<u>\$ 2,158,856</u>	<u>\$ 2,158,856</u>	<u>\$ 2,222,901</u>	<u>\$ 64,045</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## VICTIMS' ASSISTANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 8,713	\$ (1,287)
Total revenues	10,000	10,000	8,713	(1,287)
<b>Expenditures</b>				
Purchased Services:				
Judicial	10,000	10,000	8,713	1,287
Total expenditures	10,000	10,000	8,713	1,287
Net change in fund balances	-	-	-	-
<b>Fund balances, beginning of year</b>	21,150	21,150	21,150	-
<b>Fund balances, end of year</b>	<u>\$ 21,150</u>	<u>\$ 21,150</u>	<u>\$ 21,150</u>	<u>\$ -</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Interest	\$ 20,000	\$ 20,000	\$ 41,207	\$ 21,207
Total revenues	20,000	20,000	41,207	21,207
<b>Expenditures</b>				
Debt Service:				
Principal	333,333	333,333	333,000	333
Interest	37,253	37,253	33,507	3,746
Total expenditures	370,586	370,586	366,507	4,079
Deficiency of revenues under expenditures	(350,586)	(350,586)	(325,300)	25,286
<b>Other Financing Sources</b>				
Transfers in	2,737,602	2,737,602	2,737,602	-
Proceeds from sale of capital assets	-	-	14,410	14,410
Total other financing sources	2,737,602	2,737,602	2,752,012	14,410
Net change in fund balances	2,387,016	2,387,016	2,426,712	39,696
<b>Fund balances, beginning of year</b>	1,852,420	1,852,420	1,852,420	-
<b>Fund balances, end of year</b>	<u>\$ 4,239,436</u>	<u>\$ 4,239,436</u>	<u>\$ 4,279,132</u>	<u>\$ 39,696</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS SOUTH CAROLINA RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

South Carolina Retirement System					
Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered payroll	Town's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.013796%	\$ 3,091,317	\$ 1,429,682	216.2%	54.1%
2017	0.015650%	3,522,391	1,578,737	223.1%	53.3%
2016	0.013100%	2,797,286	1,259,731	222.1%	52.9%
2015	0.014070%	2,668,443	1,328,143	200.9%	57.0%
2014	0.011740%	2,021,411	1,069,095	189.1%	59.9%
2013	0.011740%	2,105,917	842,824	249.9%	56.4%

### Notes to Schedule:

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30,**

<b>South Carolina Retirement System</b>							
<b>Fiscal Year Ended June 30,</b>	<b>Actuarially required contribution</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Town's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>		
2019	\$ 203,070	\$ 203,070	\$ -	\$ 1,483,554	13.69%		
2018	193,865	193,865	-	1,429,682	13.56%		
2017	182,502	182,502	-	1,578,737	11.56%		
2016	139,326	139,326	-	1,259,731	11.06%		
2015	144,768	144,768	-	1,328,143	10.90%		
2014	112,992	112,992	-	1,069,095	10.57%		

**Notes to Schedule:**

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

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS POLICE OFFICERS RETIREMENT SYSTEM FOR THE YEAR ENDED JUNE 30,

South Carolina Police Officers Retirement System						
Plan Year Ended June 30,	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability		Town's covered payroll	Town's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00560%	\$ 158,653	\$	77,500	204.7%	61.7%
2017	0.00530%	145,115		71,327	203.5%	60.9%
2016	0.00659%	167,078		82,527	202.5%	60.4%
2015	0.00638%	138,943		70,078	198.3%	64.6%
2014	0.00668%	127,845		77,187	165.6%	67.6%
2013	0.00668%	138,433		41,113	336.7%	63.0%

### Notes to Schedule:

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.



**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30,**

<b>South Carolina Police Officers Retirement System</b>								
<b>Fiscal Year Ended June 30,</b>	<b>Actuarially required contribution</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Town's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>			
2019	\$ 8,904	\$ 8,904	\$ -	\$ 56,651	15.72%			
2018	12,586	12,586	-	77,500	16.24%			
2017	10,157	10,157	-	71,327	14.24%			
2016	11,339	11,339	-	82,527	13.74%			
2015	9,397	9,397	-	70,078	13.41%			
2014	10,314	10,314	-	77,187	13.36%			

**Notes to Schedule:**

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

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30,

	2019	2018
Total OPEB Liability		
Service Cost	\$ 15,401	\$ 11,726
Interest	10,635	7,413
Differences Between Expected and Actual Experience		64,946
Change of Assumptions	8,678	(8,579)
Benefit Payments	(9,286)	(9,614)
Implicit Rate Subsidy Fulfillment	(3,407)	(2,650)
Net Changes in Total OPEB Liability	22,021	63,242
Total OPEB Liability - Beginning of Year	281,121	217,879
Total OPEB Liability - End of Year	\$ 303,142	\$ 281,121
Covered-Employee Payroll	\$ 1,087,930	\$ 1,087,930
Total OPEB Liability as a Percentage of Covered-Employee Payroll	27.86%	25.84%

