

TOWN OF
Kiawah Island®

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2018

Photo by: Sylvia Bacon

Mayor
Craig Weaver

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

Town Administrator
Stephanie Monroe Tillerson

Treasurer
Dorota Szubert

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Town of Kiawah Island, South Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

With

REPORT OF INDEPENDENT AUDITORS



Prepared By:

Treasurer's Office

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Introductory Section



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

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KIAWAH ISLAND, SOUTH CAROLINA**

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September 27, 2018

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

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Kiawah Island, South Carolina for the fiscal year ended June 30, 2018.

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

Greene Finney, LLP, a firm of licensed certified public accountants, has audited the Town of Kiawah Island's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2018, 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 unmodified opinion that the Town of Kiawah Island's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The Town of Kiawah Island, South Carolina, was incorporated by the State of South Carolina on September 13, 1988. The Town of Kiawah Island operates as a Mayor-Council form of government, i.e., strong mayor. The Town Council is composed of a Mayor and four Council Members. Terms for Mayor and Council Members are two years. The current term (2016-2018) is the sixteenth full administration. The at-large elections are non-partisan. Currently, there are approximately 1,600 voters on the rolls. These elected officials receive no compensation or salary.

The Mayor and four Council Members comprise the legislative branch of the Town. It is their duty to set over-all policy in matters concerning the operation of the Town's affairs.

The Mayor is further charged with the executive functions of Town management. He is responsible for coordinating and carrying out the policies established by the Town Council and for ensuring that the duties of all Town employees are performed efficiently and effectively. The Town Administrator provides support and advice to the Mayor on these matters. Since incorporation, the Town has grown from 1 full-time position to 17 full-time positions.

The Town of Kiawah Island is unique when compared to other South Carolina municipalities. Kiawah Island is a "residential Community with a resort surrounded by a unique and beautiful natural setting." Also Kiawah Island Community Association (KICA), a private nonprofit property owner association, shares responsibility to serve residents and provides some services including road and drainage maintenance for owned property; premise security; landscaping; and recreation within the gated community. The Town provides services 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 (ACEC) sponsors a wide range of performing art events supporting local and national musicians and artists. The Council plans a large repertoire of events hosting musical genres including jazz, orchestra, blues, chamber, comedy, ballet, vocalists, holiday performances, Piccolo performances, a young artists concert and a dance band. The Council is supported by Town Staff with an annual budget of over \$300,000 approved by Town Council each year. The Council is proud to offer first-class entertainment close to home with complimentary tickets or at a nominal fee. In FY2018 season, over 10,300 people attended ACEC events with a majority of the 35 performances being sold out. The Council believes our programs add value to the Kiawah Island brand while enhancing the quality of life for our residents and visitors.

Ways and Means

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

Audit Committee

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

Budget

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

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

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

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

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Kiawah Island 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. Kiawah Island currently enjoys a relative stable economic environment attributable to moderate growth in construction activity and tourism on the island.

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

Future golf championships like planned 2021 PGA, Town's Cultural Performing Art performances, and world-class facilities continue to contribute to Kiawah's tourism industry. The Town documented their long-term planning issues in the Town's Comprehensive Plan, which was updated and adopted December 2015. This plan is reviewed every 5 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 continued to focus on environmental projects and improving our service delivery.

The Town of Kiawah Island, in partnership with the Kiawah Conservancy, continued a long-term bobcat ecology study on Kiawah Island using global positioning system (GPS) tracking collars. This year marked the 12th consecutive year of this study and a total of 73 bobcats have been fitted with collars to date. Bobcats play a very important role in the Kiawah Island ecosystem by helping to control small mammal and white-tailed deer populations. A healthy bobcat population is necessary to maintain the balance of wildlife communities currently present on Kiawah Island.

The Town of Kiawah Island, working in cooperation with other island entities, continuously engages in various environmental research projects. Over the last 4 years, the Town has partnered with the Kiawah Conservancy to conduct an alligator research project to study environmental contaminants in Kiawah's alligator population and has partnered with KICA on an alligator behavior and safety study, using both VHF and GPS transmitters.

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

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

The Town, in conjunction with Coastal Science Engineering, conducted a beach renourishment project in FY 2014-2015 to mitigate erosion on the eastern end of Kiawah's beach. The work was performed by Lake Moultrie Construction Company/Ashridge Inc at a cost of approximately \$700,000. This project requires long-term mitigation, including piping plover surveys, macroinvertebrate surveys, aerial photography, and GPS surveys. The cost for mitigation activities during FY 2017-2018 was approximately \$110,000.

As part of the Town's enhancement efforts, the Town completed evaluations of the current conditions of the Kiawah Island Parkway and its drainage and anticipates repair work to begin in the spring of 2019.

For seven consecutive years, the Town has provided generous philanthropic support to charitable and educational organizations on Kiawah, Johns Island and the greater Charleston area. Charitable contributions are awarded once a year by the Town Council. This year the Town awarded 20 organizations a total of \$150,000.

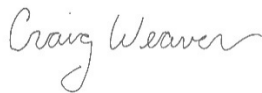
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The Town continues to participate as full board members of Charleston Area Regional Transportation Authority Board of Directors, the Berkeley-Charleston-Dorchester Council of Governments, the Charleston Area Transportation Study Committee, and the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

AWARDS AND ACKNOWLEDGEMENTS

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Kiawah for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the thirteenth 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.



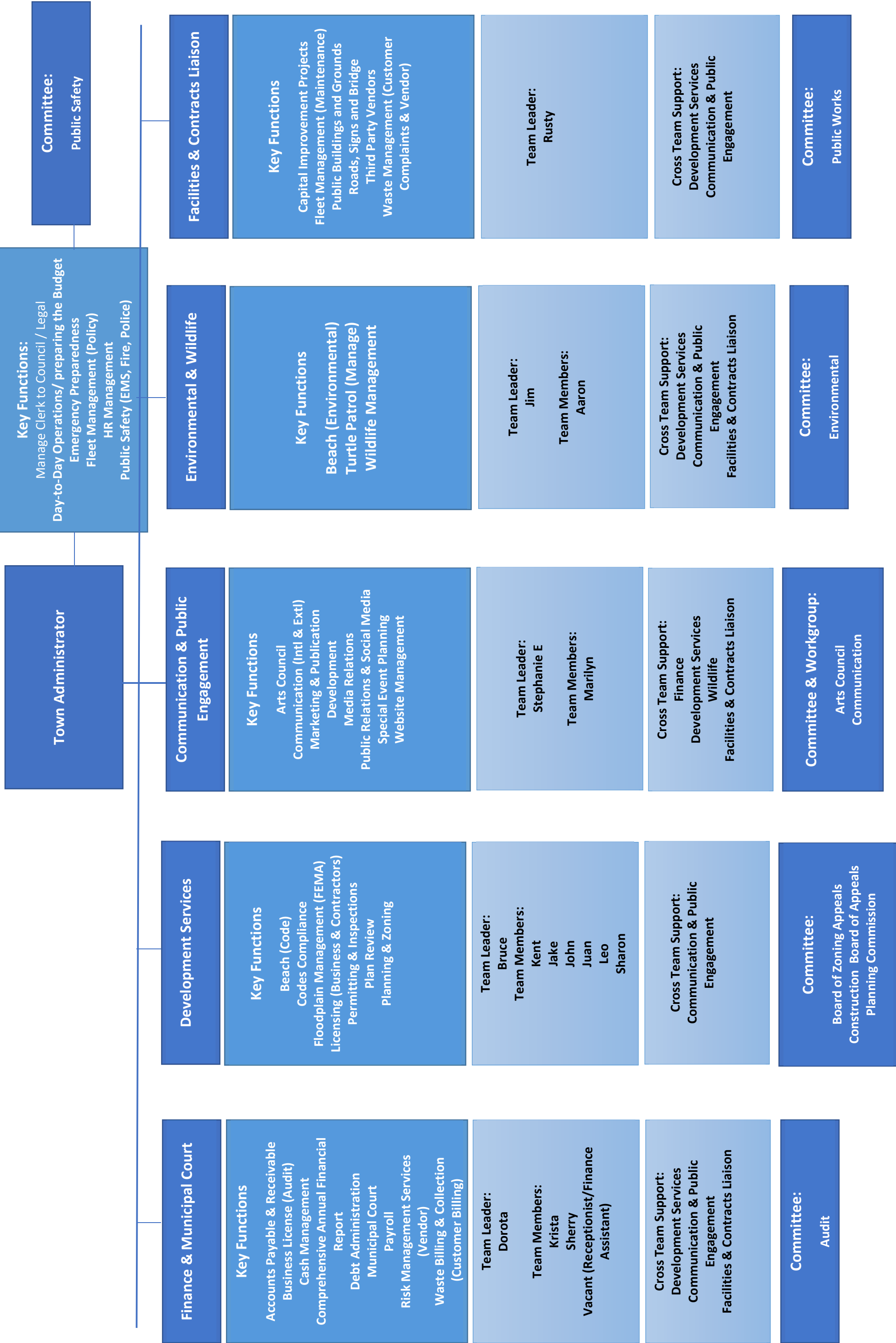
Craig Weaver
Mayor



Stephanie Monroe Tillerson
Town Administrator



Dorota Szubert
Town Treasurer



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, 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 manage 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 multidepartmental 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 five divisions: Permitting, Plan Review, Inspections, Codes Compliance, and Licensing. The entire staff serves as representatives of the Department and provides a variety of information to the public pertaining to building procedures, licensing requirement, zoning issues and code compliance.

