



TOWN OF
Kiawah Island®

South Carolina

Comprehensive Annual
Financial Report

FY Ended June 30, 2020

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, 2020

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION



October 2, 2020

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, 2020.

This report contains management’s representations concerning the finances of the Town. 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, 2020, 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, 2020, 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 a 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 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 seventeen full administration. The at-large elections are non-partisan. Currently, there are approximately 2,065 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 19 full-time positions.

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

- Public Safety: island-wide law enforcement through a contract with Charleston County Sheriff’s office and code enforcement; emergency response; disaster planning and recovery;
- Code Enforcement: provides code enforcement for municipal ordinances including business licenses. It also provides enforcement on the beach;
- Street and Drainage Maintenance: Beachwalker Drive, Kiawah Island Parkway from the roundabout at Betsy Kerrison Parkway to the front gate;
- Solid Waste Disposal: island-wide garbage, recycling, yard debris, brown trash and household hazardous waste collection and disposal for all residential property through a contract with Carolina Waste;
- Planning and Zoning Administration: through an agreement with Charleston County Planning;
- Criminal Court Administration: as part of the unified judicial system in South Carolina, the court hears and determines offenses of a criminal nature which may be subject to a fine not exceeding \$500 or imprisonment not exceeding 30 days as well as cases arising under the ordinances of the municipality;
- Beach Maintenance and Safety: beach patrol, solid waste collection and beach condition monitoring;
- Communications: Town website, quarterly newsletter (Town Notes) , bi-weekly email blast and community forum; and
- Wildlife Studies: monitors, manages, and researches the Island’s native wildlife species, and habitats while educating the general Island public in these areas.

Committees

The Town relies heavily on volunteer committees to support Town functions and strategies. The Town has committees as required by 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

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

State Accommodations Tax Committee

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

Public Safety Committee

The Public Safety Committee is responsible for assisting the Town in meeting its state-mandated responsibilities with regard to 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

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 plans, develops, organizes and implements a wide range of performing art events supporting local and national musicians and artists.

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 funds and activities of the General Fund, Special Revenue Funds and Capital Project Funds are included in the annual appropriate budget.

The legal level of budgetary control is determined by ordinance and maintained at the fund level. The budget is based on each object coded by fund. The Treasurer can approve budgeted expenditures that are less than \$1,000 for payment, which is the lowest level at which appropriations are adopted. 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 the Mayor's and one Council Member's approval. All expenditures over \$10,000 must be reviewed and approved by the Ways and Means Committee. Transfers between funds, between departments, and from the Contingency Line Items are allowed with Council approval and may require an amendment to the budget ordinance or resolution. Any budget amendments require action of the full Council.

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

LOCAL ECONOMY

The 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. The 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. In fiscal year 2020, the Town had to address a global pandemic. While the Island has had a relatively stable economy, the pandemic has brought a great deal of uncertainty and resulted in lost revenues.

While the financial impact on the Island is not yet known, the Town continues to provide first-class service to the Town's residents and tourists. Other contributors to the Town's 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. The Town 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 the planned 2021 PGA, the Town's Cultural Performing Art performances, and world-class facilities continue to contribute to the Town'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, the Town has engaged this year in the infrastructure improvements project and continued to focus on environmental projects and improving service delivery.

The Town, in partnership with the Kiawah Conservancy, continued a long-term bobcat ecology study on the Island using global positioning system ("GPS") tracking collars. This year marked the 13th 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 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 the Island

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

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

The Town has formed a partnership with the other island entities to identify ways rising seas might impact the Island and how to mitigate potential vulnerabilities. To help understand water levels better, the Town has installed a new water station on Kiawah River Bridge. The station provides real-time water level information to residents and the general public at: <https://public.eagle.io/public/dash/hqunq45zw5jobf8>. The water level monitoring station is solar-powered and collects water level data every 15 minutes with an accuracy of 2mm or less. Data is transmitted in real-time via the cellular network and the station will also transmit data via satellite if the cellular network goes down during a storm event. Historically, tidal data predictions for the Kiawah River Bridge were extrapolated from nearby stations in the Charleston area. This new station will collect current and historical water level data specific to the Island and allow for monitoring of the long-term effects of sea-level rise. The weather station is also solar-powered and collects and transmits weather data every minute. It will provide critical data during storm events, and in conjunction with water level data, will greatly assist in the emergency management decision making process.

In the fiscal year 2019-2020, the Town has taken some measures to better regulate the operations and impact of short-term rentals on the community. The Town Council passed an ordinance regarding the balance of short-term rental properties across the Island that included licenses caps in single family residential zoning neighborhoods. Furthermore, the Town entered into an agreement with Island Beach Services to increase the number of code enforcement officers into evening hours and focus primarily on short-term rentals compliance. The cost of the additional code enforcement during FY2019-2020 was approximately \$144,000.

In February 2020, the Town has engaged an industry-leading real estate and economic development firm, HR&A Advisors, to perform real estate market study on the Island. The main objective of the study is to help the property owners, the Town, and other Island entities better understand the current and future dynamics impacting the Island's property value. The study will also provide additional data-driven clarity about the community's property value trends, identify factors influencing property values, and evaluate opportunities to best ensure the long-term health of the residential property market. The cost of this agreement during FY2019-2020 was approximately \$104,000.

As part of the Town's enhancement efforts, the Town contracted with Banks Construction to repair and resurface Kiawah Island Parkway from the roundabout in Freshfields to the front gate and stabilize road shoulders. The road improvement project includes also significant enhancements to the landscaping along the Parkway starting in October 2020. The total cost for this project during FY2019-2020 was approximately \$2,130,000.

For nine consecutive years, the Town has provided generous philanthropic support to charitable and educational organizations on the Island, 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.

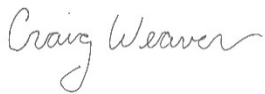
The Arts and Cultural Events Council (“ACEC”) sponsors a wide range of performing art events supporting local and national musicians and artists. The Council plans a large repertoire of events hosting musical genres including jazz, orchestra, blues, chamber, comedy, ballet, vocalists, holiday performances, Piccolo performances, a young artist’s concert and a dance band. The Council is supported by Town Staff with an annual budget of over \$300,000 approved by Town Council each year. The Council is proud to offer first-class entertainment close to home with complimentary tickets or at a nominal fee. In FY2020 season, over 5,935 tickets were issued with many of the 25 performances being sold-out. The Council believes our programs add value to the 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 of Kiawah, South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the sixteenth 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, 2020

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, and 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 the Island. Functions include coordinating initiatives, communications, and strategic communications planning.

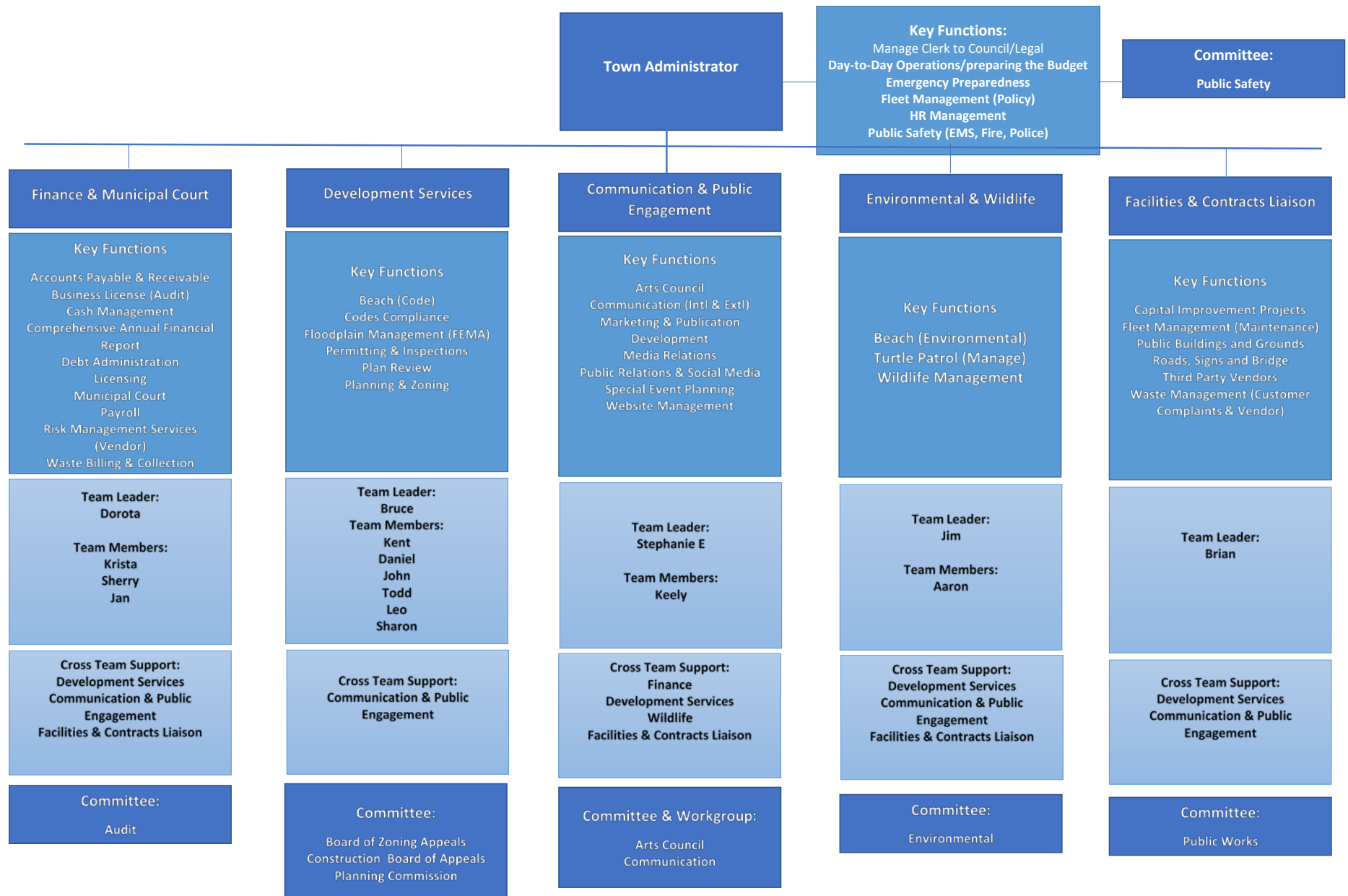
Environmental and Wildlife works to protect and restore ecological systems that work naturally to improve water quality, the environment, and the quality of life for residents and visitors. The Town recognizes the connection between the natural environment and our quality of life and is dedicated to 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; and 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, 2020



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019

Christopher P. Morill

Executive Director/CEO

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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, 2020, 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 as of June 30, 2020, 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 for the General Fund and Major Special Revenue Funds, 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 Capital Projects Fund schedule of revenues, expenditures and changes in fund balances – budget and actual – GAAP basis, the comparative schedules of revenues and expenditures, 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 Capital Projects Fund schedule of revenues, expenditures and changes in fund balances – budget and actual – GAAP basis, the comparative schedules of revenues and expenditures, and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) are the responsibility of management and were derived from and relate 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, 2020.