**Notes to Schedule:**

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

## **OTHER SUPPLEMENTARY INFORMATION**

---

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## GENERAL FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018	Variance
<b>Revenues</b>			
Building permits	\$ 1,250,846	\$ 1,337,513	\$ 86,667
Business licenses	2,535,128	2,502,770	(32,358)
Franchise fee revenue	857,732	793,197	(64,535)
Local option sales tax	585,738	548,248	(37,490)
Fines and forfeitures	28,662	71,355	42,693
Interest	175,646	91,408	(84,238)
Miscellaneous	185,490	77,046	(108,444)
Environmental service fee	551,180	356,420	(194,760)
Accommodations tax	127,714	105,395	(22,319)
Federal revenue	102,440	42,072	(60,368)
Total revenues	<u>6,400,576</u>	<u>5,925,424</u>	<u>(475,152)</u>
<b>Expenditures</b>			
Current:			
General government	4,024,914	4,015,793	9,121
Judicial	20,068	20,616	(548)
Public safety	505,544	665,533	(159,989)
Tourism and recreation	301,200	315,351	(14,151)
Capital outlay	<u>365,703</u>	<u>96,218</u>	<u>269,485</u>
Total expenditures	<u>5,217,429</u>	<u>5,113,511</u>	<u>103,918</u>
Excess of revenues under expenditures	<u>\$ 1,183,147</u>	<u>\$ 811,913</u>	<u>\$ (371,234)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## STATE ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Interest	\$ 20,092	\$ 8,205	\$ (11,887)
Accommodations tax	<u>1,585,786</u>	<u>1,527,502</u>	<u>(58,284)</u>
Total revenues	<u>1,605,878</u>	<u>1,535,707</u>	<u>(70,171)</u>
<b>Expenditures</b>			
Purchased Services:			
Advertising/promotional	<u>1,033,669</u>	<u>997,369</u>	<u>36,300</u>
Total expenditures	<u>1,033,669</u>	<u>997,369</u>	<u>36,300</u>
Excess of revenues under expenditures	<u>\$ 572,209</u>	<u>\$ 538,338</u>	<u>\$ (33,871)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## COUNTY ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Interest	\$ 42,731	\$ 20,601	\$ (22,130)
Accommodations tax	<u>484,000</u>	<u>422,000</u>	<u>(62,000)</u>
Total revenues	<u>526,731</u>	<u>442,601</u>	<u>(84,130)</u>
<b>Expenditures</b>			
Purchased Services:			
Advertising/promotional	<u>549,026</u>	<u>601,005</u>	<u>(51,979)</u>
Total expenditures	<u>549,026</u>	<u>601,005</u>	<u>(51,979)</u>
Deficiency of revenues under expenditures	<u>\$ (22,295)</u>	<u>\$ (158,404)</u>	<u>\$ (136,109)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## LOCAL ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Interest	\$ 87,943	\$ 41,202	\$ (46,741)
Accommodations tax	<u>967,051</u>	<u>953,452</u>	<u>(13,599)</u>
Total revenues	<u>1,054,994</u>	<u>994,654</u>	<u>(60,340)</u>
<b>Expenditures</b>			
Purchased Services:			
Advertising/promotional	<u>70,507</u>	<u>43,855</u>	<u>26,652</u>
Total expenditures	<u>70,507</u>	<u>43,855</u>	<u>26,652</u>
Excess of revenues over expenditures	<u>\$ 984,487</u>	<u>\$ 950,799</u>	<u>\$ (33,688)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## BEVERAGE PERMITS FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

---

	2019	2018	Variance
<b>Revenues</b>			
Beverage permit revenue	\$ 44,000	\$ 42,100	\$ (1,900)
Total revenues	<u>\$ 44,000</u>	<u>\$ 42,100</u>	<u>\$ (1,900)</u>



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## HOSPITALITY TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Interest	\$ 65,114	\$ 30,512	\$ (34,602)
Hospitality Tax	<u>576,884</u>	<u>560,182</u>	<u>(16,702)</u>
Total revenues	<u>641,998</u>	<u>590,694</u>	<u>(51,304)</u>
<b>Expenditures</b>			
Purchased Services:			
Advertising/promotional	<u>200,383</u>	<u>220,410</u>	<u>(20,027)</u>
Total expenditures	<u>200,383</u>	<u>220,410</u>	<u>(20,027)</u>
Excess of revenues over expenditures	<u>\$ 441,615</u>	<u>\$ 370,284</u>	<u>\$ (71,331)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## VICTIMS' ASSISTANCE FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Fines and forfeitures	\$ 8,713	\$ 18,688	\$ 9,975
Total revenues	<u>8,713</u>	<u>18,688</u>	<u>9,975</u>
<b>Expenditures</b>			
Purchased Services:			
Judicial	<u>8,713</u>	<u>18,688</u>	<u>(9,975)</u>
Total expenditures	<u>8,713</u>	<u>18,688</u>	<u>(9,975)</u>
Excess (deficiency) of revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## CAPITAL PROJECTS FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018	Variance
<b>Revenues</b>			
Interest	\$ 41,207	\$ 18,327	\$ (22,880)
Total revenues	<u>41,207</u>	<u>18,327</u>	<u>(22,880)</u>
<b>Expenditures</b>			
Purchased Services:			
Capital Outlay	-	444,239	(444,239)
Debt Service:			
Principal	333,000	333,000	-
Interest	<u>33,507</u>	<u>37,969</u>	<u>(4,462)</u>
Total expenditures	<u>366,507</u>	<u>815,208</u>	<u>(448,701)</u>
Deficiency of revenues under expenditures	<u>\$ (325,300)</u>	<u>\$ (796,881)</u>	<u>\$ (471,581)</u>