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

Environmental & Wildlife to protect and restore ecological systems that work naturally to improve water quality, the environment, and the quality of life for residents and visitors. Kiawah recognizes the connection between the natural environment and our quality of life, and is dedicated to providing a sustainable environment for its residents, businesses, and visitors to enjoy. The Environmental & 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 & Contract Liaison Facilities & Contract Liaison maintains and repairs Town building, grounds, Kiawah Island Parkway (Town limit), Beachwalker Drive, Manage Third Party Contracts; conducts fleet maintenance for all Town vehicles and equipment.

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

Town of Kiawah Island, South Carolina
Principal Officials
For the Year Ended June 30, 2018

Elected Officials

Craig Weaver

John Koach

Diana Mezzanotte

Chris Widuch

John Wilson

Mayor

Councilmember

Councilmember

Councilmember

Councilmember

Other Officials

Stephanie Monroe Tillerson

Dorota Szubert

Town Administrator

Town Treasurer



Government Finance Officers Association

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

Presented to

**Town of Kiawah Island
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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Financial Section



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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina (the "Town"), as of and for the year ended June 30, 2018, 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.

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OPEN BY APPOINTMENT ONLY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note I.B to the financial statements, for the year ended June 30, 2018 the Town adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 on our consideration of the Town of Kiawah Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kiawah Island's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 27, 2018

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

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

YEAR ENDED JUNE 30, 2018

As management of the Town of Kiawah Island (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and notes to the financial statements to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$27,255,000 (*net position*). In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$7,030,000.
- The government's total net position increased by approximately \$1,897,000 from the prior year net position (as restated) as total revenues of approximately \$9,647,000 exceeded total expenses of approximately \$7,750,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$18,382,000, an increase of approximately \$1,758,000 from the prior year's fund balance. Of this amount, approximately 43% or \$7,923,000 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$7,923,000 or 155% of total General Fund expenditures for the year ended June 30, 2018.
- The Town's total capital assets increased by approximately \$80,000 during the current fiscal year primarily due to current year capital asset additions of approximately \$695,000 exceeding depreciation expense of approximately \$614,000 and net disposals of approximately \$1,000.
- The Town's long-term obligations decreased \$333,000 due to the Town making principal payments on general obligation bonds during the year ended June 30, 2018.
- The Town adopted GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("Statement") for the year ended June 30, 2018. This Statement requires the Town to recognize a net OPEB liability (and any related deferred outflows/inflows of resources) along with a more comprehensive measure of OPEB expense for the Town of Kiawah Island, South Carolina Post-Retirement Medical Plan, a single-employer defined benefit OPEB Plan ("OPEB Plan"), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of this Statement had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contributions made to the OPEB Plan. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of a net OPEB liability and deferred outflows of resources for its OPEB Plan in accordance with the provisions of this Statement. Net position of the Town's government-wide financial statements as of July 1, 2017 was decreased by approximately \$218,000 for its governmental activities, reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note IV.D in the notes to the financial statements for more information regarding the Town's OPEB Plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements

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

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

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

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

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

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

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

YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

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

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for 2018 compared to 2017:

	Governmental Activities	
	2018	2017
Assets:		
Current Assets	\$ 19,150,219	\$ 17,661,781
Capital Assets, Net	14,400,871	14,320,757
Total Assets	33,551,090	31,982,538
Deferred Outflows of Resources:		
Deferred Pension Charges	1,040,233	701,951
Deferred OPEB Charges	57,438	-
Total Deferred Outflows of Resources	1,097,671	701,951
Liabilities:		
Net Pension Liability	3,667,506	2,964,364
Net OPEB Liability	281,121	-
Long-Term Obligations	2,667,000	3,000,000
Other Liabilities	650,704	1,000,815
Total Liabilities	7,266,331	6,965,179
Deferred Inflows of Resources:		
Deferred Pension Credits	119,521	143,572
Deferred OPEB Credits	7,587	-
Total Deferred Inflows of Resources	127,108	143,572
Net Position:		
Net Investment in Capital Assets	11,733,871	11,320,757
Restricted	8,491,565	8,138,456
Unrestricted	7,029,886	6,116,525
Total Net Position	\$ 27,255,322	\$ 25,575,738

The Town's total assets of approximately \$33,551,000 increased approximately \$1,569,000 from the prior year. The increase is primarily due to an increase of approximately \$80,000 in capital assets explained above and a increase of approximately \$1,488,000 in current and other assets. This increase resulted primarily from a decrease of approximately \$995,000 in restricted investments offset by an increase of \$2,659,000 in restricted cash and cash equivalents.

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

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

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Town's total deferred outflows of resources of approximately \$1,098,000 increased approximately \$396,000 due to an increase in the Town's investment experience related to the retirement and other postemployment benefit plans discussed in Note IV.B and Note IV.D to the financial statements, respectively.

The Town's total liabilities of approximately \$7,266,000 increased approximately \$301,000 due to an increase of approximately \$703,000 and a \$281,000 in Net Pension and OPEB Liabilities, respectively, as determined by the consulting actuaries offset by a decrease of \$333,000 in long-term obligations as a result of the Town making \$333,000 in principal payments during the year ending June 30, 2018. Other liabilities decreased approximately \$550,000 primarily due to a decrease of approximately \$357,000 in accounts payable related to the completion of the new municipal center during the year ended June 30, 2018.

The Town's total deferred inflows of resources of approximately \$127,000 decreased approximately \$16,000 due to a decrease in the Town's changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions related to the retirement and other postemployment benefit plans discussed in Note IV.B and Note IV.D to the financial statements.

The Town's net position increased by approximately \$1,897,000 compared to the prior fiscal year due to a change in net position (net income) of approximately \$701,000 as total revenues of approximately \$9,647,000 exceeded total expenses of approximately \$7,750,000 partially offset by an adjustment due to a change in accounting principle of approximately \$218,000.

The Town's assets exceeded liabilities (net position) by approximately \$27,255,000 at June 30, 2018. The largest portion of the Town's net position of approximately \$11,734,000 (approximately 43% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town's net position of approximately \$8,492,000 (approximately 31% of total net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for special revenue programs which are restricted by the revenue source.

The remaining portion of the Town's net position is unrestricted net position of approximately \$7,030,000 (approximately 26% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for fiscal year 2018 compared to 2017.

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,328,846	\$ 3,916,752
Operating Grants and Contributions	42,072	119,541
General Revenues:		
Unrestricted SC Aid to Subdivisions	36,724	37,235
Local Option Sales Tax	548,248	530,338
Franchise Taxes	793,197	755,815
Interest	210,255	45,952
Hospitality Taxes	560,182	518,632
Accommodations Taxes	3,008,349	3,229,911
Lease Revenue	-	21,858
Beverage Permits	-	42,000
Miscellaneous	119,586	26,310
Total Revenues	<u>9,647,459</u>	<u>9,244,344</u>
Expenses:		
General Government	4,485,727	5,498,034
Judicial	39,539	23,831
Public Safety	774,770	693,444
Tourism and Recreation	2,413,088	2,277,351
Interest and Other Charges	36,872	51,032
Total Expenses	<u>7,749,996</u>	<u>8,543,692</u>
Change in Net Position	1,897,463	700,652
Net Position - Beginning of Year	25,575,738	23,543,937
Cumulative Change in Accounting Principle - See Note I. B. in the Notes to the Financial Statements	<u>(217,879)</u>	<u>-</u>
Net Asset - Beginning of Year - Restated	<u>25,357,859</u>	<u>24,875,086</u>
Net Position - End of Year	<u>\$ 27,255,322</u>	<u>\$ 25,575,738</u>

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

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

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Net position for Governmental Activities increased by approximately \$1,897,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

Total governmental activities revenues increased by approximately \$403,000 or 4% from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Accommodations taxes decreased approximately \$222,000 or 7% primarily due to \$161,000 related to corrected tax filings from businesses that filed as County businesses instead of businesses within the Town limits in the prior year.
- Charges for services increased approximately \$370,000 or 9% primarily due to increases of approximately \$91,000 and \$213,000 in building permits and business licenses, respectively. Building permits increased due to the issuance of several permits related to a large project on the island and business licenses increased due to continued growth of business on the island. The remainder of the increase is primarily due to increases in court fines and victims assistance receipts of approximately \$57,000 and \$16,000, respectively.
- Operating grants and contributions decreased approximately \$77,000 or 65% due to FEMA reimbursements related to Hurricane Matthew in the prior fiscal year.
- Interest income increased approximately \$164,000 or 358% primarily due to the town switching from their previous investors to an SCLGIP account which resulted in increased returns.
- Miscellaneous revenues increased approximately \$93,000 or 355% primarily due to a judgement receivable related to litigation involving former employees.