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.

We previously audited the Town's June 30, 2019 financial statements, and we expressed unmodified opinions on the governmental activities and each major fund in our report dated October 23, 2019. The comparative schedules of revenues and expenditures, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. In our opinion, the summarized comparative information as presented in the comparative schedules of revenues and expenditures, as listed in the table of contents, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020, 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.

Mauldin & Jenkins, LLC

Savannah, Georgia
October 2, 2020

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TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

As management of the Town of Kiawah Island, South Carolina (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 year ended June 30, 2020. The intent of this discussion and analysis is to look at the Town's financial performance. We encourage readers to consider the information presented here in conjunction with the Town's financial statements and the notes to financial statements to enhance their understanding of the Town's overall financial performance.

Financial Highlights

- The Town's reporting period is July 1 to June 30.
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$30,881,363 (net position). Of this amount, \$13,660,509 represents the net investment in capital assets and \$3,880,535 is considered restricted. The remaining \$13,340,319 (unrestricted) may be used to meet the Town's ongoing obligations to vendors and residents.
- The Town's total net position increased by \$947,876.
- At June 30, 2020, the Town's governmental funds reported ending fund balances of \$20,525,458, a decrease of \$748,872. Of this amount 57%, or \$11,650,708, is available for spending at the government's discretion (unassigned fund balance).
- The Town's total capital assets increased by \$1,535,883 primarily due to capital assets additions of \$2,175,967 exceeding current year depreciation expense of \$640,084.
- The Town's total debt decreased \$305,034 due to the Town making a principal payment of \$333,000 on general obligation bonds during the year ended June 30, 2020 exceeding an increase in compensated absences in the amount of \$27,966.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the Town's basic financial statements, which include the following parts: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and *other supplementary information* to aid in understanding the operations of the Town.

Government-wide Financial Statements

The government-wide statements present a long-term view of the Town's finances *as a whole*, using accrual-basis accounting — the same accounting basis that most businesses use.

There are two government-wide financial statements:

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

Statement of Activities: This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net positions 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 the future fiscal periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 detailed information about the Town's most significant activities. Funds are accounting designations that the Town uses to track specific funding sources and spending for particular purposes. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town are governmental funds.

Governmental funds: The Town reports all of its basic services in its governmental funds. The governmental funds account for activities that the Town reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental funds statement lacks the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the Town's near-term funding decisions is available.

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 the fund balances for the General Fund, Capital Projects Fund, State Accommodations Tax Fund, County Accommodation Tax Fund, Local Accommodations Tax Fund, Beverage Permits Fund, Hospitality Tax Fund and Victims' Assistance Fund—since they are considered major funds. The governmental funds financial statements can be found as listed in the table of contents.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes to the financial statements can be found as listed in the table of contents.

Required Supplementary Information

This section addresses certain *required* reporting information that supplements the basic financial statements. Included in this section are comparative budget to actual schedules of revenues, expenditures and changes in fund balance for all major governmental funds the Town adopts an annual budget for, a schedule of the Town's proportionate share of the net pension liability of the South Carolina Retirement System, and a schedule of contributions to the South Carolina Retirement System. Required supplemental information can be found as listed in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Supplementary Information

Supplementary information presented but not required by accounting principles generally accepted in the United States of America includes current year comparative schedules of revenues and expenditures and the schedule of court fines, assessments and surcharges. These schedules can be found as listed in the table of contents.

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a public government's financial position. The following table provides a summary of the Town's net position for 2020 compared to 2019.

	Governmental Activities	
	2020	2019
Assets:		
Current Assets	\$ 22,493,697	\$ 22,139,733
Capital Assets, Net	15,661,509	14,125,626
Total Assets	\$ 38,155,206	\$ 36,265,359
Deferred Outflows of Resources:		
Deferred Pension Charges	\$ 523,833	\$ 682,803
Deferred OPEB Charges	69,147	57,605
Total Deferred Outflows of Resources	\$ 592,980	\$ 740,408
Liabilities:		
Net Pension Liability	\$ 3,319,944	\$ 3,249,970
Total OPEB Liability	301,979	303,142
Long-Term Obligations	2,106,452	2,411,486
Other Liabilities	1,836,754	730,718
Total Liabilities	\$ 7,565,129	\$ 6,695,316
Deferred Inflows of Resources:		
Deferred Pension Credits	\$ 264,259	\$ 370,369
Deferred OPEB Credits	37,435	6,595
Total Deferred Inflows of Resources	\$ 301,694	\$ 376,964
Net Position:		
Net Investment in Capital Assets	\$ 13,660,509	\$ 11,791,626
Restricted	3,880,535	6,574,713
Unrestricted	13,340,319	11,567,148
Total Net Position	\$ 30,881,363	\$ 29,933,487

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position at June 30, 2020 was \$30,881,363, an increase of \$947,876, or 3%, from the prior fiscal year.

The large portion of the Town's net position of \$13,660,509 (44% of total net position) reflects its investment in capital assets less any related debt used to acquire those assets. The Town uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

The additional portion of the Town's net position of \$3,880,535 (13% of total net position) represents resources that are subject to external restrictions as to 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 \$13,340,319 (43% of total net position), which may be used to meet the Town's ongoing obligations to residents and creditors.

The following table shows the changes in the Town's net position for fiscal year 2020 compared to 2019.

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 4,249,898	\$ 4,418,529
Operating Grants and Contributions	179,872	102,440
General Revenues:		
Unrestricted SC Aid to Subdivisions	38,551	37,177
Local Option Sales Tax	548,356	585,738
Franchise Taxes	867,100	857,732
Interest	361,789	432,733
Hospitality Taxes	468,407	576,884
Accommodations Taxes	2,659,808	3,180,810
Gain on Disposal of Capital Assets	20,000	14,410
Miscellaneous	109,044	148,313
Total Revenues	9,502,825	10,354,766
Expenses		
General Government	5,835,726	4,669,754
Judicial	26,606	30,768
Public Safety	492,322	555,211
Tourism and Recreation	2,171,250	2,388,329
Interest and Other Charges	29,045	32,539
Total Expenses	8,554,949	7,676,601
Change in Net Position	947,876	2,678,165
Net Asset - Beginning of Year	29,933,487	27,255,322
Net Position - End of Year	\$ 30,881,363	\$ 29,933,487

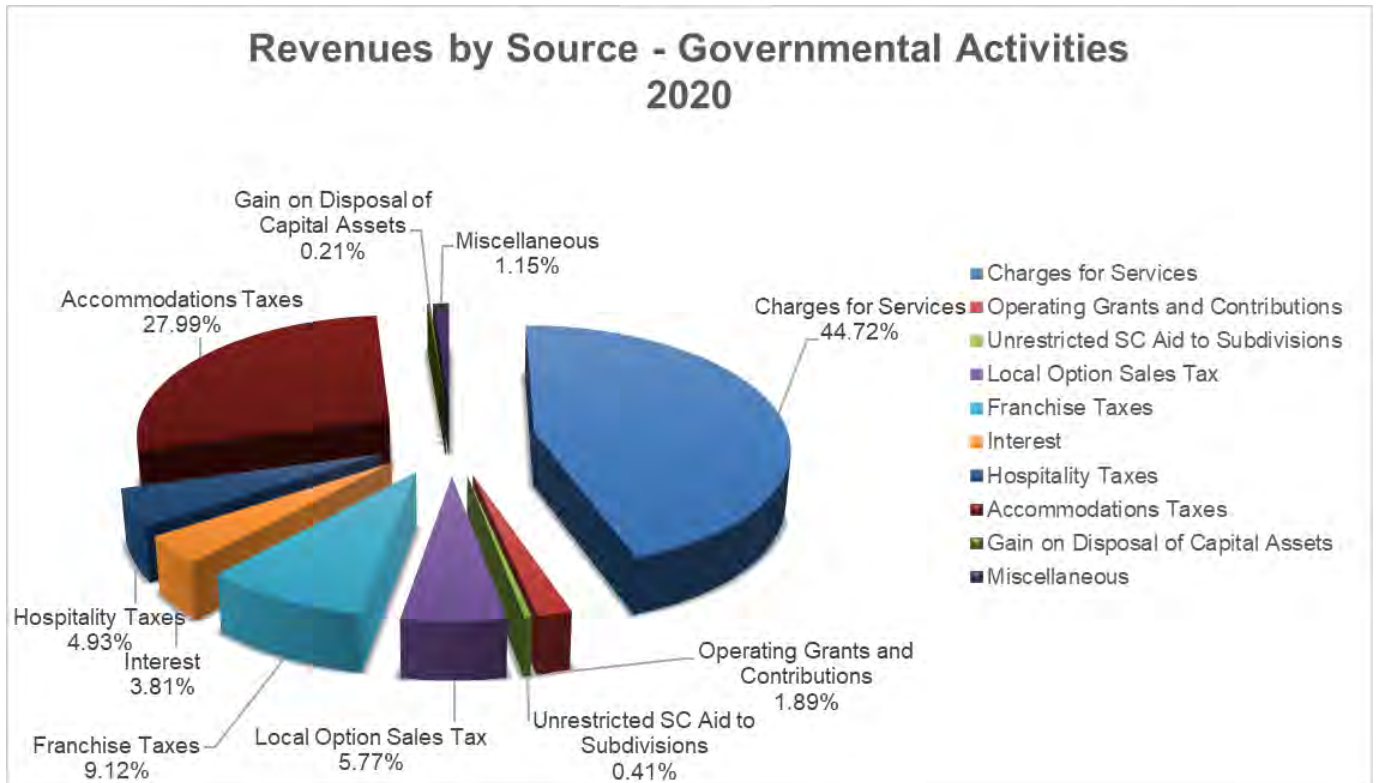
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities

Net position for Governmental activities increased by \$947,876.

Total governmental activities revenues decreased by \$851,941, or 9%, from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Charges for services decreased \$168,631, or 4 %, primarily due to decrease of \$361,837 in building permits that was partially offset by an increase in business license revenue generated by short-term rental application fees. Building permits revenue decreased due to reduction of new construction and special projects permits issued.
- Hospitality and Accommodation Tax revenue decreased \$108,000, or 18%, and \$521,002, or 18%, respectively, primarily due to travel and dinning restrictions during the global health crisis (COVID-19).



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total governmental activities expenditures stayed relatively constant with 10%, or \$878,348, increase from the prior year. The variance was mostly attributable to clean up after hurricane Dorian and the Kiawah Island Parkway resurfacing project.