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96) FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### FOR THE STATE TREASURER'S OFFICE:

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	N/A	N/A	\$ 63,319	\$ 63,319
Court fines and assessments remitted to State Treasurer	N/A	N/A	(34,657)	(34,657)
<b>Total Court Fines and Assessments retained</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 28,662</b>	<b>\$ 28,662</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	N/A	N/A	\$ 5,310	\$ 5,310
Assessments retained	N/A	N/A	3,403	3,403
<b>Total Surcharges and Assessments retained for victim services</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 8,713</b>	<b>\$ 8,713</b>

### FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	<u>Municipal</u>	<u>County</u>	<u>Total</u>
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>\$ 21,150</b>	<b>N/A</b>	<b>\$ 21,150</b>
<b><u>Victim Service Revenue:</u></b>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	3,403	N/A	3,403
Victim Service Surcharges Retained by City/County Treasurer	5,310	N/A	5,310
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 29,863</b>	<b>N/A</b>	<b>\$ 29,863</b>

**TOWN OF KIAWAH ISLAND, SOUTH CAROLINA**

**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>Expenditures for Victim Service Program:</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Salaries and Benefits	-	N/A	-
Operating Expenditures	-	N/A	-
<b>Victim Service Contract(s):</b>			
(1) S.C. Ninth Circuit Judicial Services	8,713	N/A	8,713
(2) Entity's Name	-	N/A	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	-	N/A	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>8,713</b>	<b>N/A</b>	<b>8,713</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	21,150	N/A	21,150
<b>Less:</b> Prior Year Fund Deficit Repayment	-	N/A	-
<b>Carryforward Funds – End of Year</b>	<b>\$ 21,150</b>	<b>N/A</b>	<b>21,150</b>

## **STATISTICAL SECTION**

---

## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### FINANCIAL TRENDS INFORMATION NARRATIVE

---

The financial trends information section of the Comprehensive Annual Financial Report for the year ended June 30, 2019 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 (non-spendable, 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.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## FINANCIAL TRENDS INFORMATION NET POSITION BY COMPONENT – LAST TEN FISCAL YEARS SCHEDULE 1

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 8,283,790	\$ 7,953,918	\$ 7,873,960	\$ 7,646,108	\$ 7,403,382	\$ 9,135,027	\$ 10,278,569	\$ 11,320,757	\$ 11,733,871	\$ 11,791,626
Restricted	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,988,779	9,046,099	8,138,456	8,491,565	6,574,713
Unrestricted	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	6,420,131	5,550,418	6,116,525	7,029,886	11,567,148
Total government activities net position	<u>\$ 21,773,977</u>	<u>\$ 22,422,471</u>	<u>\$ 22,829,834</u>	<u>\$ 23,176,541</u>	<u>\$ 24,822,195</u>	<u>\$ 23,543,937</u>	<u>\$ 24,875,086</u>	<u>\$ 25,575,738</u>	<u>\$ 27,255,322</u>	<u>\$ 29,933,487</u>

*(Prepared using the accrual basis of accounting)*



# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## FINANCIAL TRENDS INFORMATION CHANGES IN NET POSITION – LAST TEN FISCAL YEARS SCHEDULE 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Government activities:										
General government - (3)	\$ 1,597,727	\$ 1,866,909	\$ 2,049,514	\$ 2,052,957	\$ 2,685,958	\$ 3,289,126	\$ 3,376,047	\$ 5,498,034	\$ 4,485,727	\$ 4,669,754
Judicial	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831	39,539	30,768
Public safety	74,624	96,529	78,583	83,124	123,575	192,325	747,401	693,444	774,770	555,211
Environmental services - (3)	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-	-
Tourism and recreation	1,269,734	1,759,356	2,023,584	2,278,884	2,067,716	3,085,648	2,386,979	2,277,351	2,413,088	2,388,329
Interest and Other Charges	-	-	-	-	-	-	-	51,032	36,872	32,539
Total governmental activities expenses	3,839,112	4,722,025	5,271,541	5,268,326	5,643,493	7,488,893	7,332,803	8,543,692	7,749,996	7,676,601
<b>Program Revenues</b>										
Government activities:										
Charges for services:										
General government - (3)	1,722,676	1,639,614	1,737,421	1,790,186	2,810,519	3,117,157	3,173,464	3,899,157	4,196,703	4,381,154
Judicial	12,780	17,992	12,339	17,426	14,126	35,206	10,914	17,595	90,043	37,375
Environmental services - (3)	233,043	349,831	339,014	333,543	321,686	272,611	357,877	-	-	-
Tourism and recreation - (1)	1,567,821	1,878,064	2,076,645	2,387,382	2,499,681	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	119,541	42,072	102,440
Total governmental activities revenues	3,536,320	3,885,501	4,165,419	4,528,537	5,646,012	3,424,974	3,542,255	4,036,293	4,328,818	4,520,969
<b>Net (Expense)/Revenue</b>										
Government activities	(302,792)	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	(4,507,399)	(3,421,178)	(3,155,632)