Total governmental activities expenses decreased by approximately \$794,000 or 9% from the prior year. Key changes in governmental expenses as compared to the prior year were as follows:

- General Government expenses decreased approximately \$1,012,000 or 18% primarily due to a net loss on disposal of approximately \$1,067,000 related to the sale of the old municipal center in the year ended June 30, 2017.
- Public Safety expenses increased approximately \$81,000 or 12% primarily due to an approximate \$82,000 increase in the allocation of pension expense.
- Tourism and Recreation expenses increased approximately \$136,000 or 6% primarily due to an increase in approved expenditures by Town Council.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

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

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

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$18,382,000, an increase of approximately \$1,758,000 or 11% from the prior year fund balance. The increase in fund balance was the result of revenues and other financing uses of approximately \$11,875,000 exceeding expenses and other financing sources of approximately \$10,117,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$7,923,000 or 43% of the total fund balance for governmental funds constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending as it is legally restricted by an outside agency or has been committed or assigned by Town Council as follows: Non-spendable prepaid amounts of approximately \$115,000 or less than 1% represent various prepayments for services to be provided in the upcoming fiscal year; Restricted for (1) tourism related expenditures of approximately \$8,470,000 or 46% and (2) victims' assistance of approximately \$21,000 or less than 1% are restricted by the revenue source; Committed for capital improvements of approximately \$1,852,000 or 10% represents amounts that have been committed by Town Council for various capital projects and improvements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$8,038,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately \$7,923,000 represents approximately 155% of total General Fund expenditures for the year ended June 30, 2018.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$1,125,000 or 16% due to revenues and other financing uses of approximately \$6,965,000 exceeding expenditures and other financing sources of approximately \$5,840,000.
- General Fund revenues increased approximately \$364,000 or 7% primarily due to increases of approximately \$91,000, \$213,000, \$57,000 and \$64,000 in building permits, business licenses, court fines, and interest income, respectively, offset by a decrease of approximately \$77,000 in federal revenue. Building permits increased due to the issuance of several permits related to a large project on the island and business licenses increased due to continued growth of business on the island as well as increased monitoring and enforcement by Town staff. Court fines increased primarily due to increases in code enforcement from the prior years. Interest revenue increased primarily due to the Town changing investments to an SCLGIP account which has a higher rate of return. The decrease in federal revenue is primarily due to increased FEMA revenue from Hurricane Matthew in the prior year ending June 30, 2017.
- General Fund expenditures decreased approximately \$160,000 or 3% primarily due to a decrease of approximately \$515,000 in storm cleanup costs related to Hurricane Matthew in October 2016, a decrease of \$84,000 related to rentals as a result of the Town renting the old municipal center from the community association after the sale in the prior fiscal year. These decreases were partially offset by an increase of approximately \$177,000 in expenditures related to the scraping of the sand dunes after hurricane Irma.
- Transfers in increased approximately \$188,000 or 22% due to an additional transfer from the County Accommodations Tax Fund to partially fund tourism related environmental and operating expenditures.
- Transfers out decreased approximately \$1,253,000 or 63% due to decreased transfers to the Capital Projects Fund to partially fund the construction of the new municipal center in the prior fiscal year.

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

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

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The fund balance of the State Accommodations Tax Fund decreased by approximately \$75,000 or 43% from the prior year. State Accommodations Tax Fund revenues decreased by approximately \$21,000 or 1% while expenditures increased approximately \$52,000 or 55% and transfers out decreased approximately \$5,000 or less than 1%.

The fund balance of the County Accommodations Tax Fund decreased by approximately \$109,000 or 8% from the prior year. County Accommodations Tax Fund revenues decreased by approximately \$43,000 or 9% while expenditures increased approximately \$82,000 or 16%. The increase in expenditures is primarily due to an increase in beach patrol and Arial Photography costs of approximately \$29,000 and \$29,900, respectively. Transfers out decreased approximately \$321,000 or 70% primarily due to construction costs related to the building of the new municipal complex in the prior fiscal year.

The fund balance of the Local Accommodations Tax Fund increased by approximately \$297,000 or 8% from the prior year. Local Accommodations Tax Fund revenues decreased by approximately \$104,000 or 9% while expenditures increased approximately \$14,000 or 46%. The decrease in revenues is primarily due to approximately \$161,000 received in the prior fiscal year related to the payment of misclassified vendor filings. The increase in expenditures is primarily due to approximately \$44,000 in beach upkeep costs, and a decrease of approximately \$30,000 related to the motoring retreat expenditures. Transfers out increased approximately \$47,000 or 8%.

The fund balance of the Beverage Permits Fund decreased by approximately \$8,000 or 18% from the prior year. Beverage Permits Fund revenues increased by approximately \$100 or less than 1%. There were no expenditures for the Beverage Permits Fund and transfers out remained consistent with the prior year.

The fund balance of the Hospitality Tax Fund increased by approximately \$248,000 or 9% from the prior year. Hospitality Tax Fund revenues increased by approximately \$66,000 or 13% while expenditures decreased by approximately \$10,000 or 5%. Transfers out were consistent with the prior year at \$122,000.

The fund balance of the Victims' Assistance Fund remained consistent with the prior year. Victims' Assistance Fund revenues increased by approximately \$16,000 or 554% while expenditures increased by approximately \$14,000 or 332%. The increase in revenues is due primarily to increased code enforcement efforts and the increase in expenditures is primarily due to the town providing paying Charleston County for victims services in the amount of revenues that were received.

The fund balance of the Capital Projects Fund increased by approximately \$280,000 or 18% from the prior year. Capital Projects Fund revenues increased by approximately \$18,000 or 100% while expenditures decreased by approximately \$6,209,000 or 88% primarily due to the completion of the new municipal center in early fiscal 2018. Bonds issued, sale of capital assets, and transfers in decreased approximately \$3,000,000, \$1,582,000, and \$1,716,000, respectively, as a result of the Town financing a portion of the municipal center and sale of the old municipal center in the prior fiscal year.

General Fund Budgetary Highlights

There were no budget amendments made during the year ended June 30, 2018.

Overall, the General Fund's revenues were approximately \$606,000 or 11% greater than the final budget, expenditures were approximately \$120,000 or 2% greater than the final budget, and net other financing sources were approximately \$141,000 or 82% greater than budgeted. Revenues were greater than budgeted primarily due to business licenses and building permits exceeding budget by approximately \$303,000 and \$180,000, respectively.

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

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

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

General Government expenditures were approximately \$132,000 greater than the final budgeted amount primarily due to expenditures related to the scraping of the sand along the dunes in the current fiscal year, while other departmental expenditures were fairly consistent with budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2018 and 2017 amounted to approximately \$14,401,000 and \$14,321,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, furniture and fixtures, signs and fences, equipment, computers and software, vehicles, municipal center (buildings, landscaping and miscellaneous), and infrastructure.

The Town's capital assets (net of depreciation) as of June 30, 2018 and 2017 were as follows:

	Governmental Activities	
	2018	2017
Land	\$ 2,088,092	\$ 2,088,092
Construction in Progress	-	8,326,114
Furniture and Fixtures	388,814	23,775
Signs and Fences	121,796	34,361
Equipment	81,695	225,510
Computers and Software	93,481	104,376
Vehicles	312,378	312,378
Municipal Center - Buildings, Landscaping and Miscellaneous	8,350,472	-
Infrastructure	6,779,747	6,602,351
Less: Accumulated Depreciation	(3,815,604)	(3,396,200)
Total	\$ 14,400,871	\$ 14,320,757

The total increase in the Town's investment in capital assets for the current fiscal year was approximately \$80,000 or less than 1%. Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$695,000 included approximately \$427,000 related to the construction of the new municipal center, approximately \$74,000 related to signs and fences, approximately \$177,000 in infrastructure, approximately \$14,000 in computers and software and approximately \$4,000 in equipment.
- Net dispositions totaled approximately \$1,000 for the current fiscal year.
- Depreciation expense of approximately \$614,000 for governmental activities.

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

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

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

YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

At year end, the Town had approximately \$2,667,000 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 approximately \$333,000 in principal payments and approximately \$38,000 in interest payments in the year ended June 30, 2018.

Additional information on the Town's long-term debt obligations can be found in Notes I and III of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In June 2018 the Town Council adapted a balanced budget FY19. The primary goal of the Town's budget appropriation is to carry out short and long-term priorities set by the Town Council to meet the expectations of our citizens. The Town relies on several key indicators to gauge the status of the local economy and the likely impacts on the Town's budget and financial positions, and the majority of these indicators, like business license, local option sales tax, franchise fees, accommodation and hospitality taxes indicate steady growth over past few years and continue to trend up for the foreseeable future.