	Governmental Activities	
	2020	2019
Expenses:		
General Government	\$ 5,835,726	\$ 4,669,754
Judicial	26,606	30,768
Public Safety	492,322	555,211
Tourism and Recreation	2,171,250	2,388,329
Interest and Other Charges	29,045	32,539
Total Expenses	<u>\$ 8,554,949</u>	<u>\$ 7,676,601</u>

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, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$20,525,458, a decrease of \$748,872, or 4%, from the prior year fund balance. This decrease is primarily related to the decrease in Local Accommodation and Hospitality Taxes fund balances that is a result of transfers to fund the Kiawah Island Parkway repair and resurfacing project.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was \$11,737,538. 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 \$11,650,708 represents 143% of the Total General Fund expenditures for the year ended June 30, 2020. The Town's revenues were \$295,600, or 5% less than the final budget, primarily due to a negative variance of \$882,164 in building permits revenue related to deferment of special projects construction to future years and decreased number of building permits issued. This negative variance is offset by the positive variances in business license revenue in the amount of \$361,132, or 14% higher than budgeted, generated by short-term rental application fees and unbudgeted federal revenue in the amount of \$179,872 the Town received from FEMA as the reimbursement for Hurricane Irma clean up.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund expenditures exceeded the final budget by \$2,581,379, or 37%. The negative variance is primarily attributable to unbudgeted clean-up cost after Hurricane Dorian in the amount of \$765,046 and \$2,123,161, or 189% higher than budgeted capital outlay expenditures for the Kiawah Island Parkway resurfacing project. This project is funded from capital reserves and has not been included in the budget as the timing of the project has not been set at the time of FY2020 budget approval. A few more notable contributors to the negative budget variance were costs associated with contracts signed after budget adoption for after-hours code enforcement and market study, in the amounts of \$144,290 and \$103,950, respectively.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2020 amounts to \$15,661,509 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, furniture and fixtures, signs and fences, equipment, computers and software, vehicles, municipal center (buildings, landscaping and miscellaneous) and infrastructure.

The following table provides a detail of the Town's capital assets:

	Governmental Activities	
	2020	2019
Land	\$ 2,088,092	\$ 2,088,092
Construction in Progress	2,111,385	-
Furniture and Fixtures	388,814	388,814
Signs and Fences	131,291	121,796
Equipment	104,398	95,316
Computers and Software	83,413	77,434
Vehicles	324,342	326,221
Municipal Center - Buildings, Landscaping and Miscellaneous	8,350,472	8,350,472
Infrastructure	7,042,520	7,042,520
Less: Accumulated Depreciation	<u>(4,963,218)</u>	<u>(4,365,039)</u>
Total	<u><u>\$ 15,661,509</u></u>	<u><u>\$ 14,125,626</u></u>

The total increase in the Town's investment in capital assets for the current fiscal year was \$1,535,883. The increase is primarily attributable to engineering and construction of the Kiawah Island Parkway added to construction in progress in the amount of \$2,111,385. There were also a few minor additions to Signs and Fences in the amount of \$9,495, Equipment in the amount of \$9,082, Computers and Software in the amount of \$11,720, and Vehicles in the amount of \$34,285. The Town also had disposals in the amount of \$41,905. Depreciation expenses for the Town's governmental activities for the current fiscal year was \$640,084.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

At the year-end, the Town had \$2,001,000 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 \$29,045 in interest payments in the year ended June 30, 2020.

Economic Factors and Next Year's Budget

Despite the uncertainties related to the COVID-19 pandemic, in June 2020, the Town Council adapted a balanced budget for FY2021. The primary goal of the Town's budget appropriation is to carry out short and long-term priorities set by Town Council to meet the expectation of our citizens. The effect of the pandemic on the Town's budget is yet to be determined, however, the Town was well-position beforehand and continues to maintain all services while deferring spending where possible. The Town will do a mid-year budget review and adjust, if necessary, to account for economic impact on the community and appropriate operational adjustments to the new normal.

Overall, the consolidated revenues are budgeted at \$7,835,000, or 17% less than FY2020 actual revenues. The revenues are budgeted with the assumptions of significant shortfalls in the first and second quarters of FY2021 in a majority of revenue sources. The consolidated expenditures are anticipated at \$7,835,000, or 23% lower than FY2021 actual.

The Town has prepared for the unexpected. The financial impact is not yet known but due to the Town Council's foresight and planning with reserves, we believe we have financial resources to ride out this difficult time.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town's Treasurer at the Town of Kiawah Island, South Carolina, 4475 Betsy Kerrison Parkway, Kiawah Island, South Carolina, 29455.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2020

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 11,676,660
Cash and cash equivalents, restricted	9,732,741
Accounts receivable, net of allowances	338,551
Due from state	447,685
Due from county	211,230
Prepaid expenses	86,830
Capital assets:	
Non-depreciable	4,199,477
Depreciable, net of accumulated depreciation	11,462,032
	<hr/>
Total assets	38,155,206
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	523,833
Deferred OPEB charges	69,147
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Total deferred outflows of resources	592,980
	<hr/>
LIABILITIES	
Accounts payable	1,501,400
Accrued liabilities	79,335
Court fines and assessments payable	7,390
Unearned revenues	248,629
Long-term liabilities:	
Due within one year	438,452
Due in more than one year	1,668,000
Net pension liability	3,319,944
Total OPEB liability	301,979
	<hr/>
Total liabilities	7,565,129
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension credits	264,259
Deferred OPEB credits	37,435
	<hr/>
Total deferred inflows of resources	301,694
	<hr/>
NET POSITION	
Net investment in capital assets	13,660,509
Restricted for:	
Tourism related expenses	3,859,385
Victims' assistance	21,150
Unrestricted	13,340,319
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Total net position	\$ 30,881,363
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The accompanying notes are an integral part of these financial statements.

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TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating	Capital	Governmental Activities
			Grants and Contributions	Grants and Contributions	
Governmental Activities					
General government	\$ 5,835,726	\$ 4,225,273	\$ 179,872	\$ -	\$ (1,430,581)
Judicial	26,606	24,625	-	-	(1,981)
Public safety	492,322	-	-	-	(492,322)
Tourism and recreation	2,171,250	-	-	-	(2,171,250)
Interest on long-term debt	29,045	-	-	-	(29,045)
Total governmental activities	<u>\$ 8,554,949</u>	<u>\$ 4,249,898</u>	<u>\$ 179,872</u>	<u>\$ -</u>	<u>(4,125,179)</u>
General revenues:					
Unrestricted SC aid to subdivisions					38,551
Local option sales tax					548,356
Franchise taxes					867,100
Interest					361,789
Hospitality tax					468,407
Accommodations tax					2,659,808
Miscellaneous revenues					109,044
Gain on sale of assets					20,000
Total general revenues					<u>5,073,055</u>
Change in net position					947,876
Net position, beginning of year					<u>29,933,487</u>
Net position, end of year					<u>\$ 30,881,363</u>

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General	State	County	Local
ASSETS	Fund	Accommodations	Accommodations	Accommodations
		Tax Fund	Tax Fund	Tax Fund
Cash and cash equivalents	\$ 8,960,645	\$ -	\$ -	\$ -
Cash and cash equivalents, restricted	-	646,359	1,496,139	4,578,024
Due from state	90,199	351,036	-	-
Due from county	-	-	-	211,230
Due from other funds	6,102,619	-	-	-
Accounts receivable	293,121	-	-	-
Prepaid expenditures	86,830	-	-	-
Total assets	<u>\$ 15,533,414</u>	<u>\$ 997,395</u>	<u>\$ 1,496,139</u>	<u>\$ 4,789,254</u>
LIABILITIES				
Accounts payable	\$ 1,336,845	\$ 138,853	\$ 19,777	\$ 3,777
Accrued liabilities	71,515	-	-	-
Municipal court fines and assessments payable	7,390	-	-	-
Unearned revenues	8,629	240,000	-	-
Due to other funds	<u>2,232,192</u>	<u>404,834</u>	<u>174,004</u>	<u>3,651,670</u>
Total liabilities	<u>3,656,571</u>	<u>783,687</u>	<u>193,781</u>	<u>3,655,447</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>139,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>139,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	86,830	-	-	-
Restricted for:				
Tourism related expenditures	-	213,708	1,302,358	1,133,807
Victims' assistance	-	-	-	-
Committed for:				
Capital improvements	-	-	-	-
Unassigned	<u>11,650,708</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>11,737,538</u>	<u>213,708</u>	<u>1,302,358</u>	<u>1,133,807</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,533,414</u>	<u>\$ 997,395</u>	<u>\$ 1,496,139</u>	<u>\$ 4,789,254</u>

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

Beverage Permits Fund	Hospitality Tax Fund	Victims' Assistance Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,716,015	\$ 11,676,660
-	3,012,219	-	-	9,732,741
6,450	-	-	-	447,685
-	-	-	-	211,230
17,524	-	23,298	2,191,370	8,334,811
-	45,430	-	-	338,551
-	-	-	-	86,830
<u>\$ 23,974</u>	<u>\$ 3,057,649</u>	<u>\$ 23,298</u>	<u>\$ 4,907,385</u>	<u>\$ 30,828,508</u>
\$ -	\$ -	\$ 2,148	\$ -	\$ 1,501,400
-	-	-	-	71,515
-	-	-	-	7,390
-	-	-	-	248,629
-	1,872,111	-	-	8,334,811
<u>-</u>	<u>1,872,111</u>	<u>2,148</u>	<u>-</u>	<u>10,163,745</u>
-	-	-	-	139,305
-	-	-	-	139,305
-	-	-	-	86,830
23,974	1,185,538	-	-	3,859,385
-	-	21,150	-	21,150
-	-	-	4,907,385	4,907,385
-	-	-	-	11,650,708
<u>23,974</u>	<u>1,185,538</u>	<u>21,150</u>	<u>4,907,385</u>	<u>20,525,458</u>
<u>\$ 23,974</u>	<u>\$ 3,057,649</u>	<u>\$ 23,298</u>	<u>\$ 4,907,385</u>	<u>\$ 30,828,508</u>

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TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

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

Fund balances, end of year	\$ 20,525,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,661,509
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.	139,305
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.	(3,060,370)
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.	(270,267)
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>(2,106,452)</u>
Net position of governmental activities	<u>\$ 30,881,363</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, 2020

	General Fund	State Accommodations Tax Fund	County Accommodations Tax Fund	Local Accommodations Tax Fund
Revenues				
Building permits	\$ 889,009	\$ -	\$ -	\$ -
Business licenses	2,695,112	-	-	-
Franchise fee revenue	867,100	-	-	-
Beverage permit revenue	-	-	-	-
Local option sales tax	548,356	-	-	-
Fines and forfeitures	20,389	-	-	-
Interest	144,310	18,040	36,077	72,155
Miscellaneous	147,595	-	-	-
Accommodations tax	115,684	1,342,274	354,000	851,050
Environmental service fee	596,352	-	-	-
Federal revenue	179,872	-	-	-
Hospitality tax	-	-	-	-
Total revenues	<u>6,203,779</u>	<u>1,360,314</u>	<u>390,077</u>	<u>923,205</u>
Expenditures				
Current:				
General government	5,420,934	-	-	-
Judicial	20,961	-	-	-
Public safety	458,489	-	-	-
Tourism and recreation	258,803	852,278	592,516	48,873
Capital outlay	2,045,185	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,204,372</u>	<u>852,278</u>	<u>592,516</u>	<u>48,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000,593)</u>	<u>508,036</u>	<u>(202,439)</u>	<u>874,332</u>
Other financing sources (uses)				
Transfers in	3,850,627	-	100,000	-
Transfers out	(532,981)	(482,000)	-	(2,449,544)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>3,317,646</u>	<u>(482,000)</u>	<u>100,000</u>	<u>(2,449,544)</u>
Net change in fund balances	1,317,053	26,036	(102,439)	(1,575,212)
Fund balances, beginning of year	10,420,485	187,672	1,404,797	2,709,019
Fund balances, end of year	<u>\$ 11,737,538</u>	<u>\$ 213,708</u>	<u>\$ 1,302,358</u>	<u>\$ 1,133,807</u>