(Continued)

(Prepared using the accrual basis of accounting)

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## FINANCIAL TRENDS INFORMATION CHANGES IN NET POSITION – LAST TEN FISCAL YEARS SCHEDULE 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenue and Other</b>										
<b>Changes in Net Position</b>										
<b>Government activities</b>										
SC aid to subdivisions	\$ 30,381	\$ 29,369	\$ 29,731	\$ 35,079	\$ 36,915	\$ 35,590	\$ 35,590	\$ 37,235	\$ 36,724	\$ 37,177
Franchise fee revenue	402,825	432,781	447,449	544,695	540,321	662,823	747,873	755,815	793,197	857,732
Local options sales tax	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248	585,738
Interest - (2)	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255	432,733
Mark to market valuation	-	-	-	-	-	-	-	-	-	-
Hospitality tax	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182	576,884
Accommodations tax - (1)	-	-	-	-	-	2,724,872	2,929,710	3,229,911	3,008,349	3,180,810
Lease revenue	-	-	-	-	-	72,600	72,600	21,858	-	-
Beverage permits - (1)	-	-	-	-	-	30,000	36,000	42,000	42,100	-
Contributions and grants	300,000	265,637	116,044	3,535	-	-	-	-	-	-
Miscellaneous	8,730	15,115	26,606	40,762	8,179	197,555	132,801	26,310	119,586	148,313
Infrastructure Contribution	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	-	18,600	11,000	-	-	11,000	-	-	14,410
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>1,839,400</u>	<u>1,469,919</u>	<u>1,513,485</u>	<u>1,086,496</u>	<u>1,643,135</u>	<u>4,906,706</u>	<u>5,121,697</u>	<u>5,208,051</u>	<u>5,318,641</u>	<u>5,833,797</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ 1,536,608</u>	<u>\$ 633,395</u>	<u>\$ 407,363</u>	<u>\$ 346,707</u>	<u>\$ 1,645,654</u>	<u>\$ 842,787</u>	<u>\$ 1,331,149</u>	<u>\$ 700,652</u>	<u>\$ 1,897,463</u>	<u>\$ 2,678,165</u>

**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.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## FINANCIAL TRENDS INFORMATION FUND BALANCES – GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS SCHEDULE 3

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable for Prepaid Items	\$ 46,468	\$ 48,200	\$ 70,413	\$ 55,062	\$ 130,041	\$ 958	\$ 49,147	\$ 107,538	\$ 114,752	\$ 72,059
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	8,578,074	8,932,721	8,929,497	9,078,755	9,855,854	8,477,442	5,357,910	6,805,230	7,923,320	10,348,426
<b>Total General Fund</b>	<b>8,624,542</b>	<b>8,980,921</b>	<b>8,999,910</b>	<b>9,133,817</b>	<b>9,985,895</b>	<b>9,256,045</b>	<b>7,752,006</b>	<b>6,912,768</b>	<b>8,038,072</b>	<b>10,420,485</b>
All Other Governmental Funds										
Restricted for:										
Victims Assistance	-	12,129	11,864	15,317	16,055	21,901	22,617	21,150	21,150	21,150
Tourism Related Capital Improvements - (1)	-	-	-	-	344,698	-	1,222,645	-	-	-
Tourism Related Expenditures	4,865,645	5,475,503	5,944,100	6,381,299	7,072,165	7,189,233	7,800,837	8,117,306	8,470,415	6,553,563
Committed for:										
Capital Improvements	-	-	-	-	-	-	-	1,572,645	1,852,420	4,279,132
	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,211,134	9,046,099	9,711,101	10,343,985	10,853,845
<b>Total all governmental funds</b>	<b>\$ 13,490,187</b>	<b>\$ 14,468,553</b>	<b>\$ 14,955,874</b>	<b>\$ 15,530,433</b>	<b>\$ 17,418,813</b>	<b>\$ 16,467,179</b>	<b>\$ 16,798,105</b>	<b>\$ 16,623,869</b>	<b>\$ 18,382,057</b>	<b>\$ 21,274,330</b>

**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.

*(Prepared using the modified accrual basis of accounting)*

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## FINANCIAL TRENDS INFORMATION CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS SCHEDULE 4