The consolidated revenues are projected to increase 15 percent FY2019 to approximately \$10.3M, primarily due to significant increase in building permit fees from major Kiawah Island Resort projects, increase in solid waste fees from the rental properties, and moderate growth in tourism and construction on the island. The consolidated expenditures FY2019 are budgeted at approximately \$8. 3M, an increase of 14 percent over fiscal year 2018. The largest components of the budget are personnel cost and contractual services.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2018

	PRIMARY GOVERNMENT
	Governmental
	Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,217,626
Cash and Cash Equivalents, Restricted	7,336,473
Due From State	681,672
Due From County	250,125
Accounts Receivable	549,571
Prepaid Items and Deposits	114,752
Total Current Assets	<u>19,150,219</u>
Non-Current Assets:	
Capital Assets:	
Non-Depreciable	2,088,092
Depreciable, Net	12,312,779
Total Non-Current Assets	<u>14,400,871</u>
TOTAL ASSETS	<u>33,551,090</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	1,040,233
Deferred OPEB Charges	57,438
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,097,671</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	628,832
Municipal Court Fines and Assessments Payable	8,382
Accrued Interest Payable	8,788
Unearned Revenue	4,702
Long-Term Obligations, Due Within One Year	333,000
Total Current Liabilities	<u>983,704</u>
Non-Current Liabilities:	
Net Pension Liability	3,667,506
Net OPEB Liability	281,121
Long-Term Obligations, Due In More Than One Year	2,334,000
Total Non-Current Liabilities	<u>6,282,627</u>
TOTAL LIABILITIES	<u>7,266,331</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	119,521
Deferred OPEB Credits	7,587
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>127,108</u>
NET POSITION	
Net Investment in Capital Assets	11,733,871
Restricted For:	
Tourism Related Expenses	8,470,415
Victims' Assistance	21,150
Unrestricted	7,029,886
TOTAL NET POSITION	<u>\$ 27,255,322</u>

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	Expenses	Charges For Services	Operating Grants And	Capital Contributions	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 4,485,727	4,238,803	42,072	-	\$ (204,852)
Judicial	39,539	90,043	-	-	50,504
Public Safety	774,770	-	-	-	(774,770)
Tourism and Recreation	2,413,088	-	-	-	(2,413,088)
Interest and Other Charges	36,872	-	-	-	(36,872)
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,749,996</u>	<u>4,328,846</u>	<u>42,072</u>	<u>-</u>	<u>(3,379,078)</u>
TOTAL - PRIMARY GOVERNMENT	<u>\$ 7,749,996</u>	<u>4,328,846</u>	<u>42,072</u>	<u>-</u>	<u>(3,379,078)</u>
General Revenues:					
Unrestricted SC Aid to Subdivisions					36,724
Local Option Sales Taxes					548,248
Franchise Taxes					793,197
Interest					210,255
Hospitality Tax					560,182
Accommodations Tax					3,008,349
Miscellaneous					119,586
Total General Revenues					<u>5,276,541</u>
CHANGE IN NET POSITION					1,897,463
NET POSITION, Beginning of Year					25,575,738
Adjustment Due to Change in Accounting Principle - See Note I.B.					<u>(217,879)</u>
Net Position, Beginning of Year - Restated					<u>25,357,859</u>
NET POSITION, End of Year					<u>\$ 27,255,322</u>

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND	COUNTY ACCOMMODATIONS TAX FUND
ASSETS			
Cash and Cash Equivalents	\$ 9,179,908	-	-
Cash and Cash Equivalents, Restricted	-	508,226	917,331
Due From State	107,321	571,351	-
Due From County	-	-	-
Due From Other Funds	703,063	-	509,165
Accounts Receivable	480,351	-	-
Prepaid Items and Deposits	114,752	-	-
TOTAL ASSETS	\$ 10,585,395	1,079,577	1,426,496
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 235,395	276,051	99,404
Municipal Court Fines and Assessments Payable	8,382	-	-
Due To Other Funds	2,172,598	703,063	-
Unearned Revenue	4,702	-	-
TOTAL LIABILITIES	2,421,077	979,114	99,404
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	126,246	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	126,246	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,547,323	979,114	99,404
FUND BALANCES			
Nonspendable:			
Prepays	114,752	-	-
Restricted For:			
Tourism Related Expenditures	-	100,463	1,327,092
Victims' Assistance	-	-	-
Committed For:			
Capital Improvements	-	-	-
Unassigned	7,923,320	-	-
TOTAL FUND BALANCES	8,038,072	100,463	1,327,092
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,585,395	1,079,577	1,426,496

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

LOCAL ACCOMMODATIONS TAX FUND	BEVERAGE PERMITS FUND	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	1,037,718	\$ 10,217,626
3,517,926	-	2,392,990	-	-	7,336,473
-	3,000	-	-	-	681,672
250,125	-	-	-	-	250,125
324,361	32,174	463,484	28,712	814,702	2,875,661
-	-	69,220	-	-	549,571
-	-	-	-	-	114,752
4,092,412	35,174	2,925,694	28,712	1,852,420	\$ 22,025,880
3,476	-	6,944	7,562	-	\$ 628,832
-	-	-	-	-	8,382
-	-	-	-	-	2,875,661
-	-	-	-	-	4,702
3,476	-	6,944	7,562	-	3,517,577
-	-	-	-	-	126,246
-	-	-	-	-	126,246
3,476	-	6,944	7,562	-	3,643,823
-	-	-	-	-	114,752
4,088,936	35,174	2,918,750	-	-	8,470,415
-	-	-	21,150	-	21,150
-	-	-	-	1,852,420	1,852,420
-	-	-	-	-	7,923,320
4,088,936	35,174	2,918,750	21,150	1,852,420	18,382,057
4,092,412	35,174	2,925,694	28,712	1,852,420	\$ 22,025,880

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TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 18,382,057
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
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.	126,246
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$18,216,475 and the accumulated depreciation was \$3,815,604.	14,400,871
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.	(8,788)
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,746,794)
The OPEB liability and related deferred outflows and inflows of resources do not require the use of current financial resources; therefore, they are not reported in the governmental funds.	(231,270)
Long-term obligations, including debt, lease purchase obligations and compensated absences, if applicable, are not due or payable in the current period and therefore are not reported in the governmental funds. Long-term obligations consisted of general obligation bonds outstanding.	<u>(2,667,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 27,255,322</u>

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	STATE ACCOMMODATIONS TAX FUND	COUNTY ACCOMMODATIONS TAX FUND
REVENUES			
Building Permits	\$ 1,337,513	-	-
Business Licenses	2,502,770	-	-
SC Aid to Subdivisions	36,724	-	-
Franchise Fee Revenue	793,197	-	-
Beverage Permit Revenue	-	-	-
Local Option Sales Tax	548,248	-	-
Fines and Forfeitures	71,355	-	-
Interest	91,408	8,205	20,601
Unrestricted Investment Earnings	-	-	-
Miscellaneous	40,322	-	-
Accommodations Tax	105,395	1,527,502	422,000
Environmental Service Fee	356,420	-	-
Federal Revenue	42,072	-	-
Hospitality Tax	-	-	-
TOTAL REVENUES ALL SOURCES	5,925,424	1,535,707	442,601
EXPENDITURES			
Current:			
General Government	3,839,105	-	-
Judicial	20,616	-	-
Public Safety	665,533	-	-
Environmental Services	-	-	-
Tourism and Recreation	315,351	997,369	601,005
Capital Outlay	272,906	-	-
Debt Service:			
Principal	-	-	-
Interest and Other Fiscal Charges	-	-	-
TOTAL EXPENDITURES	5,113,511	997,369	601,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	811,913	538,338	(158,404)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,040,008	-	190,000
Transfers Out	(726,617)	(613,000)	(141,029)
Sale of Capital Assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	313,391	(613,000)	48,971
NET CHANGES IN FUND BALANCES	1,125,304	(74,662)	(109,433)
FUND BALANCES, Beginning of Year	6,912,768	175,125	1,436,525
FUND BALANCES, End of Year	\$ 8,038,072	100,463	1,327,092

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

LOCAL ACCOMMODATIONS TAX FUND	BEVERAGE PERMITS FUND	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 1,337,513
-	-	-	-	-	2,502,770
-	-	-	-	-	36,724
-	-	-	-	-	793,197
-	42,100	-	-	-	42,100
-	-	-	-	-	548,248
-	-	-	18,688	-	90,043
41,202	-	30,512	-	18,327	210,255
-	-	-	-	-	-
-	-	-	-	-	40,322
953,452	-	-	-	-	3,008,349
-	-	-	-	-	356,420
-	-	-	-	-	42,072
-	-	560,182	-	-	560,182
994,654	42,100	590,694	18,688	18,327	9,568,195
-	-	-	-	-	3,839,105
-	-	-	18,688	-	39,304
-	-	-	-	-	665,533
-	-	-	-	-	-
43,855	-	220,410	-	-	2,177,990
-	-	-	-	444,239	717,145
-	-	-	-	333,000	333,000
-	-	-	-	37,969	37,969
43,855	-	220,410	18,688	815,208	7,810,046
950,799	42,100	370,284	-	(796,881)	1,758,149
-	-	-	-	1,076,617	2,306,625
(653,979)	(50,000)	(122,000)	-	-	(2,306,625)
-	-	-	-	39	39
(653,979)	(50,000)	(122,000)	-	1,076,656	39
296,820	(7,900)	248,284	-	279,775	1,758,188
3,792,116	43,074	2,670,466	21,150	1,572,645	16,623,869
4,088,936	35,174	2,918,750	21,150	1,852,420	\$ 18,382,057

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,758,188**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenues related to the employee repayment plans and judgement receivable. 79,264

Bond principal payments and lease purchase payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 333,000

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This amounts represents the change in accrued interest from the prior year. 1,097

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (340,809)

Changes in the Town's OPEB liability and related deferred outflows and inflows of resources are not reported in the governmental funds but are reported in the Statement of Activities. (13,391)

In the Statement of Activities the loss on the disposal of fixed assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed. (1,103)

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents the amount that capital asset additions exceeded depreciation expense in the current year. 81,217

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,897,463**

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). 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.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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.