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

Beverage Permits Fund	Hospitality Tax Fund	Victims' Assistance Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 889,009
-	-	-	-	2,695,112
-	-	-	-	867,100
44,800	-	-	-	44,800
-	-	-	-	548,356
-	-	4,236	-	24,625
-	57,353	-	33,854	361,789
-	-	-	-	147,595
-	-	-	-	2,663,008
-	-	-	-	596,352
-	-	-	-	179,872
-	468,407	-	-	468,407
44,800	525,760	4,236	33,854	9,486,025
-	-	-	-	5,420,934
-	-	4,236	-	25,197
-	-	-	-	458,489
-	190,577	-	-	1,943,047
-	-	-	-	2,045,185
-	-	-	333,000	333,000
-	-	-	29,045	29,045
-	190,577	4,236	362,045	10,254,897
44,800	335,183	-	(328,191)	(768,872)
-	-	-	936,444	4,887,071
(50,000)	(1,372,546)	-	-	(4,887,071)
-	-	-	20,000	20,000
(50,000)	(1,372,546)	-	956,444	20,000
(5,200)	(1,037,363)	-	628,253	(748,872)
29,174	2,222,901	21,150	4,279,132	21,274,330
\$ 23,974	\$ 1,185,538	\$ 21,150	\$ 4,907,385	\$ 20,525,458

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, 2020

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

Net change in fund balances - total governmental funds	\$	(748,872)
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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 outlay exceeded depreciation expense in the current period.

Total capital outlay	\$	2,175,967	
Total depreciation expense		<u>(640,084)</u>	
			1,535,883

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 judgement receivable.

(3,200)

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
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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	\$	(122,834)	
Total OPEB liability		(18,135)	
Compensated absences		<u>(27,966)</u>	
			<u>(168,935)</u>

Change in net position of governmental activities.	\$	<u>947,876</u>
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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, 2020

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 on the following page). 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 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)

Special Revenue Funds (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 No. 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
Signs 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 the Council or by an official or body to which the Council delegates the authority. The Town Council has not delegated such authority as of June 30, 2020.

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 (“OPEB”)

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 a net pension liability for each plan for which it participates, which represents the excess of the total pension liability 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 total 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, 2020.

Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2020, General Fund expenditures exceeded appropriations at the department level (general government and capital outlay) for general government and capital outlay in the amounts of \$988,647 and \$1,681,485, respectively. This overspending was funded by underspending in other departments and transfers in from other funds.

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, 2020, none of the Town's bank balances were subject to custodial credit risk.

As of June 30, 2020, the Town had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Percentage</u>	<u>Fair Value</u>
South Carolina Government Investment Pool	57.8 days	100%	\$ 20,859,075

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	\$ 11,676,660
Cash and cash equivalents, restricted	9,732,741
Total cash and investments	<u>\$ 21,409,401</u>
Cash and investments deposited with financial institutions	\$ 550,326
South Carolina Local Government Investment Pool	20,859,075
	<u>\$ 21,409,401</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 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 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, 2020 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	\$ 71,723	\$ -	\$ -	\$ -	\$ -	\$ 71,723
Accommodations taxes	-	351,036	-	-	-	351,036
Due from county	-	-	211,230	-	-	211,230
Franchise fees	114,017	-	-	-	-	114,017
Beverage permits	-	-	-	6,450	-	6,450
Hospitality tax	-	-	-	-	45,430	45,430
Other receivables	197,580	-	-	-	-	197,580
Net total receivables	<u>\$ 383,320</u>	<u>\$ 351,036</u>	<u>\$ 211,230</u>	<u>\$ 6,450</u>	<u>\$ 45,430</u>	<u>\$ 997,466</u>

No significant amounts were deemed uncollectible for the year ended June 30, 2020. Lien and judgement receivables of \$139,305 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, 2020, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	\$ 6,102,619	\$ 2,232,192
Beverage Permits Fund	17,524	-
Victims' Assistance Fund	23,298	-
Capital Projects Fund	2,191,370	-
State Accommodations Tax Fund	-	404,834
County Accommodations Tax Fund	-	174,004
Local Accommodations Tax Fund	-	3,651,670
Hospitality Tax Fund	-	1,872,111
	<u>\$ 8,334,811</u>	<u>\$ 8,334,811</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 the 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, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 3,850,627	\$ 532,981
State Accommodations Tax Fund	-	482,000
County Accommodations Tax Fund	100,000	-
Local Accommodations Tax Fund	-	2,449,544
Beverage Permits Fund	-	50,000
Hospitality Tax Fund	-	1,372,546
Capital Projects Fund	936,444	-
	<u>\$ 4,887,071</u>	<u>\$ 4,887,071</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 Permits 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. The Beverage Permits Fund transfers out represent transfers to the Capital Projects Fund to partially fund tourism related construction projects.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town's governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,088,092	\$ -	\$ -	\$ -	\$ 2,088,092
Construction in progress	-	2,111,385	-	-	2,111,385
Total	2,088,092	2,111,385	-	-	4,199,477
Capital assets, being depreciated:					
Furniture and fixtures	388,814	-	-	-	388,814
Signs and fences	121,796	9,495	-	-	131,291
Equipment	95,316	9,082	-	-	104,398
Computers and software	77,434	11,720	(5,741)	-	83,413
Vehicles	326,221	34,285	(36,164)	-	324,342
Municipal Center - buildings, landscaping and miscellaneous	8,350,472	-	-	-	8,350,472
Infrastructure	7,042,520	-	-	-	7,042,520
Total	16,402,573	64,582	(41,905)	-	16,425,250
Less accumulated depreciation for:					
Furniture and fixtures	(111,089)	(55,545)	-	-	(166,634)
Signs and fences	(24,646)	(13,129)	-	-	(37,775)
Equipment	(81,797)	(6,312)	-	-	(88,109)
Computers and software	(65,138)	(11,194)	5,741	-	(70,591)
Vehicles	(286,779)	(63,441)	36,164	-	(314,056)
Municipal Center - buildings, landscaping and miscellaneous	(417,524)	(208,762)	-	-	(626,286)
Infrastructure	(3,378,066)	(281,701)	-	-	(3,659,767)
Total	(4,365,039)	(640,084)	41,905	-	(4,963,218)
Total capital assets, being depreciated, net	12,037,534	(575,502)	-	-	11,462,032
Governmental activities capital assets, net	\$ 14,125,626	\$ 1,535,883	\$ -	\$ -	\$ 15,661,509

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:

Governmental activities:	
General government	\$ 411,881
Tourism and recreation	<u>228,203</u>
Total depreciation expense - governmental activities	<u><u>\$ 640,084</u></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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GO Bonds, Series 2016	\$ 2,334,000	\$ -	\$ (333,000)	\$ 2,001,000	\$ 333,000
Compensated absences	<u>77,486</u>	<u>108,599</u>	<u>(80,633)</u>	<u>105,452</u>	<u>105,452</u>
Total long-term liabilities	<u><u>\$ 2,411,486</u></u>	<u><u>\$ 108,599</u></u>	<u><u>\$ (413,633)</u></u>	<u><u>\$ 2,106,452</u></u>	<u><u>\$ 438,452</u></u>

General Fund resources have typically been used to service all long-term obligations. The entire compensated absence balance is considered current based on past experience, as very few employees carry forward any balances.

Annual debt service requirements to maturity for all long-term debt as of June 30, 2020 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	334,000	6,713	340,713
2026	<u>334,000</u>	<u>2,238</u>	<u>336,238</u>
Total	<u><u>\$ 2,001,000</u></u>	<u><u>\$ 80,500</u></u>	<u><u>\$ 2,081,500</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS AND CONTINGENCIES

Agreements

In July 2018, the Town entered 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, 2020 was approximately \$980,000.

The Town extended an agreement for Beach Patrol services on February 4, 2020. The original three-year contract was signed February 7, 2017, with an option for two one-year renewals. This contractor provides staff to patrol the beach and maintain a safe environment. This agreement may be terminated by either party upon giving written notice of at least thirty (30) days prior to the effective date of such termination. The annual cost of the contract is expected to be \$320,765. Due to the COVID -19 pandemic and additional enforcement of the Town's Emergency Ordinance, total expenses for the year ended June 30, 2020 exceeded the contract and were approximately \$334,000. The Beach Patrol services were funded by county and state accommodations taxes.

The Town signed an agreement for after-hours code enforcement services in December 2019, commencing January 1, 2020 through December 31, 2020, with the option to renew for two one-year extensions. This agreement extends code enforcement efforts with the primary focus on short-term rentals compliance with the Town's ordinances. The annual cost of the agreement is expected to be \$288,580 annually and funded from application fees for short-term rentals business licenses.

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 annually. Total expenses for the year ended June 30, 2020, in the amount of approximately \$207,000 exceeded the contracted amount mostly due to additional landscaping projects. They were funded by hospitality taxes, accommodation taxes and the General Fund.

On May 5, 2020, the Town reentered into contract with the Charleston County Sheriff's Office ("CCSO") for an elevated level of professional police protection. It is an annual agreement that renews automatically unless terminated with 90 days prior written notice. The agreement is for two staffed patrol units, with each unit working one of the two 12-hour shifts concurrent with CCSO day shift 7 am to 7 pm, seven days per week. Total expenses for the year ended June 30, 2020, in the amount of approximately \$670,000, were funded from state and local accommodation taxes, and the General Fund.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements (Continued)

The Town also reentered into an annual contract with the CCSO for additional police protection, traffic control, and emergency response. The current contract is effective from January 1, 2020 through December 31, 2020 and provides for two deputies on second and third shift for seven days per week, with two additional deputies on the first shift on weekends commencing Friday before Memorial Day through Labor Day. The deputies are paid an hourly rate through the Town's payroll process. The total expenses for the year ended June 30, 2020, in the amount of approximately \$438,000, were funded from state and local accommodation taxes, and the General Fund.

In March 2020, the Town entered into a contract with Banks Construction Company to repair and resurface Kiawah Island Parkway from the roundabout at Freshfields to the front gate. The total cost of the contract is expected to be \$2,548,963. The road construction has not been completed at the year-end and the total cost for the year ended June 30, 2020 is approximately \$1,795,000.

In March 2020, the Town signed an agreement with HR&A Advisors to conduct a real estate market study on Kiawah Island. The study has been conducted over a six months period for a fixed fee of \$145,000.

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 Town 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2020, the Town made premium payments totaling approximately \$66,000. 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, 2019 were approximately \$142,720,000.

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, 2020, the Town made payments totaling approximately \$7,000. The State Accident Fund's net position from its most recently issued audited financial statements as of June 30, 2019 was approximately \$106,920,000.