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Building permits	\$ 28,168	\$ 27,768	\$ 38,310	\$ 35,974	\$ 823,214	\$ 1,069,063	\$ 990,258	\$ 1,246,429	\$ 1,337,513	\$ 1,250,846
Business Licenses	1,597,908	1,515,246	1,602,511	1,657,812	1,920,755	2,048,093	2,183,207	2,290,018	2,502,770	2,535,128
Lease Revenue	72,600	72,600	72,600	72,400	66,550	72,600	72,600	21,858	-	-
SC aid to subdivision	30,381	29,369	29,731	35,079	36,915	35,590	35,590	37,235	36,724	37,177
Franchise fee revenue	402,825	432,781	447,449	544,695	540,321	662,823	747,873	755,815	793,197	857,732
Beverage permit revenue	24,000	24,000	24,000	24,000	27,900	30,000	36,000	42,000	42,100	44,000
Local option sales tax	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248	585,738
Fines and Forfeitures	12,780	17,992	12,339	17,426	14,126	35,207	10,913	17,595	90,043	37,375
Interest - (1)	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255	432,733
Contributions and grants	300,000	265,637	116,044	3,535	-	-	-	-	-	-
Miscellaneous	8,730	15,115	26,606	40,762	8,179	136,210	120,454	53,020	40,322	148,313
Accommodations tax - state	937,695	1,039,783	1,143,911	1,343,031	1,344,377	1,410,368	1,576,964	1,664,086	1,632,897	1,713,500
Accommodations tax - county	102,261	240,629	267,679	299,411	323,596	439,500	450,622	477,000	422,000	484,000
Accommodations tax - local	527,865	597,652	665,055	744,940	803,808	875,004	902,124	1,088,825	953,452	967,051
Environmental service fee	233,043	349,831	339,014	333,543	321,686	272,611	357,877	362,710	356,420	551,180
Federal revenue	-	-	-	-	-	-	-	119,541	42,072	102,440
Hospitality tax	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182	576,884
Total revenues	5,375,720	5,355,420	5,660,304	5,604,033	7,289,147	8,270,335	8,640,605	9,271,054	9,568,195	10,324,097
General government - (2)	1,338,514	1,732,462	1,916,588	1,913,402	2,540,362	3,106,370	3,145,721	4,200,915	3,839,105	4,024,914
Judicial	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831	39,304	28,781
Public safety	74,624	96,529	78,583	83,124	123,575	192,416	732,014	665,838	665,533	505,544
Environmental service - (2)	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-	-
Tourism and recreation	1,260,381	1,519,400	1,783,957	2,015,603	1,805,285	2,838,110	2,104,111	2,043,326	2,177,990	2,154,785
Capital outlay	2,654,221	44,531	292,595	174,984	165,301	2,163,279	1,516,457	7,052,056	717,145	365,703
Principal	-	-	-	-	-	-	-	-	333,000	333,000
Interest and Other Fiscal Charges	-	-	-	-	-	-	-	41,147	37,969	33,507
Total expenditures	6,224,767	4,392,153	5,191,583	5,040,474	5,400,767	9,221,969	8,320,679	14,027,113	7,810,046	7,446,234
Excess of revenues over (under) expenditures	(849,047)	963,267	468,721	563,559	1,888,380	(951,634)	319,926	(4,756,059)	1,758,149	2,877,863
Bonds issued	-	-	-	-	-	-	-	3,000,000	-	-
Proceeds from sale of assets	-	-	18,600	11,000	-	-	11,000	1,581,823	39	14,410
Transfers In	-	-	-	-	-	587,000	2,494,500	3,839,497	2,306,625	4,586,394
Transfers Out	-	-	-	-	-	(587,000)	(2,494,500)	(3,839,497)	(2,306,625)	(4,586,394)
Net change in fund balance	\$ (849,047)	\$ 963,267	\$ 487,321	\$ 574,559	\$ 1,888,380	\$ (951,634)	\$ 330,926	\$ (174,236)	\$ 1,758,188	\$ 2,892,273
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%	0%	0%	0.59%	5.21%	5.16%

**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.

*(Prepared using the modified accrual basis of accounting)*

## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### REVENUE CAPACITY INFORMATION NARRATIVE

---

The revenue capacity information section of the Comprehensive Annual Financial Reports for the year ended June 30, 2019 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.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## REVENUE CAPACITY SIGNIFICANT REVENUE – GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS SCHEDULE 1

### General Fund

<u>Fiscal Year Ended June 30,</u>	<u>Business License</u>	<u>Local Option Sales Tax</u>	<u>Franchise Fees</u>	<u>Building Permits</u>	<u>Total</u>
2019	\$ 2,535,128	\$ 585,738	\$ 857,732	\$ 1,250,846	\$ 5,229,444
2018	2,502,770	548,248	793,197	1,337,513	5,181,728
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

### Special Revenue Fund Accommodations Taxes

<u>Fiscal Year Ended June 30,</u>	<u>State</u>	<u>County</u>	<u>Local</u>	<u>Total</u>
2019	\$ 1,585,786	\$ 484,000	\$ 967,051	\$ 3,036,837
2018	1,632,897	422,000	953,452	3,008,349
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

(Prepared using the modified accrual basis of accounting)

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## REVENUE CAPACITY SIGNIFICANT REVENUE – PERCENT OF BUSINESS LICENSE BY CLASS FOR THE LAST TEN FISCAL YEARS SCHEDULE 2