Change in Accounting Principle

The Town adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("Statement") for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits ("OPEB"). It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town's financial obligations to current and former employees for past services rendered.

In particular, this Statement requires the Town to recognize a net OPEB liability (and any related deferred outflows/inflows of resources) along with a more comprehensive measure of OPEB expense for the Town of Kiawah Island, South Carolina Post-Retirement Medical Plan, a single-employer defined benefit OPEB Plan ("OPEB Plan"), on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of this Statement had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contributions made to the OPEB Plan. However, the adoption has resulted in the restatement of the Town's net position as of July 1, 2017 for its government-wide financial statements to reflect the reporting of a net OPEB liability and deferred outflows of resources for its OPEB Plan in accordance with the provisions of this Statement. Net position of the Town's government-wide financial statements as of July 1, 2017 was decreased by approximately \$218,000, reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note IV.D for more information regarding the Town's OPEB Plan.

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

1. *Cash, Cash Equivalents, and Investments*

Cash and Cash Equivalents

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

Investments

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

- South Carolina Local Government Investment Pool.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Receivables and Payables*

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

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

3. *Prepaid Items*

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

4. *Capital Assets*

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

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. *Accrued Liabilities and Long-Term Obligations*

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

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

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

6. *Deferred Outflows and Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has 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. (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 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. (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.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Fund Balance

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

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

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

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

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Net Position*

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

9. *Pensions and Other Postemployment Benefits*

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

10. *Fair Value*

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fair Value (Continued)

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

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

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

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

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

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

11. Accounting Estimates

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

There were no amendments to the budget during the year ended June 30, 2018.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town follows the South Carolina Code of Laws Section 6-5-15 as its policy for custodial credit risk which states that to the extent that these deposits exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation, the bank or savings and loan association at the time of deposit must: (1) furnish an indemnity bond in a responsible surety company authorized to do business in this State; or (2) pledge as collateral: (a) obligations of the United States; (b) obligations fully guaranteed both as to principal and interest by the United States; (c) general obligations of this State or any political subdivision of this State; or (d) obligations of the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation; or provide an irrevocable letter of credit issued by the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit otherwise meets the criteria established and prescribed by the local entity. As of June 30, 2018, none of the Town's bank balances of approximately \$2,101,000 (with a carrying value of approximately \$1,890,000) were subject to custodial credit risk.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturities in Years	
				< 1 yr	1 - 3 yrs
SCLGIP	N/A	NR	\$ 15,664,557	15,664,557	\$ -
Total			\$ 15,664,557	15,664,557	\$ -

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

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

NR – Not rated.

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.

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.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

A. Deposits and Investments (Continued)

Reconciliation to Financial Statements

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

Description	Amount
Carrying Amount of Deposits	\$ 1,889,542
Fair Value of Investments	15,664,557
Total Deposits	<u>\$ 17,554,099</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 10,217,626
Cash and Cash Equivalents, Restricted	7,336,473
Total Cash and Cash Equivalents	<u>\$ 17,554,099</u>

B. Receivables

Receivables at June 30, 2018 are as follows:

	General Fund	State Accommodations		Local Tax Fund	Beverage Permits Fund	Hospitality Tax Fund	Totals
		Tax Fund	Tax Fund				
Local Options Sales Tax	\$ 63,451	-	-	-	-	-	\$ 63,451
Brokers Tax Collections	193,667	-	-	-	-	-	193,667
Franchise Fees	106,748	-	-	-	-	-	106,748
Accommodations Taxes	30,071	571,351	250,125	-	-	-	851,547
Beverage Permits	-	-	-	3,000	-	-	3,000
Hospitality Taxes	-	-	-	-	69,220	-	69,220
Employee Receivable	21,235	-	-	-	-	-	21,235
Judgement Receivable	105,011	-	-	-	-	-	105,011
Other Receivables	67,489	-	-	-	-	-	67,489
Net Receivables	<u>\$ 587,672</u>	<u>571,351</u>	<u>250,125</u>	<u>3,000</u>	<u>69,220</u>	<u>\$ 1,481,368</u>	

No significant amounts were deemed uncollectible for the year ended June 30, 2018. Employee and judgement receivables of \$126,246 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.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

C. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2018, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 703,063	\$ 2,172,598
State Accommodations Tax Fund	-	703,063
County Accommodations Tax Fund	509,165	-
Local Accommodations Tax Fund	324,361	-
Beverage Permits Fund	32,174	-
Hospitality Tax Fund	463,484	-
Victims' Assistance Fund	28,712	-
Capital Projects Fund	814,702	-
Totals	<u>\$ 2,875,661</u>	<u>\$ 2,875,661</u>

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

Transfers between funds for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 1,040,008	\$ 726,617
State Accommodations Tax Fund	-	613,000
County Accommodations Tax Fund	190,000	141,029
Local Accommodations Tax Fund	-	653,979
Beverage Permits Fund	-	50,000
Hospitality Tax Fund	-	122,000
Capital Projects Fund	1,076,617	-
Totals	<u>\$ 2,306,625</u>	<u>\$ 2,306,625</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,088,092	-	-	-	\$ 2,088,092
Construction In Progress	8,326,114	426,740	-	(8,752,854)	-
Total Capital Assets, Non-Depreciable	<u>10,414,206</u>	<u>426,740</u>	<u>-</u>	<u>(8,752,854)</u>	<u>2,088,092</u>
Capital Assets, Depreciable:					
Furniture and Fixtures	23,775	-	23,775	388,814	388,814
Signs and Fences	34,361	73,867	-	13,568	121,796
Equipment	225,510	3,702	147,517	-	81,695
Computers and Software	104,376	13,743	24,638	-	93,481
Vehicles	312,378	-	-	-	312,378
Municipal Center - Buildings, Landscaping and Miscellaneous	-	-	-	8,350,472	8,350,472
Infrastructure	6,602,351	177,396	-	-	6,779,747
Total Capital Assets, Depreciable	<u>7,302,751</u>	<u>268,708</u>	<u>195,930</u>	<u>8,752,854</u>	<u>16,128,383</u>
Less: Accumulated Depreciation for:					
Furniture and Fixtures	22,475	56,844	23,775	-	55,544
Signs and Fences	286	12,180	-	-	12,466
Equipment	207,111	9,519	146,414	-	70,216
Computers and Software	103,525	5,431	24,638	-	84,318
Vehicles	228,869	50,305	-	-	279,174
Municipal Center - Buildings, Landscaping and Miscellaneous	-	208,762	-	-	208,762
Infrastructure	2,833,934	271,190	-	-	3,105,124
Total Accumulated Depreciation	<u>3,396,200</u>	<u>614,231</u>	<u>194,827</u>	<u>-</u>	<u>3,815,604</u>
Total Capital Assets, Depreciable, Net	<u>3,906,551</u>	<u>(345,523)</u>	<u>1,103</u>	<u>8,752,854</u>	<u>12,312,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,320,757</u>	<u>81,217</u>	<u>1,103</u>	<u>-</u>	<u>\$ 14,400,871</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

D. Capital Assets (Continued)

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

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 381,433
Tourism and Recreation	232,798
Total - Governmental Activities	<u>\$ 614,231</u>

E. Long-Term Obligations

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

The following is a summary of changes in the Town’s governmental activities long-term obligations for the year ended June 30, 2018:

Long-Term Obligations	Beginning of Year	Additions	Reductions	End of Year	Due Within One Year
Governmental Activities:					
Debt:					
GO Bonds, Series 2016	\$ 3,000,000	-	333,000	2,667,000	\$ 333,000
Governmental Activities Long-Term Obligations	<u>\$ 3,000,000</u>	<u>-</u>	<u>333,000</u>	<u>2,667,000</u>	<u>\$ 333,000</u>

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

Annual debt service requirements to maturity for all long-term debt as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 333,000	33,507	\$ 366,507
2020	333,000	29,045	362,045
2021	333,000	24,582	357,582
2022	333,000	20,120	353,120
2023	333,000	15,658	348,658
2024-2026	1,002,000	20,140	1,022,140
Totals	<u>\$ 2,667,000</u>	<u>143,052</u>	<u>\$ 2,810,052</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

F. Commitments and Contingencies

1. Agreements

In July 2012, the Town contracted with a private entity for collections and disposal of residential solid waste, recycling and collection and disposal of yard debris for a period of five years with the Town retaining the unilateral right of automatic renewal for two (2) additional one (1) year terms. The first automatic renewal was exercised effective July 1, 2017. 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, 2018 was approximately \$922,000.

The Town signed an agreement for Beach Patrol services in February 2017 effective February 7, 2017 through February 6, 2020 with an option for two one-year renewals and amended the agreement in June 2018. This contractor provides staff to patrol the beach and maintain a safe environment. This agreement may be terminated by either party upon giving written notice of at least thirty (30) days prior to the effective date of such termination. The annual cost of the contract is expected to be \$320,765. Total expense for the year ended June 30, 2018 was approximately \$299,000, and was funded by county and state accommodations taxes.