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, 2020, the Town made premium payments totaling approximately \$198,000. The EIP's net position from its most recently issued audited financial statements as of June 30, 2019 was approximately \$398,300,000.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS

Retirement Plans

The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the South Carolina Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“SCRS”) five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (“Commission” as the governing body, “RSIC” as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems’ fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 CAFR of the state.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plans (Continued)

Plan Description

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

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

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his or her 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plans (Continued)

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.

- 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 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plans (Continued)

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule, from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85%. 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 85%, then the 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 85%. 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 85%, then effective on the following July 1, and annually thereafter as necessary, the 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 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		
	2018	2019	2020	2018	2019	2020
Employer Contribution Rate: [^]						
Retirement	13.41%	14.41%	15.41%	15.84%	16.84%	17.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>13.56%</u>	<u>14.56%</u>	<u>15.56%</u>	<u>16.24%</u>	<u>17.24%</u>	<u>18.24%</u>
Employee Contribution Rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

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

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2020	\$ 236,628	100%	\$ 9,045	100%
2019	203,070	100%	8,904	100%
2018	193,865	100%	12,586	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
2020	\$ 1,520,748	\$ 49,589	\$ 1,570,337
2019	1,483,554	56,651	1,540,205
2018	1,429,682	77,500	1,507,182

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, 2019 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, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2019.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary:	3.0% to 12.5%	3.5% to 9.5%
increases	(varies by service)	(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 20-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 2019 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 total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure	3.0%	11.15%	0.16%
Opportunistic	8.0%		
GTAA/Risk Parity	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Diversified Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
	100%		
	Total expected real return		5.41%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		7.66%

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, 2019 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	\$ 7,034,764	\$ 3,826,756	\$ 3,208,008	54.4%	0.014049%
PORS	\$ 300,048	\$ 188,112	\$ 111,936	62.7%	0.00391%

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, 2020, the Town reported liabilities of \$3,208,008 and \$111,936 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, 2019, 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, 2018 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, 2019 measurement date, the Town's SCRS proportion was 0.014049%, which was an increase of 0.000253% from its proportion measured as of June 30, 2018. At the June 30, 2019 measurement date, the Town's PORS proportion was 0.00391%, which was a decrease of 0.00169% from its proportion measured as of June 30, 2018.

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, 2020, the Town recognized pension expense of \$367,519 and \$987 for the SCRS and PORS, respectively. At June 30, 2020, 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	\$ 2,205	\$ 23,046
Changes of assumptions	64,646	-
Net difference between projected and actual earnings on pension plan investments	28,401	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	170,266	198,314
Employer contributions subsequent to the measurement date	<u>236,628</u>	<u>-</u>
Total	<u>\$ 502,146</u>	<u>\$ 221,360</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)

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,302	\$ 827
Changes of assumptions	4,439	-
Net difference between projected and actual earnings on pension plan investments	1,420	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	4,481	42,072
Employer contributions subsequent to the measurement date	9,045	-
Total	<u>\$ 21,687</u>	<u>\$ 42,899</u>

The amounts of \$236,628 and \$9,045 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, 2021. 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,	SCRS	PORS
2021	\$ 123,212	\$ (8,883)
2022	(98,404)	(10,579)
2023	8,106	(9,079)
2024	11,244	(1,716)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plans (Continued)

Aggregate Amounts

Aggregate amounts for all pension plans are as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Net pension liability	\$ 3,208,008	\$ 111,936	\$ 3,319,944
Deferred outflows	502,146	21,687	523,833
Deferred inflows	221,360	42,899	264,259
Pension expense	367,519	987	368,506

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 Systems' 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-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.25%)</u>	<u>Discount Rate</u>	<u>(8.25%)</u>
	<u>(7.25%)</u>		
Town's portion - SCRS	\$ 4,041,370	\$ 3,208,008	\$ 2,512,448
Town's portion - PORS	\$ 151,710	\$ 111,936	\$ 79,365

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Retirement Plans (Continued)

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, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plans

The Town reported payables of approximately \$35,000 and \$4,000 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 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 2020.

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, 2020, were approximately \$19,000.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

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, 2020, and no assets are accumulated in a trust as defined by GAAP.

Plan Membership

As of June 30, 2020, 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>19</u>
Total Membership	<u><u>20</u></u>

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 five 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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Post-employment Benefit Plan (Continued)

Plan Benefits and Contributions (Continued)

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, 2020, 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.

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 total 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS (CONTINUED)

Other Post-employment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

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, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	2.21%
Healthcare Cost Trend Rate	6.00% graded to 4.15% for 2034 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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2020.

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, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

	Total OPEB Liability (a)
Balances as of June 30, 2019	\$ 303,142
Changes for the year:	
Service Cost	16,783
Interest	10,350
Expected and actual experience differences	(36,045)
Change of Assumptions	22,707
Benefit Payments	(8,725)
Implicit Rate Subsidy Fulfillment	<u>(6,233)</u>
Net Changes	<u>(1,163)</u>
Balances as of June 30, 2020	<u><u>\$ 301,979</u></u>

The changes of assumptions above is a result of the Town decreasing the discount rate from 3.50% to 2.21% for the year ended June 30, 2020.

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, 2020, the Town recognized OPEB expense of approximately \$33,000. At June 30, 2020, 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	\$ 42,422	\$ 31,832
Change of assumptions	26,725	5,603
Total	<u>\$ 69,147</u>	<u>\$ 37,435</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
2021	\$ 5,960
2022	5,960
2023	5,960
2024	5,960
2025	5,960
Thereafter	<u>1,912</u>
Total	<u>\$ 31,712</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 2.21%. 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 3.50% to 2.21% for the year ended June 30, 2020.

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 2.21%, as well as what it would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 325,095	\$ 301,979	\$ 280,091

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 6.20%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.20%) or 1-percentage-point higher (7.20%) than the current rate:

	1% Decrease (5.20%)	Current Discount Rate (6.20%)	1% Increase (7.20%)
Total OPEB Liability	\$ 270,644	\$ 301,979	\$ 339,140

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Building permits	\$ 1,771,173	\$ 1,771,173	\$ 889,009	\$ (882,164)
Business licenses	2,333,980	2,333,980	2,695,112	361,132
Franchise fee revenue	882,588	882,588	867,100	(15,488)
Local option sales tax	572,128	572,128	548,356	(23,772)
Fines and forfeitures	45,000	45,000	20,389	(24,611)
Interest	150,000	150,000	144,310	(5,690)
Miscellaneous	70,000	70,000	147,595	77,595
Environmental service fee	566,000	566,000	596,352	30,352
Accommodations tax	108,510	108,510	115,684	7,174
Federal revenue	-	-	179,872	179,872
Total revenues	6,499,379	6,499,379	6,203,779	(295,600)
Expenditures				
Current:				
General government	4,432,287	4,432,287	5,420,934	(988,647)
Judicial	21,905	21,905	20,961	944
Public safety	505,101	505,101	458,489	46,612
Tourism and recreation	300,000	300,000	258,803	41,197
Capital outlay	363,700	363,700	2,045,185	(1,681,485)
Total expenditures	5,622,993	5,622,993	8,204,372	(2,581,379)
Excess (deficiency) of revenues over (under) expenditures	876,386	876,386	(2,000,593)	(2,876,979)
Other Financing Sources (Uses)				
Transfers in	1,705,078	1,705,078	3,850,627	2,145,549
Transfers out	(557,837)	(557,837)	(532,981)	24,856
Total other financing sources, net	1,147,241	1,147,241	3,317,646	2,170,405
Net change in fund balances	2,023,627	2,023,627	1,317,053	(706,574)
Fund balances, beginning of year	10,420,485	10,420,485	10,420,485	-
Fund balances, end of year	\$ 12,444,112	\$ 12,444,112	\$ 11,737,538	\$ (706,574)

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Interest	\$ 15,000	\$ 15,000	\$ 18,040	\$ 3,040
Accommodations tax	1,586,688	1,586,688	1,342,274	(244,414)
Total revenues	1,601,688	1,601,688	1,360,314	(241,374)
Expenditures				
Purchased Services:				
Advertising/promotional	1,098,506	1,098,506	852,278	246,228
Total expenditures	1,098,506	1,098,506	852,278	246,228
Excess of revenues over expenditures	503,182	503,182	508,036	4,854
Other Financing Uses				
Transfers out	(482,000)	(482,000)	(482,000)	-
Total other financing uses	(482,000)	(482,000)	(482,000)	-
Net change in fund balances	21,182	21,182	26,036	4,854
Fund balances, beginning of year	187,672	187,672	187,672	-
Fund balances, end of year	<u>\$ 208,854</u>	<u>\$ 208,854</u>	<u>\$ 213,708</u>	<u>\$ 4,854</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION 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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Interest	\$ 30,000	\$ 30,000	\$ 36,077	\$ 6,077
Accommodations tax	492,000	492,000	354,000	(138,000)
Total revenues	<u>522,000</u>	<u>522,000</u>	<u>390,077</u>	<u>(131,923)</u>
Expenditures				
Purchased Services:				
Advertising/promotional	614,965	614,965	592,516	22,449
Total expenditures	<u>614,965</u>	<u>614,965</u>	<u>592,516</u>	<u>22,449</u>
Deficiency of revenues under expenditures	<u>(92,965)</u>	<u>(92,965)</u>	<u>(202,439)</u>	<u>(109,474)</u>
Other Financing Sources				
Transfers in	100,000	100,000	100,000	-
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	<u>7,035</u>	<u>7,035</u>	<u>(102,439)</u>	<u>(109,474)</u>
Fund balances, beginning of year	<u>1,404,797</u>	<u>1,404,797</u>	<u>1,404,797</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,411,832</u>	<u>\$ 1,411,832</u>	<u>\$ 1,302,358</u>	<u>\$ (109,474)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Interest	\$ 70,000	\$ 70,000	\$ 72,155	\$ 2,155
Accommodations tax	1,037,993	1,037,993	851,050	(186,943)
Total revenues	1,107,993	1,107,993	923,205	(184,788)
Expenditures				
Purchased Services:				
Advertising/promotional	63,000	63,000	48,873	14,127
Total expenditures	63,000	63,000	48,873	14,127
Excess of revenues over expenditures	1,044,993	1,044,993	874,332	(170,661)
Other Financing Uses				
Transfers out	(1,522,548)	(1,522,548)	(2,449,544)	(926,996)
Total other financing uses	(1,522,548)	(1,522,548)	(2,449,544)	(926,996)
Net change in fund balances	(477,555)	(477,555)	(1,575,212)	(1,097,657)
Fund balances, beginning of year	2,709,019	2,709,019	2,709,019	-
Fund balances, end of year	<u>\$ 2,231,464</u>	<u>\$ 2,231,464</u>	<u>\$ 1,133,807</u>	<u>\$ (1,097,657)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION BEVERAGE PERMITS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Beverage permits revenue	\$ 45,000	\$ 45,000	\$ 44,800	\$ (200)
Total revenues	45,000	45,000	44,800	(200)
Other Financing Uses				
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)	(5,200)	(200)
Fund balances, beginning of year	29,174	29,174	29,174	-
Fund balances, end of year	<u>\$ 24,174</u>	<u>\$ 24,174</u>	<u>\$ 23,974</u>	<u>\$ (200)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION HOSPITALITY TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Interest	\$ 50,000	\$ 50,000	\$ 57,353	\$ 7,353
Hospitality tax	588,866	588,866	468,407	(120,459)
Total revenues	638,866	638,866	525,760	(113,106)
Expenditures				
Purchased Services:				
Advertising/promotional	219,750	219,750	190,577	29,173
Total expenditures	219,750	219,750	190,577	29,173
Excess of revenues over expenditures	419,116	419,116	335,183	(83,933)
Other Financing Uses				
Transfers out	(257,547)	(257,547)	(1,372,546)	(1,114,999)
Total other financing uses	(257,547)	(257,547)	(1,372,546)	(1,114,999)
Net change in fund balances	161,569	161,569	(1,037,363)	(1,198,932)
Fund balances, beginning of year	2,222,901	2,222,901	2,222,901	-
Fund balances, end of year	<u>\$ 2,384,470</u>	<u>\$ 2,384,470</u>	<u>\$ 1,185,538</u>	<u>\$ (1,198,932)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION VICTIMS' ASSISTANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 4,236	\$ (5,764)
Total revenues	10,000	10,000	4,236	(5,764)
Expenditures				
Purchased Services:				
Judicial	10,000	10,000	4,236	5,764
Total expenditures	10,000	10,000	4,236	5,764
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	21,150	21,150	21,150	-
Fund balances, end of year	\$ 21,150	\$ 21,150	\$ 21,150	\$ -