Class License Description	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lessors of Real Estate	33.0%	30.6%	26.1%	25.2%	31.5%	25.1%	29.4%	26.8%	29.1%	31.2%
Construction	16.6%	18.0%	21.0%	21.7%	20.5%	19.2%	18.1%	18.6%	19.2%	18.3%
Landscaping	2.4%	2.6%	3.7%	2.9%	3.3%	4.2%	3.9%	3.1%	2.9%	2.7%
Plumbing / Heating/AC	2.2%	1.9%	2.1%	1.2%	2.0%	1.1%	1.0%	0.9%	1.1%	1.0%
Painting	1.1%	1.1%	1.6%	1.2%	1.5%	1.3%	1.1%	1.3%	1.2%	1.5%
Carpentry	2.3%	2.5%	2.3%	3.6%	3.0%	3.2%	3.1%	3.0%	2.5%	2.1%
Electrical Contractors	0.7%	0.7%	1.3%	0.8%	1.1%	1.9%	1.9%	2.1%	2.4%	2.2%
Janitorial Services	0.5%	0.2%	0.9%	0.3%	0.9%	0.7%	0.8%	0.6%	0.5%	0.8%
Carpet/Upholstery	0.4%	0.3%	0.5%	0.3%	0.4%	0.3%	0.3%	0.4%	0.5%	0.4%
Masonry/Stone	0.4%	0.2%	0.6%	0.1%	0.2%	0.5%	0.4%	0.4%	0.7%	0.6%
Floor Laying	0.4%	0.3%	0.6%	0.4%	0.7%	0.7%	0.8%	1.0%	1.9%	1.7%
Architectural Services	0.9%	0.6%	1.4%	0.9%	0.9%	1.5%	1.8%	2.1%	1.0%	1.2%
Roofing/Siding	0.6%	0.6%	1.1%	0.7%	0.5%	0.5%	0.5%	0.8%	0.9%	1.1%
Interior Design Services	0.9%	0.7%	1.2%	0.6%	1.6%	1.0%	1.1%	0.9%	0.2%	0.4%
Exterminating/Pest Control	0.3%	0.4%	0.6%	0.4%	0.5%	0.5%	0.4%	0.5%	0.0%	0.3%
All other classes	37.3%	39.3%	35.1%	39.9%	31.4%	38.3%	35.4%	37.5%	35.9%	34.5%
	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### REVENUE CAPACITY SIGNIFICANT REVENUE – PERCENT OF ACCOMMODATIONS TAXES BY CLASS FOR THE CURRENT YEAR AND LAST THREE FISCAL YEARS – SCHEDULE 3

Class License Description	2016	2017	2018	2019
Hotels	38%	40%	36%	42.0%
Real Estate/Rental Management Companies	41%	45%	51%	55.0%
Homes/Villas	21%	15%	13%	3.0%
	100%	100%	100%	100%



## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### DEBT CAPACITY INFORMATION NARRATIVE

---

The debt capacity information section of the Comprehensive Annual Financial Reports for the year ended June 30, 2019 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.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## DEBT CAPACITY RATIO OF OUTSTANDING DEBT BY TYPE SCHEDULE 1

Fiscal Year	General Obligation Bonds	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
2019	\$ 2,334,000	\$ 2,334,000	1.4%	\$ 1,435
2018	2,667,000	2,667,000	1.6%	1,640
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

**Notes:**

<sup>1</sup> Personal income information obtained from the U.S. Census Bureau.

<sup>2</sup> See Schedule 1 of the Demographic and Economic Information section for the total population.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## DEBT CAPACITY RATIO OF GENERAL BONDED DEBT OUTSTANDING SCHEDULE 2

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property <sup>1</sup>	Per Capita <sup>2</sup>
2019	\$ 2,334,000	-	\$ 2,334,000	0.72%	\$ 1,435
2018	2,667,000	-	2,667,000	0.82%	1,640
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

### Notes:

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

<sup>2</sup> See Schedule 1 of the Demographic and Economic Information section for the total population.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## DEBT CAPACITY LEGAL DEBT MARGIN INFORMATION SCHEDULE 3

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 24,276,473	\$ 25,904,913	\$ 27,753,870
Total Net Debt Applicable to Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,000,000	2,667,000	2,334,000
Legal Debt Margin	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 21,276,473</u>	<u>\$ 23,237,913</u>	<u>\$ 25,419,870</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.36%	10.30%	8.41%

### Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$ 346,923,380
Total Assessed Value	<u>\$ 346,923,380</u>
Debt Limit (8% of Total Assessed Value)	\$ 27,753,870
Debt Applicable to Limit:	
General Obligation Bonds (Excluding Premiums)	2,334,000
Less: Amounts Issued Under Referendum	<u>-</u>
Total Net Debt Applicable to Limit	<u>2,334,000</u>
Legal Debt Margin	<u>\$ 25,419,870</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.

## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### DEMOGRAPHIC AND ECONOMIC INFORMATION NARRATIVE

---

The demographic and economic information section of the Comprehensive Annual Financial Reports for the year ended June 30, 2019 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 2013-2017 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 2012-2016 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 2012-2016 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 2012-2016 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 2012-2016 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 2012-2016 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.