The Town entered into a landscape maintenance contract in May 2016 and amended the agreement in August 2017 for the landscaping and maintenance of the Kiawah Island Parkway and the municipal center. This agreement is effective for three years with two optional one-year extensions. Total commitments under this contract are approximately \$160,000 per year through May 2019. Total expenses for the year ended June 30, 2018, in the amount of approximately \$207,000 were funded by hospitality taxes, accommodation taxes and the General Fund.

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

2. 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 paid in full to the courts, but has not been received by the Town. Appropriately, the Town has recorded this as accounts receivable and an unavailable revenue. A payment plan has been set up for the former Town Treasurer; however, no payments have been received and the Town is unsure of how much will ultimately be collected. As a result, the Town has not recorded a receivable related to the former Town Treasurer's restitution, but will record the revenues as they are collected.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the Town is a member of the South Carolina State Fiscal Accountability Authority Insurance Reserve Fund, a public entity risk pool operating as a common risk management and insurance program for South Carolina governments for general risk. The Town pays an annual premium for this coverage. For the year ended June 30, 2018, the Town made premium payments totaling approximately \$44,000. 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, 2017 were approximately \$173,875,000.

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, 2018, the Town made payments totaling approximately \$31,000. The State Accident Fund's net position from its most recently issued audited financial statements as of June 30, 2017 was approximately \$3,050,000.

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, 2018, the Town made premium payments totaling approximately \$170,000. The EIP's net position from its most recently issued audited financial statements as of June 30, 2017 was approximately \$328,528,000.

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

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission ("RSIC") as co-trustees of the Retirement Trust Funds.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Plan Description

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

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

Plan Membership

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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

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

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions

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

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

The Retirement System Funding and Administration Act of 2017 increases employer contribution rates to 13.56 percent for the SCRS and 16.24 percent for the PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

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:

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

	SCRS Rates			PORS Rates		
	2016	2017	2018	2016	2017	2018
Employer Contribution Rate: [^]						
Retirement	10.91%	11.41%	13.41%	13.34%	13.84%	15.84%
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>11.06%</u>	<u>11.56%</u>	<u>13.56%</u>	<u>13.74%</u>	<u>14.24%</u>	<u>16.24%</u>
Employee Contribution Rate	<u>8.16%</u>	<u>8.66%</u>	<u>9.00%</u>	<u>8.74%</u>	<u>9.24%</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
2018	\$ 193,865	100%	\$ 12,586	100%
2017	182,502	100%	10,157	100%
2016	\$ 139,326	100%	\$ 11,339	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
2018	\$ 1,429,682	77,500	\$ 1,507,182
2017	1,578,737	71,327	1,650,064
2016	\$ 1,259,731	82,527	\$ 1,342,258

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.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The June 30, 2017 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, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017 and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

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 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 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 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.07%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Commodities	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. 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, 2017 measurement date, for the SCRS and PORS, are presented in the following table

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	25,732,829,268	\$ 22,511,608,226	53.3%
PORS	\$ 7,013,684,001	4,274,123,178	\$ 2,739,560,823	60.9%

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, 2018, the Town reported liabilities of approximately \$3,522,000 and \$145,000 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, 2017, 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, 2016 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, 2017 measurement date, the Town’s SCRS proportion was 0.015647 percent, which was an increase of 0.002551 percent from its proportion measured as of June 30, 2016. At the June 30, 2017 measurement date, the Town’s PORS proportion was 0.00530 percent, which was a decrease of 0.00129 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of approximately \$536,000 and \$11,000 for the SCRS and PORS, respectively. At June 30, 2018, 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:

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 15,703	\$ 1,952
Change in Assumptions	206,198	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	98,329	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	490,758	92,925
Employer Contributions Subsequent to the Measurement Date	193,865	-
Total SCRS	1,004,853	94,877
PORS		
Differences Between Expected and Actual Experience	1,294	-
Change in Assumptions	13,773	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,171	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	2,556	24,644
Employer Contributions Subsequent to the Measurement Date	12,586	-
Total PORS	35,380	24,644
Total SCRS and PORS	\$ 1,040,233	\$ 119,521

Approximately \$194,000 and \$13,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2019	\$ 275,270	(690)	\$ 274,580
2020	242,952	1,896	244,848
2021	216,256	8	216,264
2022	(18,367)	(3,064)	(21,431)
Total	\$ 716,111	(1,850)	\$ 714,261

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the sensitivity of the Town's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Town's proportionate share of the net pension liability of the SCRS	\$ 4,539,879	3,522,391	\$ 2,905,016
The Town's proportionate share of the net pension liability of the PORS	195,932	145,115	105,086
Total	\$ 4,735,811	3,667,506	\$ 3,010,102

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information 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 \$14,000 and \$1,000 to the PEBA as of June 30, 2018, representing required employer and employee contributions for the month of June 2018 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 2018.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Deferred Compensation Plans

Employees of the Town have the opportunity to participate in a deferred compensation plan under programs administered by the South Carolina Deferred Compensation Commission. The multiple-employer plan was created in accordance with Internal Revenue Code Section 401(k). The plan, available to all full-time Town employees, at their option, permits participants to defer a portion of their salary until future years. Only upon termination, retirement, disability, death, or an approved hardship is the deferred compensation available to an employee. Total employer matching payments for year ending June 30, 2018, were approximately \$14,000.

D. Other Postemployment 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, 2018, and no assets are accumulated in a trust as defined by GAAP.

Plan Membership

As of June 30, 2018, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit term:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	1
Active Members	<u>17</u>
Total Membership	<u><u>18</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 5 years of service, (2) attainment of age 55 and at least 25 years of service or attainment of at least 28 years of service.
- Hired on or after July 1, 2012 – Retirees must have attained age 60 and have at least eight years of service or satisfy the Rule of 90 requirement (age plus years of service credit equals 90).

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefit Plan (Continued)

Plan Benefits and Contributions (Continued)

Years of Service	Percentage of Premium	
	Employer Share	Employee Share
Less than 5	0%	100%
5-10	15%	85%
11-20	30%	70%
More than 20	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, 2018, the Town paid benefits of approximately \$10,000. 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 net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percentage of Pay; 30 Years - Open Basis
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	3.87%
Healthcare Cost Trend Rate	6.75% graded to 4.15% for 2032 and beyond
Payroll Growth	2.50% per year (2.25% inflation plus 0.25% real rate of wage increase)
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 3 years younger
Mortality Table	2016 Public Retirees of South Carolina Mortality Table

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

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

The Town's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2017	\$ 217,879	-	\$ 217,879
Changes for the year:			
Service Cost	11,726	-	11,726
Interest	7,413	-	7,413
Difference Between Expected/Actual Experience	64,946	-	64,946
Changes of Assumptions	(8,579)	-	(8,579)
Benefit Payments	(9,614)	-	(9,614)
Implicit Rate Subsidy Fulfillment	(2,650)	-	(2,650)
Net Changes	63,242	-	63,242
Balances as of June 30, 2018	<u>\$ 281,121</u>	<u>-</u>	<u>\$ 281,121</u>

The changes of assumptions above is a result of the Town increasing the discount rate from 3.50 percent to 3.87 percent for the year ended June 30, 2018.

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

For the year ended June 30, 2018, the Town recognized OPEB expense of approximately \$26,000. At June 30, 2018, 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	\$ 57,438	\$ -
Changes of Assumptions	-	7,587
Total	<u>\$ 57,438</u>	<u>\$ 7,587</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefit Plan (Continued)

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

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 Ended June 30,	Total
2019	\$ 6,516
2020	6,516
2021	6,516
2022	6,516
2023	6,516
Thereafter	17,271
Total	<u>\$ 49,851</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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 increased the discount rate from 3.50 percent to 3.87 percent for the year ended June 30, 2018.

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

The following table presents the sensitivity of the Town’s net OPEB liability to changes in the discount rate, calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.87%) or 1% point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB Liability	\$ 304,866	281,121	\$ 259,180

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (5.75% decreasing to 3.15%)	Current Healthcare Cost Trend Rate (6.75% decreasing to 4.15%)	1% Increase (7.75% decreasing to 5.15%)
Net OPEB Liability	\$ 252,303	281,121	\$ 314,941

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Required Supplementary Information



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Building Permits	\$ 1,157,900	1,157,900	1,337,513	\$ 179,613
Business Licenses	2,200,000	2,200,000	2,502,770	302,770
SC Aid to Subdivisions	35,000	35,000	36,724	1,724
Franchise Fee Revenue	802,908	802,908	793,197	(9,711)
Local Option Sales Tax	534,100	534,100	548,248	14,148
Fines and Forfeitures	15,000	15,000	71,355	56,355
Interest	25,000	25,000	91,408	66,408
Miscellaneous	35,000	35,000	40,322	5,322
Environmental Service Fees	375,000	375,000	356,420	(18,580)
Accommodations Taxes - State	140,000	140,000	105,395	(34,605)
Federal Revenue	-	-	42,072	42,072
TOTAL REVENUES	5,319,908	5,319,908	5,925,424	605,516
EXPENDITURES				
Current:				
General Government	3,707,148	3,707,148	3,839,105	(131,957)
Judicial	20,689	20,689	20,616	73
Public Safety	651,127	651,127	665,533	(14,406)
Tourism and Recreation	303,053	303,053	315,351	(12,298)
Capital Outlay	311,500	311,500	272,906	38,594
TOTAL EXPENDITURES	4,993,517	4,993,517	5,113,511	(119,994)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	326,391	326,391	811,913	485,522
OTHER FINANCING SOURCES (USES)				
Transfers In	898,979	898,979	1,040,008	141,029
Transfers Out	(726,617)	(726,617)	(726,617)	-
TOTAL OTHER FINANCING SOURCES (USES)	172,362	172,362	313,391	141,029
NET CHANGES IN FUND BALANCES	498,753	498,753	1,125,304	626,551
FUND BALANCES, Beginning of Year	6,912,768	6,912,768	6,912,768	-
FUND BALANCES, End of Year	\$ 7,411,521	7,411,521	8,038,072	\$ 626,551

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

Note: The Town's original and final budget reflected the increase of appropriated fund balance of \$498,753.