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,

<u>Plan Year Ended June 30,</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's proportionate share of the net pension liability</u>	<u>Town's covered payroll</u>	<u>Town's share of the net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2019	0.014049%	\$ 3,208,008	\$ 1,483,554	216.2%	54.4%
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,

Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 236,628	\$ 236,628	\$ -	\$ 1,520,748	15.56%
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 seven years of data were available; thus, only seven 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,

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
2019	0.00391%	\$ 111,936	\$ 56,651	197.6%	62.7%
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,**

Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 9,045	\$ 9,045	\$ -	\$ 49,589	18.24%
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 seven years of data were available; thus, only seven 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,

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 16,783	\$ 15,401	\$ 11,726
Interest	10,350	10,635	7,413
Differences Between Expected and Actual Experience	(36,045)	-	64,946
Change of Assumptions	22,707	8,678	(8,579)
Benefit Payments	(8,725)	(9,286)	(9,614)
Implicit Rate Subsidy Fulfillment	(6,233)	(3,407)	(2,650)
Net Changes in Total OPEB Liability	(1,163)	22,021	63,242
Total OPEB Liability - Beginning of Year	303,142	281,121	217,879
Total OPEB Liability - End of Year	\$ 301,979	\$ 303,142	\$ 281,121
Covered-Employee Payroll	\$ 1,239,635	\$ 1,087,930	\$ 1,087,930
Total OPEB Liability as a Percentage of Covered-Employee Payroll	24.36%	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, 2020 AND 2019

	2020	2019	Variance
Revenues			
Building permits	\$ 889,009	\$ 1,250,846	\$ 361,837
Business licenses	2,695,112	2,535,128	(159,984)
Franchise fee revenue	867,100	857,732	(9,368)
Local option sales tax	548,356	585,738	37,382
Fines and forfeitures	20,389	28,662	8,273
Interest	144,310	175,646	31,336
Miscellaneous	147,595	185,490	37,895
Environmental service fee	596,352	551,180	(45,172)
Accommodations tax	115,684	127,714	12,030
Federal revenue	179,872	102,440	(77,432)
Total revenues	<u>6,203,779</u>	<u>6,400,576</u>	<u>196,797</u>
Expenditures			
Current:			
General government	5,420,934	4,024,914	1,396,020
Judicial	20,961	20,068	893
Public safety	458,489	505,544	(47,055)
Tourism and recreation	258,803	301,200	(42,397)
Capital outlay	2,045,185	365,703	1,679,482
Total expenditures	<u>8,204,372</u>	<u>5,217,429</u>	<u>2,986,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,000,593)</u>	<u>\$ 1,183,147</u>	<u>\$ 3,183,740</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATE ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Interest	\$ 18,040	\$ 20,092	\$ 2,052
Accommodations tax	<u>1,342,274</u>	<u>1,585,786</u>	<u>243,512</u>
Total revenues	<u>1,360,314</u>	<u>1,605,878</u>	<u>245,564</u>
Expenditures			
Purchased Services:			
Advertising/promotional	<u>852,278</u>	<u>1,033,669</u>	<u>(181,391)</u>
Total expenditures	<u>852,278</u>	<u>1,033,669</u>	<u>(181,391)</u>
Excess of revenues over expenditures	<u>\$ 508,036</u>	<u>\$ 572,209</u>	<u>\$ 64,173</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COUNTY ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Interest	\$ 36,077	\$ 42,731	\$ 6,654
Accommodations tax	<u>354,000</u>	<u>484,000</u>	<u>130,000</u>
Total revenues	<u>390,077</u>	<u>526,731</u>	<u>136,654</u>
Expenditures			
Purchased Services:			
Advertising/promotional	<u>592,516</u>	<u>549,026</u>	<u>43,490</u>
Total expenditures	<u>592,516</u>	<u>549,026</u>	<u>43,490</u>
Deficiency of revenues under expenditures	<u>\$ (202,439)</u>	<u>\$ (22,295)</u>	<u>\$ 180,144</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

LOCAL ACCOMMODATIONS TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Interest	\$ 72,155	\$ 87,943	\$ 15,788
Accommodations tax	<u>851,050</u>	<u>967,051</u>	<u>116,001</u>
Total revenues	<u>923,205</u>	<u>1,054,994</u>	<u>131,789</u>
Expenditures			
Purchased Services:			
Advertising/promotional	<u>48,873</u>	<u>70,507</u>	<u>(21,634)</u>
Total expenditures	<u>48,873</u>	<u>70,507</u>	<u>(21,634)</u>
Excess of revenues over expenditures	<u>\$ 874,332</u>	<u>\$ 984,487</u>	<u>\$ 110,155</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

BEVERAGE PERMITS FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019	Variance
Revenues			
Beverage permits revenue	\$ 44,800	\$ 44,000	\$ (800)
Total revenues	<u>\$ 44,800</u>	<u>\$ 44,000</u>	<u>\$ (800)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

HOSPITALITY TAX FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Interest	\$ 57,353	\$ 65,114	\$ 7,761
Hospitality tax	<u>468,407</u>	<u>576,884</u>	<u>108,477</u>
Total revenues	<u>525,760</u>	<u>641,998</u>	<u>116,238</u>
Expenditures			
Purchased Services:			
Advertising/promotional	<u>190,577</u>	<u>200,383</u>	<u>(9,806)</u>
Total expenditures	<u>190,577</u>	<u>200,383</u>	<u>(9,806)</u>
Excess of revenues over expenditures	<u>\$ 335,183</u>	<u>\$ 441,615</u>	<u>\$ 106,432</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

VICTIMS' ASSISTANCE FUND COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Fines and forfeitures	<u>\$ 4,236</u>	<u>\$ 8,713</u>	<u>\$ 4,477</u>
Total revenues	<u>4,236</u>	<u>8,713</u>	<u>4,477</u>
Expenditures			
Purchased Services:			
Judicial	<u>4,236</u>	<u>8,713</u>	<u>(4,477)</u>
Total expenditures	<u>4,236</u>	<u>8,713</u>	<u>(4,477)</u>
Excess of revenues over 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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Interest	\$ 33,854	\$ 41,207	\$ 7,353
Total revenues	<u>33,854</u>	<u>41,207</u>	<u>7,353</u>
Expenditures			
Debt Service:			
Principal	333,000	333,000	-
Interest	29,045	33,507	(4,462)
Total expenditures	<u>362,045</u>	<u>366,507</u>	<u>(4,462)</u>
Deficiency of revenues under expenditures	<u>\$ (328,191)</u>	<u>\$ (325,300)</u>	<u>\$ 2,891</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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Interest	\$ 30,000	\$ 30,000	\$ 33,854	\$ 3,854
Total revenues	30,000	30,000	33,854	3,854
Expenditures				
Debt Service:				
Principal	333,333	333,333	333,000	333
Interest	-	-	29,045	(29,045)
Total expenditures	333,333	333,333	362,045	(28,712)
Deficiency of revenues under expenditures	(303,333)	(303,333)	(328,191)	(24,858)
Other Financing Sources				
Transfers in	1,063,122	1,063,122	936,444	(126,678)
Proceeds from sale of capital assets	(29,045)	(29,045)	20,000	49,045
Total other financing sources	1,034,077	1,034,077	956,444	(77,633)
Net change in fund balances	730,744	730,744	628,253	(102,491)
Fund balances, beginning of year	4,279,132	4,279,132	4,279,132	-
Fund balances, end of year	<u>\$ 5,009,876</u>	<u>\$ 5,009,876</u>	<u>\$ 4,907,385</u>	<u>\$ (102,491)</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, 2020

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>
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 46,311	\$ 46,311
Court fines and assessments remitted to State Treasurer	N/A	N/A	(25,922)	(25,922)
Total Court Fines and Assessments retained	N/A	N/A	\$ 20,389	\$ 20,389
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	\$ 2,395	\$ 2,395
Assessments retained	N/A	N/A	1,841	1,841
Total Surcharges and Assessments retained for victim services	N/A	N/A	\$ 4,236	\$ 4,236

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ 21,150	N/A	\$ 21,150
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	1,841	N/A	1,841
Victim Service Surcharges Retained by City/County Treasurer	2,395	N/A	2,395
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 25,386	N/A	\$ 25,386

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ -	N/A	\$ -
Operating Expenditures	-	N/A	-
Victim Service Contract(s):			
(1) S.C. Ninth Circuit Judicial Services	4,236	N/A	4,236
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(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	-
Total Expenditures from Victim Service Fund/Program (B)	\$ 4,236	N/A	\$ 4,236
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 21,150	N/A	\$ 21,150
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ 21,150	N/A	\$ 21,150

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STATISTICAL SECTION

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

FINANCIAL TRENDS INFORMATION NARRATIVE JUNE 30, 2020

The financial trends information section of the Comprehensive Annual Financial Report for the year ended June 30, 2020 for the Town of Kiawah Island, South Carolina is comprised of four schedules. The schedules are:

- Net Position by Component – This 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 13,660,509
Restricted	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	3,880,535
Unrestricted	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	13,340,319
Total government activities net position	<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>	<u>\$ 30,881,363</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Government activities:										
General government - (3)	\$ 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	\$ 5,835,726
Judicial	9,209	6,236	5,919	2,947	926	2,023	23,831	39,539	30,768	26,606
Public safety	96,529	78,583	83,124	123,575	192,325	747,401	693,444	774,770	555,211	492,322
Environmental services - (3)	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-	-	-
Tourism and recreation	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	2,171,250
Interest and other charges	-	-	-	-	-	-	51,032	36,872	32,539	29,045
Total governmental activities expenses	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	8,554,949
Program Revenues										
Government activities:										
Charges for services:										
General government - (3)	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	4,225,273
Judicial	17,992	12,339	17,426	14,126	35,206	10,914	17,595	90,043	37,375	24,625
Environmental services - (3)	349,831	339,014	333,543	321,686	272,611	357,877	-	-	-	-
Tourism and recreation - (1)	1,878,064	2,076,645	2,387,382	2,499,681	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	119,541	42,072	102,440	179,872
Total governmental activities revenues	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	4,429,770
Net (Expense)/Revenue										
Government activities	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	(4,507,399)	(3,421,178)	(3,155,632)	(4,125,179)

(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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenue and Other										
Changes in Net Position										
Government activities										
SC aid to subdivisions	\$ 29,369	\$ 29,731	\$ 35,079	\$ 36,915	\$ 35,590	\$ 35,590	\$ 37,235	\$ 36,724	\$ 37,177	\$ 38,551
Franchise fee revenue	432,781	447,449	544,695	540,321	662,823	747,873	755,815	793,197	857,732	867,100
Local options sales tax	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248	585,738	548,356
Interest - (2)	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255	432,733	361,789
Hospitality tax	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182	576,884	468,407
Accommodations tax - (1)	-	-	-	-	2,724,872	2,929,710	3,229,911	3,008,349	3,180,810	2,659,808
Lease revenue	-	-	-	-	72,600	72,600	21,858	-	-	-
Beverage permits - (1)	-	-	-	-	30,000	36,000	42,000	42,100	-	-
Contributions and grants	265,637	116,044	3,535	-	-	-	-	-	-	-
Miscellaneous	15,115	26,606	40,762	8,179	197,555	132,801	26,310	119,586	148,313	109,044
Infrastructure contribution	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	18,600	11,000	-	-	11,000	-	-	14,410	20,000
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>5,073,055</u>
Change in Net Position										
Governmental activities	<u>\$ 363,797</u>	<u>\$ 773,696</u>	<u>\$ 1,089,015</u>	<u>\$ (2,420,784)</u>	<u>\$ 1,116,158</u>	<u>\$ 614,298</u>	<u>\$ 1,786,873</u>	<u>\$ 2,163,009</u>	<u>\$ 2,678,165</u>	<u>\$ 947,876</u>

Notes:

- (1) - Prior to 2015, accommodations tax and beverage permits 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable for Prepaid Items	\$ 48,200	\$ 70,413	\$ 55,062	\$ 130,041	\$ 958	\$ 49,147	\$ 107,538	\$ 114,752	\$ 72,059	\$ 86,830
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	8,932,721	8,929,497	9,078,755	9,855,854	8,477,442	5,357,910	6,805,230	7,923,320	10,348,426	11,650,708
Total General Fund	8,980,921	8,999,910	9,133,817	9,985,895	9,256,045	7,752,006	6,912,768	8,038,072	10,420,485	11,737,538
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	21,150
Tourism Related Capital Improvements - (1)	-	-	-	344,698	-	1,222,645	-	-	-	-
Tourism Related Expenditures	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	3,859,385
Committed for:										
Capital Improvements	-	-	-	-	-	-	1,572,645	1,852,420	4,279,132	4,907,385
	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	8,787,920
Total all governmental funds	\$ 14,468,553	\$ 14,955,874	\$ 15,530,433	\$ 17,418,813	\$ 16,467,179	\$ 16,798,105	\$ 16,623,869	\$ 18,382,057	\$ 21,274,330	\$ 20,525,458

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Building permits	\$ 27,768	\$ 38,310	\$ 35,974	\$ 823,214	\$ 1,069,063	\$ 990,258	\$ 1,246,429	\$ 1,337,513	\$ 1,250,846	\$ 889,009
Business licenses	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	2,695,112
Lease revenue	72,600	72,600	72,400	66,550	72,600	72,600	21,858	-	-	-
SC aid to subdivision	29,369	29,731	35,079	36,915	35,590	35,590	37,235	36,724	37,177	38,551
Franchise fee revenue	432,781	447,449	544,695	540,321	662,823	747,873	755,815	793,197	857,732	867,100
Beverage permits revenue	24,000	24,000	24,000	27,900	30,000	36,000	42,000	42,100	44,000	44,800
Local option sales tax	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248	585,738	548,356
Fines and forfeitures	17,992	12,339	17,426	14,126	35,207	10,913	17,595	90,043	37,375	24,625
Interest - (1)	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255	432,733	361,789
Contributions and grants	265,637	116,044	3,535	-	-	-	-	-	-	-
Miscellaneous	15,115	26,606	40,762	8,179	136,210	120,454	53,020	40,322	148,313	109,044
Accommodations tax - state	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	1,457,958
Accommodations tax - county	240,629	267,679	299,411	323,596	439,500	450,622	477,000	422,000	484,000	354,000
Accommodations tax - local	597,652	665,055	744,940	803,808	875,004	902,124	1,088,825	953,452	967,051	851,050
Environmental service fee	349,831	339,014	333,543	321,686	272,611	357,877	362,710	356,420	551,180	596,352
Federal revenue	-	-	-	-	-	-	119,541	42,072	102,440	179,872
Hospitality tax	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182	576,884	468,407
Total revenues	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	9,486,025
General government - (2)	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	5,420,934
Judicial	9,209	6,236	5,919	2,947	926	2,023	23,831	39,304	28,781	25,197
Public safety	96,529	78,583	83,124	123,575	192,416	732,014	665,838	665,533	505,544	458,489
Environmental service - (2)	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-	-	-
Tourism and recreation	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	1,943,047
Capital outlay	44,531	292,595	174,984	165,301	2,163,279	1,516,457	7,052,056	717,145	365,703	2,045,185
Principal	-	-	-	-	-	-	-	333,000	333,000	333,000
Interest and other fiscal charges	-	-	-	-	-	-	41,147	37,969	33,507	29,045
Total expenditures	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	10,254,897
Excess of revenues over (under) expenditures	963,267	468,721	563,559	1,888,380	(951,634)	319,926	(4,756,059)	1,758,149	2,877,863	(768,872)
Bonds issued	-	-	-	-	-	-	3,000,000	-	-	-
Proceeds from sale of assets	-	18,600	11,000	-	-	11,000	1,581,823	39	14,410	20,000
Transfers In	-	-	-	-	587,000	2,494,500	3,839,497	2,306,625	4,586,394	4,887,071
Transfers out	-	-	-	-	(587,000)	(2,494,500)	(3,839,497)	(2,306,625)	(4,586,394)	(4,887,071)
Net change in fund balance	\$ 963,267	\$ 487,321	\$ 574,559	\$ 1,888,380	\$ (951,634)	\$ 330,926	\$ (174,236)	\$ 1,758,188	\$ 2,892,273	\$ (748,872)
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	0%	0%	1%	5.21%	5.16%	4.48%

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
JUNE 30, 2020

The revenue capacity information section of the Comprehensive Annual Financial Report for the year ended June 30, 2020 for the Town of Kiawah Island, South Carolina is comprised of two schedules. The schedules are:

- Significant Revenue, Governmental Funds – This 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 – This 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 – This 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 INFORMATION SIGNIFICANT REVENUE – GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS SCHEDULE 1

General Fund

Fiscal Year Ended June 30,	Business License	Local Option Sales Tax	Franchise Fees	Building Permits	Total
2020	\$ 2,695,112	\$ 548,356	\$ 867,100	\$ 889,009	\$ 4,999,577
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

Special Revenue Fund Accommodations Taxes

Fiscal Year Ended June 30,	State	County	Local	Total
2020	\$ 1,342,274	\$ 354,000	\$ 851,050	\$ 2,547,324
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

(Prepared using the modified accrual basis of accounting)

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

Class License Description	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lessors of Real Estate	30.6%	26.1%	25.2%	31.5%	25.1%	29.4%	26.8%	29.1%	31.2%	39.9%
Construction	18.0%	21.0%	21.7%	20.5%	19.2%	18.1%	18.6%	19.2%	18.3%	12.1%
Landscaping	2.6%	3.7%	2.9%	3.3%	4.2%	3.9%	3.1%	2.9%	2.7%	3.4%
Plumbing/Heating/AC	1.9%	2.1%	1.2%	2.0%	1.1%	1.0%	0.9%	1.1%	1.0%	3.3%
Painting	1.1%	1.6%	1.2%	1.5%	1.3%	1.1%	1.3%	1.2%	1.5%	4.3%
Carpentry	2.5%	2.3%	3.6%	3.0%	3.2%	3.1%	3.0%	2.5%	2.1%	2.6%
Electrical Contractors	0.7%	1.3%	0.8%	1.1%	1.9%	1.9%	2.1%	2.4%	2.2%	2.4%
Janitorial Services	0.2%	0.9%	0.3%	0.9%	0.7%	0.8%	0.6%	0.5%	0.8%	0.7%
Carpet/Upholstery	0.3%	0.5%	0.3%	0.4%	0.3%	0.3%	0.4%	0.5%	0.4%	0.9%
Masonry/Stone	0.2%	0.6%	0.1%	0.2%	0.5%	0.4%	0.4%	0.7%	0.6%	1.1%
Floor Laying	0.3%	0.6%	0.4%	0.7%	0.7%	0.8%	1.0%	1.9%	1.7%	0.9%
Architectural Services	0.6%	1.4%	0.9%	0.9%	1.5%	1.8%	2.1%	1.0%	1.2%	1.3%
Roofing/Siding	0.6%	1.1%	0.7%	0.5%	0.5%	0.5%	0.8%	0.9%	1.1%	1.3%
Interior Design Services	0.7%	1.2%	0.6%	1.6%	1.0%	1.1%	0.9%	0.2%	0.4%	0.7%
Exterminating/Pest Control	0.4%	0.6%	0.4%	0.5%	0.5%	0.4%	0.5%	0.0%	0.3%	1.2%
All other classes	39.3%	35.1%	39.9%	31.4%	38.3%	35.4%	37.5%	35.9%	34.5%	23.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

Class License Description	2016	2017	2018	2019	2020
Hotels	38%	40%	36%	42.0%	36.0%
Real Estate/Rental Management Companies	41%	45%	51%	55.0%	60.0%
Homes/Villas	21%	15%	13%	3.0%	4.0%
	100%	100%	100%	100%	100%

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

DEBT CAPACITY INFORMATION NARRATIVE JUNE 30, 2020

The debt capacity information section of the Comprehensive Annual Financial Report for the year ended June 30, 2020 for the Town of Kiawah Island, South Carolina is comprised of two schedules. The schedules 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 INFORMATION RATIO OF OUTSTANDING DEBT BY TYPE SCHEDULE 1

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income¹</u>	<u>Per Capita²</u>
2020	\$ 2,001,000	\$ 2,001,000	1.2%	\$ 1,312
2019	2,334,000	2,334,000	1.4%	1,435
2018	2,667,000	2,667,000	1.6%	1,749
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

Notes:

¹ Personal income information obtained from the U.S. Census Bureau.