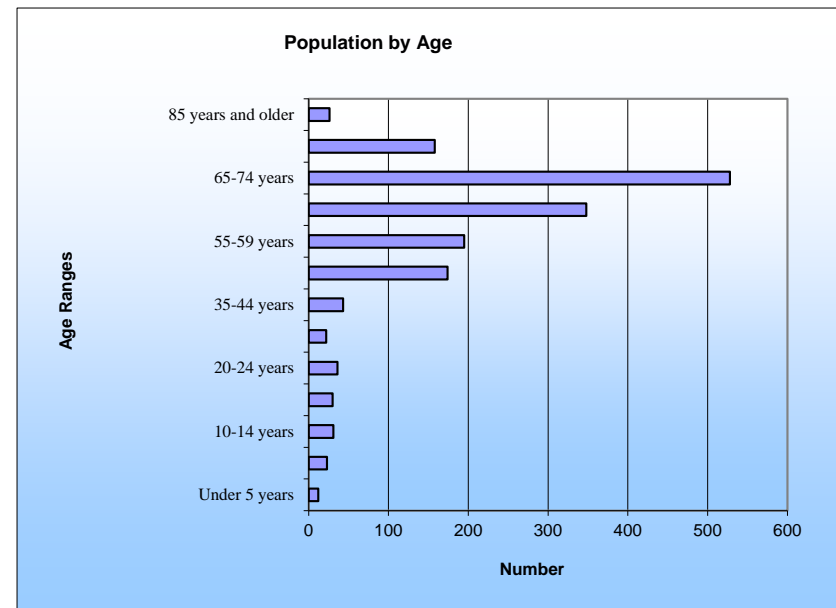
# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## DEMOGRAPHIC AND ECONOMIC INFORMATION PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

**Town of Kiawah Island**  
4457 Betsy Kerrison Parkway  
Kiawah Island, SC 29455



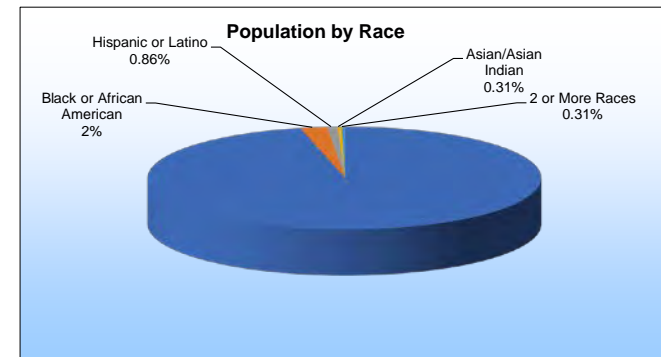
	Number	Percent
<b>Population</b>	1626	100
<b>Gender and Age</b>		
Male	781	48.0
Female	845	52.0
Under 5 years	12	0.7
5-9 years	23	1.4
10-14 years	31	1.9
15-19 years	30	1.8
20-24 years	36	2.2
25-34 years	22	1.4
35-44 years	43	2.6
45-54 years	174	10.7
55-59 years	195	12.0
60-64 years	348	21.4
65-74 years	528	32.5
75-84 years	158	9.7
85 years and older	26	1.6
Median age	64	(X)



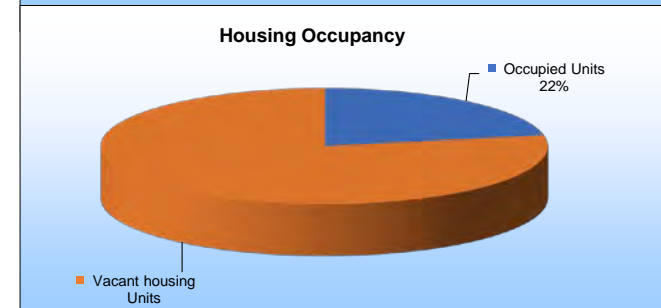
## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### DEMOGRAPHIC AND ECONOMIC INFORMATION PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

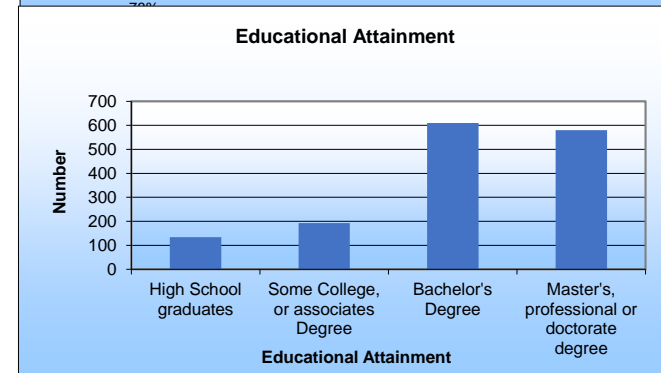
Race	Number	Percent
White	1566	96.3
Black or African American	36	2.2
Hispanic or Latino	14	0.9
Asian/Asian Indian	5	0.3
2 or More Races	5	0.3