Note: The General Fund had expenditures exceeding final appropriations of \$119,994 that were covered by revenues exceeding appropriations by \$605,516. These expenditures were approved by Town Council.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ -	-	8,205	\$ 8,205
Accommodations Tax - State	1,632,000	1,632,000	1,527,502	(104,498)
TOTAL REVENUES	1,632,000	1,632,000	1,535,707	(96,293)
EXPENDITURES				
Purchased Services:				
Advertising/Promotional	1,024,600	1,024,600	997,369	27,231
TOTAL EXPENDITURES	1,024,600	1,024,600	997,369	27,231
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	607,400	607,400	538,338	(69,062)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(613,000)	(613,000)	(613,000)	-
NET CHANGES IN FUND BALANCES	(5,600)	(5,600)	(74,662)	(69,062)
FUND BALANCE, Beginning of Year	175,125	175,125	175,125	-
FUND BALANCES, End of Year	\$ 169,525	169,525	100,463	\$ (69,062)

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

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$5,600.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 5,000	5,000	20,601	\$ 15,601
Accommodations Tax - County	422,000	422,000	422,000	-
TOTAL REVENUES	427,000	427,000	442,601	15,601
EXPENDITURES				
Supplies:				
Energy	4,000	4,000	5,835	(1,835)
General	7,000	7,000	5,816	1,184
Purchased Services:				
Administrative	299,165	299,165	299,163	2
Administrative	686	686	686	-
Communications	7,500	7,500	7,500	-
Cleaning/Debris Removal	30,250	30,250	27,435	2,815
Kiawah Island Conservancy	77,000	77,000	77,000	-
Aerial Photography	30,000	30,000	29,900	100
Environmental Research	45,000	45,000	37,063	7,937
Educational Programs	35,000	35,000	24,590	10,410
Maintenance	106,000	106,000	83,234	22,766
Water and Sewer	4,375	4,375	2,783	1,592
TOTAL EXPENDITURES	645,976	645,976	601,005	44,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(218,976)	(218,976)	(158,404)	60,572
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	190,000	190,000	48,971	(141,029)
NET CHANGES IN FUND BALANCES	(28,976)	(28,976)	(109,433)	(80,457)
FUND BALANCE, Beginning of Year	1,436,525	1,436,525	1,436,525	-
FUND BALANCES, End of Year	\$ 1,407,549	1,407,549	1,327,092	\$ (80,457)

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

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$28,976.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 5,000	5,000	41,202	\$ 36,202
Accommodations Tax - Local	988,000	988,000	953,452	(34,548)
TOTAL REVENUES	993,000	993,000	994,654	1,654
EXPENDITURES				
General Supplies	7,000	7,000	5,601	1,399
Purchased Services:				
Professional Services	7,000	7,000	-	7,000
Cleaning/Debris Removal	42,000	42,000	38,254	3,746
TOTAL EXPENDITURES	56,000	56,000	43,855	12,145
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	937,000	937,000	950,799	13,799
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(653,979)	(653,979)	(653,979)	-
NET CHANGES IN FUND BALANCES	283,021	283,021	296,820	13,799
FUND BALANCE, Beginning of Year	3,792,116	3,792,116	3,792,116	-
FUND BALANCES, End of Year	\$ 4,075,137	4,075,137	4,088,936	\$ 13,799

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Beverage Permit Revenue	\$ 45,000	45,000	42,100	\$ (2,900)
TOTAL REVENUES	45,000	45,000	42,100	(2,900)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(50,000)	(50,000)	(50,000)	-
NET CHANGES IN FUND BALANCES	(5,000)	(5,000)	(7,900)	(2,900)
FUND BALANCE, Beginning of Year	43,074	43,074	43,074	-
FUND BALANCES, End of Year	\$ 38,074	38,074	35,174	\$ (2,900)

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

Note: The Town's original and final budget reflected the use of appropriated fund balance of \$5,000.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Interest	\$ 5,000	5,000	30,512	\$ 25,512
Hospitality Tax	566,000	566,000	560,182	(5,818)
TOTAL REVENUES	571,000	571,000	590,694	19,694
EXPENDITURES				
Supplies:				
Energy	3,000	3,000	2,907	93
Purchased Services:				
Maintenance	148,000	148,000	169,354	(21,354)
Water and Sewer	68,750	68,750	48,149	20,601
TOTAL EXPENDITURES	219,750	219,750	220,410	(660)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	351,250	351,250	370,284	19,034
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(122,000)	(122,000)	(122,000)	-
NET CHANGES IN FUND BALANCES	229,250	229,250	248,284	19,034
FUND BALANCE, Beginning of Year	2,670,466	2,670,466	2,670,466	-
FUND BALANCES, End of Year	\$ 2,899,716	2,899,716	2,918,750	\$ 19,034

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

Note: Expenditures exceeded final appropriations by \$660 and were covered by revenues exceeding appropriations by \$19,694.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Victims' Assistance Fines and Forfeitures	\$ 3,000	3,000	18,688	\$ 15,688
TOTAL REVENUES ALL SOURCES	3,000	3,000	18,688	15,688
EXPENDITURES				
Judicial:				
Purchased Services:				
Professional Services	3,000	3,000	18,688	(15,688)
TOTAL EXPENDITURES	3,000	3,000	18,688	(15,688)
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCE, Beginning of Year	21,150	21,150	21,150	-
FUND BALANCES, End of Year	\$ 21,150	21,150	21,150	\$ -

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

Note: Expenditures exceeded final appropriations by \$15,688 and were covered by revenues exceeding appropriations by \$15,688.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Town of Kiawah Island's Proportion of the Net Pension Liability	0.01565%	0.01310%	0.01407%	0.01174%	0.01174%
Town of Kiawah Island's Proportionate Share of the Net Pension Liability	\$ 3,522,391	2,797,286	2,668,443	2,021,411	\$ 2,105,917
Town of Kiawah Island's Covered Payroll	\$ 1,578,737	1,259,731	1,328,143	1,069,095	\$ 842,824
Town of Kiawah Island's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	223.11%	222.05%	200.92%	189.08%	249.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.338%	52.906%	56.992%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only five years of data were available; thus, only five years were presented. The discount rate was lowered from 7.5% to 7.25% for the year ended June 30, 2018.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 193,865	182,502	139,326	144,768	\$ 112,992
Contributions in Relation to the Contractually Required Contribution	193,865	182,502	139,326	144,768	112,992
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Town of Kiawah Island's Covered Payroll	\$ 1,429,682	1,578,737	1,259,731	1,328,143	\$ 1,069,095
Contributions as a Percentage of Covered Payroll	13.56%	11.56%	11.06%	10.90%	10.57%

Notes to Schedule:

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF KIAWAH ISLAND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM**

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Town of Kiawah Island's Proportion of the Net Pension Liability	0.00530%	0.00659%	0.00638%	0.00668%	0.00668%
Town of Kiawah Island's Proportionate Share of the Net Pension Liability	\$ 145,115	167,078	138,943	127,845	\$ 138,433
Town of Kiawah Island's Covered Payroll	\$ 71,327	82,527	70,078	77,187	\$ 41,113
Town of Kiawah Island's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.45%	202.45%	198.27%	165.63%	336.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.94%	60.44%	64.57%	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only five years of data were available; thus, only five years were presented. The discount rate was lowered from 7.5% to 7.25% for the year ended June 30, 2018.

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 12,586	10,157	11,339	9,397	\$ 10,314
Contributions in Relation to the Contractually Required Contribution	12,586	10,157	11,339	9,397	10,314
Contribution Deficiency (Excess)	\$ -	-	-	-	\$ -
Town of Kiawah Island's Covered Payroll	\$ 77,500	71,327	82,527	70,078	\$ 77,187
Contributions as a Percentage of Covered Payroll	16.24%	14.24%	13.74%	13.41%	13.36%

Notes to Schedule:

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

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS

LAST FISCAL YEAR

	Year Ended June 30, 2018
Total OPEB Liability:	
Service Cost	\$ 11,726
Interest	7,413
Differences Between Expected and Actual Experience	64,946
Changes of Assumptions	(8,579)
Benefit Payments, Including Refunds of Member Contributions	(9,614)
Implicit Rate Subsidy Fulfillment	(2,650)
Net Change in Total OPEB Liability	<u>63,242</u>
Total OPEB Liability - Beginning of Year	<u>217,879</u>
Total OPEB Liability - End of Year (a)	<u>\$ 281,121</u>
Covered-Employee Payroll	\$ 1,087,930
Total OPEB Liability as a Percentage of Covered-Employee Payroll	25.84%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the fiscal year shown.