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

DEBT CAPACITY INFORMATION RATIO OF GENERAL BONDED DEBT OUTSTANDING SCHEDULE 2

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property¹</u>	<u>Per Capita²</u>
2020	\$ 2,001,000	-	\$ 2,001,000	0.56%	\$ 1,312
2019	2,334,000	-	2,334,000	0.72%	1,435
2018	2,667,000	-	2,667,000	0.82%	1,749
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

Notes:

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

DEBT CAPACITY INFORMATION LEGAL DEBT MARGIN INFORMATION SCHEDULE 3

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	\$ 24,276,473	\$ 25,904,913	\$ 27,753,870	\$ 27,454,880
Total Net Debt Applicable to Limit	n/a	n/a	n/a	n/a	n/a	n/a	3,000,000	2,667,000	2,334,000	2,001,000
Legal Debt Margin	n/a	n/a	n/a	n/a	n/a	n/a	\$21,276,473	\$ 23,237,913	\$ 25,419,870	\$ 25,453,880
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	12.36%	10.30%	8.41%	7.29%
Legal Debt Margin Calculation for Fiscal Year 2020										
Assessed Value										\$ 343,185,998
Total Assessed Value										<u>\$ 343,185,998</u>
Debt Limit (8% of Total Assessed Value)										\$ 27,454,880
Debt Applicable to Limit:										
General Obligation Bonds (Excluding Premiums)										2,001,000
Less: Amounts Issued Under Referendum										<u>-</u>
Total Net Debt Applicable to Limit										<u>2,001,000</u>
Legal Debt Margin										<u>\$ 25,453,880</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
JUNE 30, 2020

The demographic and economic information section of the Comprehensive Annual Financial Report for the year ended June 30, 2020 for the Town of Kiawah Island, South Carolina is comprised of six schedules and graphs. The schedules 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 five-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 five-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 five-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 five-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 five-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

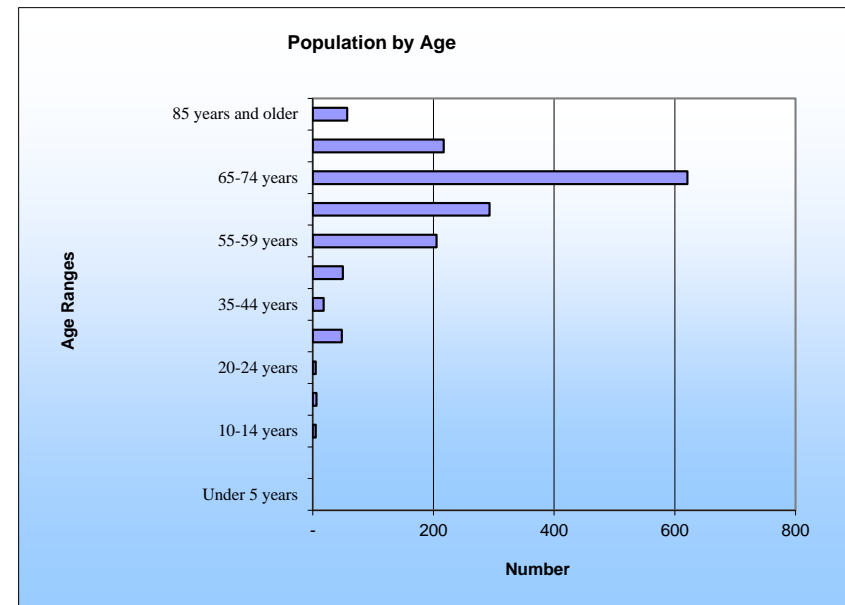
DEMOGRAPHIC AND ECONOMIC INFORMATION

PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

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



	Number	Percent
Population	1525	100
Gender and Age		
Male	737	48.3
Female	788	51.7
Under 5 years	-	-
5-9 years	-	-
10-14 years	5	0.3
15-19 years	6	0.4
20-24 years	5	0.3
25-34 years	48	3.1
35-44 years	18	1.2
45-54 years	50	3.3
55-59 years	205	13.4
60-64 years	293	19.2
65-74 years	621	40.7
75-84 years	217	14.2
85 years and older	57	3.7
Median age	68	(X)



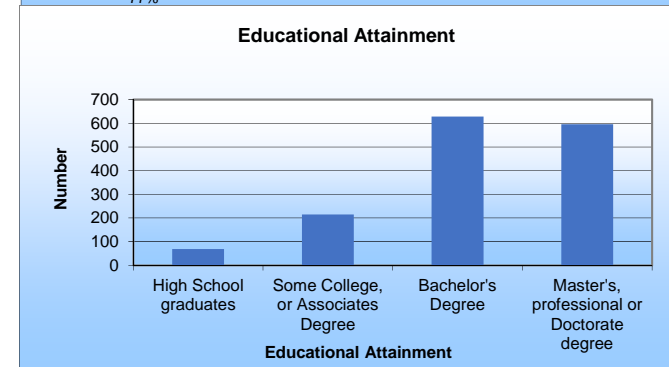
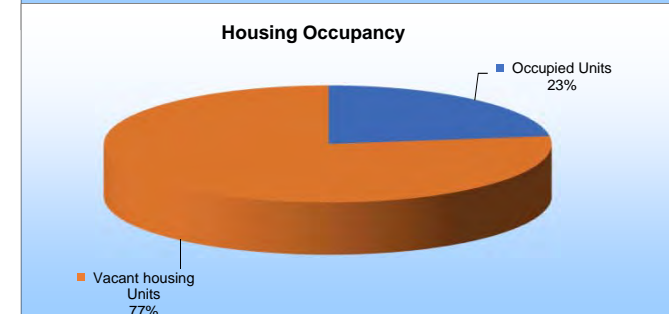
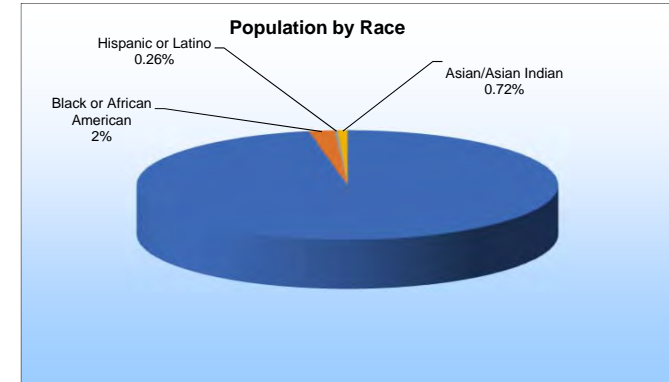
TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC INFORMATION PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

Race	Number	Percent
White	1480	97.0
Black or African American	30	2.0
Hispanic or Latino	4	0.3
Asian/Asian Indian	11	0.7

Housing Occupancy	Number	Percent
Total Housing Units	3516	100.0
Occupied Units	804	22.9
Vacant housing Units	2712	77.1
Home owner vacancy rate (%)	5.9	(X)
Rental Vacancy rate (%)	54	(X)

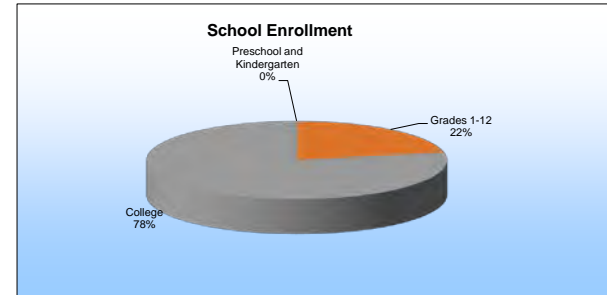
Educational Attainment	Number	Percent
Population 25 and older	1509	
High School graduates	69	4.6
Some College, or Associates Degree	215	14.2
Bachelor's Degree	629	41.7
Master's, professional or Doctorate degree	596	39.5



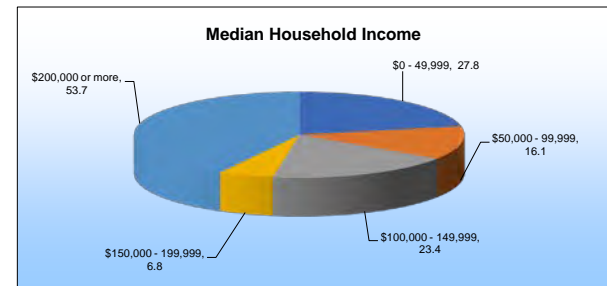
TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC INFORMATION PROFILE OF GENERAL DEMOGRAPHIC CHARACTERISTICS

School Enrollment		
	Number	
Population 3 years and older	23	
	Number	Percent
Preschool and Kindergarten	-	-
Grades 1-12	5	21.7
College	18	78.3



Median Household Income in \$	Amount	Percent
Median Household income	\$ 143,750	
\$0 - 49,999	175	27.8
\$50,000 - 99,999	101	16.1
\$100,000 - 149,999	147	23.4
\$150,000 - 199,999	43	6.8
\$200,000 or more	338	53.7



Sources: 2018: ACS Five-Year Estimates per the U.S. Census Bureau

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

OPERATING INFORMATION NARRATIVE JUNE 30, 2020

The operating information section of the Comprehensive Annual Financial Report for the year ended June 30, 2020 for the Town of Kiawah Island, South Carolina is comprised of three schedules. The schedules 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
2020	1	4	3	7	4	26	0	45
2019	1	3	3	7	4	41	0	59
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

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function:										
Police										
Traffic tickets issued	239	123	126	165	254	154	165	51	47	65
Criminal issues	6	4	2	17	24	29	1	1	1	2
Solid Waste										
Waste by (tons)	2453	2354	2044	1995	1939	2098	2141	1700	1697	1995
Culture and recreation										
Recreation permits issued	3	4	3	26	6	3	3	12	31	5
Town sponsored events	31	32	33	34	39	37	38	35	36	20
Code Enforcement										
Tickets issued	226	90	181	79	104	28	85	541	190	284

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function:										
Public Safety										
Vehicles	2	2	3	4	4	4	7	7	8	7
Radios	13	13	13	13	31	34	34	34	38	26
Solid Waste										
Collection trucks	2	3	3	3	3	5	5	4	4	4
Contractors	2	1	1	1	1	1	1	1	1	1
Land and Building										
Municipal meeting rooms	3	3	3	3	3	3	3	4	4	4
Municipal center square footage	6,500	6,500	6,500	6,500	6,500	6,500	6,500	13,900	13,900	13,900
Highways and Streets										
Streets (miles)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Signs	57	57	57	57	57	68	71	95	95	121

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, 2020, 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 2, 2020.

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) as a basis for designing 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.

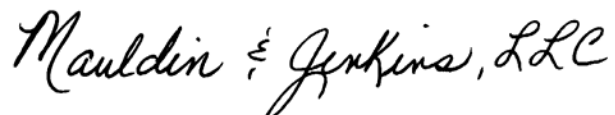
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly large and stylized.

Savannah, Georgia
October 2, 2020

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020, 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.