Housing Occupancy	Number	Percent
Total Housing Units	3484	100
Occupied Units	765	22.0
Vacant housing Units	2719	78.0
Seasonal Vacation Use	1714	49.2
Home owner vacancy rate (%)	5.9	(X)
Rental Vacancy rate (%)	49.2	(X)



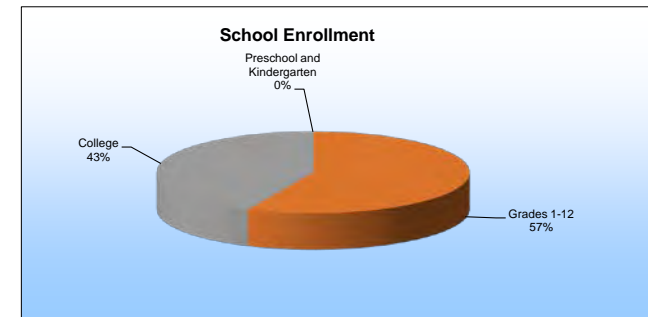
Educational Attainment	Number	Percent
Population 25 and older	1517	
High School graduates	134	8.8
Some College, or associates Degree	193	12.7
Bachelor's Degree	610	40.2
Master's, professional or doctorate degree	580	38.2



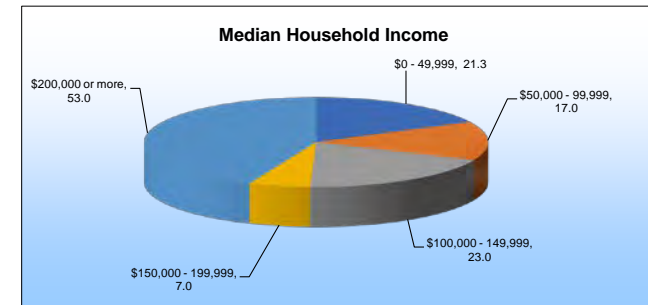
## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### DEMOGRAPHIC AND ECONOMIC INFORMATION PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

School Enrollment			
	Number		
Population 3 years and older	44		
	Number	Percent	
Preschool and Kindergarten	0	-	
Grades 1-12	25	56.8	
College	19	43.2	



Median Household Income in \$	Amount	Percent
Median Household income	143,988	
\$0 - 49,999	128	21.3
\$50,000 - 99,999	102	17.0
\$100,000 - 149,999	138	23.0
\$150,000 - 199,999	42	7.0
\$200,000 or more	318	53.0



**Sources:** 2013-2017 American Community Survey 5-Year Estimates per the U.S. Census Bureau



## TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

### OPERATING INFORMATION NARRATIVE

---

The operating information section of the Comprehensive Annual Financial Reports for the year ended June 30, 2019 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.

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## OPERATING INFORMATION FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS – SCHEDULE 1

	Management Services	Finance	Administrative Services	Building	Other	Deputies	Solid Waste	Total
2019	1	3	3	7	4	41	0	41
2018	1	3	3	7	3	46	0	63
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

### Notes:

Deputies are recorded at actual number of contractual staff.  
The deputies are all part-time and are full-time County deputies.

**Source:** Town's Human Resource Office

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## OPERATING INFORMATION OPERATING INDICATORS BY FUNCTION – LAST TEN FISCAL YEARS SCHEDULE 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function:</b>										
<b>Police</b>										
Traffic tickets issued	171	239	123	126	165	254	154	165	51	47
Criminal issues	5	6	4	2	17	24	29	1	1	1
<b>Solid Waste</b>										
Waste by (tons)	3819	2453	2354	2044	1995	1939	2098	2141	1700	1697
<b>Culture and recreation</b>										
Recreation permits issued	3	3	4	3	26	6	3	3	12	31
Town sponsored events	39	31	32	33	34	39	37	38	35	36
<b>Code Enforcement</b>										
Tickets issued	96	226	90	181	79	104	28	85	541	190

**Source:** Town of Kiawah Island

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## OPERATING INFORMATION CAPITAL ASSETS STATISTICS BY FUNCTION – LAST TEN FISCAL YEARS SCHEDULE 3

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function:</b>										
<b>Public Safety</b>										
Vehicles	2	2	2	3	4	4	4	7	7	8
Radios	13	13	13	13	13	31	34	34	34	38
<b>Solid Waste</b>										
Collection trucks	2	2	3	3	3	3	5	5	4	4
Contractors	2	2	1	1	1	1	1	1	1	1
<b>Land and Building</b>										
Municipal meeting rooms	3	3	3	3	3	3	3	3	4	4
Municipal center square footage	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	13,900	13,900
<b>Highways and Streets</b>										
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	68	71	95	95

**Source:** Town of Kiawah Island

**COMPLIANCE SECTION**

---



**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**

---

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

We have audited, in accordance with the 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 23, 2019.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Savannah, Georgia  
October 23, 2019

# TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered to be  
material weaknesses?

\_\_\_ Yes X No

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

#### **Federal Awards**

There was not an audit of major federal award programs as of June 30, 2019, due to the total amount expended being less than \$750,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

### SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

### SECTION IV STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.