The Town adopted GASB #75 during the year ended June 30, 2018. Information is not available for prior years.

Significant Changes of Assumptions: Discount rate was increased from 3.50% to 3.87% from 2017 to 2018.

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Supplementary Information



TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Building Permits	\$ 1,157,900	1,157,900	1,337,513	\$ 179,613
Business Licenses	2,200,000	2,200,000	2,502,770	302,770
SC Aid to Subdivisions	35,000	35,000	36,724	1,724
Franchise Fee Revenue	802,908	802,908	793,197	(9,711)
Local Option Sales Tax	534,100	534,100	548,248	14,148
Fines and Forfeitures	15,000	15,000	71,355	56,355
Interest	25,000	25,000	91,408	66,408
Miscellaneous	35,000	35,000	40,322	5,322
Environmental Service Fees	375,000	375,000	356,420	(18,580)
Accommodations Taxes - State	140,000	140,000	105,395	(34,605)
Federal Revenue	-	-	42,072	42,072
TOTAL REVENUES	5,319,908	5,319,908	5,925,424	605,516
EXPENDITURES				
Salaries	1,620,898	1,620,898	1,600,645	20,253
Other Employee Benefits	182,475	182,475	153,251	29,224
Health Insurance	170,826	170,826	169,653	1,173
Retirement	235,620	235,620	222,138	13,482
Supplies:				
Energy	25,000	25,000	34,980	(9,980)
General	82,460	82,460	82,985	(525)
Minor Assets	19,500	19,500	6,189	13,311
Purchased Services:				
Administrative	146,247	146,247	150,922	(4,675)
Advertising/Promotional	6,200	6,200	3,576	2,624
Communications	43,995	43,995	44,524	(529)
Cleaning/Debris Removal	890,000	890,000	921,635	(31,635)
Printing	23,000	23,000	23,294	(294)
Liability Insurance	85,352	85,352	102,917	(17,565)
Professional	280,800	280,800	277,461	3,339
Maintenance	204,224	204,224	216,159	(11,935)
Water & Sewer	8,675	8,675	8,675	-
Travel	63,265	63,265	31,913	31,352
Rentals	69,392	69,392	53,034	16,358
Tourism and Recreation	303,053	303,053	315,351	(12,298)
Contingency	50,000	50,000	145,789	(95,789)
Contributions	167,000	167,000	161,058	5,942
Other Miscellaneous Expenditures	4,035	4,035	1,885	2,150
Storm Cleanup Costs	-	-	112,571	(112,571)
Capital Outlay	311,500	311,500	272,906	38,594
TOTAL EXPENDITURES	4,993,517	4,993,517	5,113,511	(119,994)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 326,391	326,391	811,913	\$ 485,522

(Continued)

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 898,979	898,979	1,040,008	\$ 141,029
Transfers Out	(726,617)	(726,617)	(726,617)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>172,362</u>	<u>172,362</u>	<u>313,391</u>	<u>141,029</u>
NET CHANGES IN FUND BALANCES	498,753	498,753	1,125,304	626,551
FUND BALANCES, Beginning of Year	<u>6,912,768</u>	<u>6,912,768</u>	<u>6,912,768</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 7,411,521</u>	<u>7,411,521</u>	<u>8,038,072</u>	<u>\$ 626,551</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL - CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Interest	\$ -	-	18,327	\$ 18,327
TOTAL REVENUES	-	-	18,327	18,327
EXPENDITURES				
Debt Service:				
Principal	333,000	333,000	333,000	-
Interest and Other Fiscal Charges	37,969	37,969	37,969	-
Capital Outlay	355,648	355,648	444,239	(88,591)
TOTAL EXPENDITURES	726,617	726,617	815,208	(88,591)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(726,617)	(726,617)	(796,881)	(70,264)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,076,617	1,076,617	1,076,617	-
Sale of Capital Assets	-	-	39	39
TOTAL OTHER FINANCING SOURCES (USES)	1,076,617	1,076,617	1,076,656	39
NET CHANGES IN FUND BALANCES	350,000	350,000	279,775	(70,225)
FUND BALANCES, Beginning of Year	1,572,645	1,572,645	1,572,645	-
FUND BALANCES, End of Year	\$ 1,922,645	1,922,645	1,852,420	\$ (70,225)

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	2018	2017	VARIANCE
REVENUES			
Building Permits	\$ 1,337,513	1,246,429	\$ 91,084
Business Licenses	2,502,770	2,290,018	212,752
Lease Revenue	-	21,858	(21,858)
SC Aid to Subdivisions	36,724	37,235	(511)
Franchise Fee Revenue	793,197	755,815	37,382
Local Option Sales Tax	548,248	530,338	17,910
Fines and Forfeitures	71,355	14,738	56,617
Interest	91,408	27,524	63,884
Miscellaneous	40,322	48,310	(7,988)
Environmental Service Fees	356,420	362,710	(6,290)
Accommodations Taxes - State	105,395	106,954	(1,559)
Federal Revenue	42,072	119,541	(77,469)
TOTAL REVENUES	5,925,424	5,561,470	363,954
EXPENDITURES			
Salaries	1,600,645	1,582,384	18,261
Other Employee Benefits	153,251	157,378	(4,127)
Health Insurance	169,653	167,025	2,628
Retirement	222,138	206,845	15,293
Supplies:			
Energy	34,980	8,511	26,469
General	82,985	78,224	4,761
Minor Assets	6,189	(3,465)	9,654
Purchased Services:			
Administrative	150,922	76,758	74,164
Advertising/Promotional	3,576	7,512	(3,936)
Communications	44,524	47,601	(3,077)
Cleaning/Debris Removal	921,635	885,483	36,152
Printing	23,294	3,826	19,468
Liability Insurance	102,917	70,294	32,623
Professional	277,461	255,862	21,599
Maintenance	216,159	204,934	11,225
Water & Sewer	8,675	2,749	5,926
Travel	31,913	41,439	(9,526)
Rentals	53,034	136,973	(83,939)
Tourism and Recreation	315,351	317,929	(2,578)
Contingency	145,789	11,445	134,344
Contributions	161,058	146,370	14,688
Other Miscellaneous Expenditures	1,885	2,239	(354)
Storm Cleanup Costs	112,571	627,347	(514,776)
Capital Outlay	272,906	237,770	35,136
TOTAL EXPENDITURES	5,113,511	5,273,433	(159,922)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 811,913	288,037	\$ 523,876

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
STATE ACCOMMODATIONS TAX FUND

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 8,205	-	\$ (8,205)
Accommodations Taxes - State	1,527,502	1,557,132	29,630
TOTAL REVENUES	<u>1,535,707</u>	<u>1,557,132</u>	<u>21,425</u>
EXPENDITURES			
Purchased Services:			
Advertising/Promotional	997,369	945,726	51,643
TOTAL EXPENDITURES	<u>997,369</u>	<u>945,726</u>	<u>51,643</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 538,338</u>	<u>611,406</u>	<u>\$ 73,068</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 20,601	4,246	\$ (16,355)
Accommodations Taxes - County	422,000	477,000	55,000
Other Miscellaneous Revenues	-	3,883	3,883
TOTAL REVENUES	<u>442,601</u>	<u>485,129</u>	<u>42,528</u>
EXPENDITURES			
Supplies:			
Energy	5,835	4,994	841
General	5,816	2,529	3,287
Purchased Services:			
Beach Patrol Costs	299,163	269,859	29,304
Administrative	686	-	686
Communications	7,500	-	7,500
Cleaning/Debris Removal	27,435	48,345	(20,910)
Kiawah Island Conservancy	77,000	58,000	19,000
Aerial Photography	29,900	-	29,900
Environmental Research	37,063	45,452	(8,389)
Educational Programs	24,590	17,500	7,090
Maintenance	83,234	69,437	13,797
Water and Sewer	2,783	2,749	34
TOTAL EXPENDITURES	<u>601,005</u>	<u>518,865</u>	<u>82,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (158,404)</u>	<u>(33,736)</u>	<u>\$ 124,668</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
LOCAL ACCOMMODATIONS TAX FUND

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 41,202	8,504	\$ (32,698)
Accommodations Taxes - Local	953,452	1,088,825	135,373
Other Miscellaneous Revenues	-	827	827
TOTAL REVENUES	<u>994,654</u>	<u>1,098,156</u>	<u>103,502</u>
EXPENDITURES			
Supplies	5,601	-	5,601
Purchased Services:			
Professional Services	-	30,000	(30,000)
Cleaning/Debris Removal	38,254	-	38,254
TOTAL EXPENDITURES	<u>43,855</u>	<u>30,000</u>	<u>13,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 950,799</u>	<u>1,068,156</u>	<u>\$ 117,357</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Beverage Permit Revenue	\$ 42,100	42,000	\$ (100)
TOTAL REVENUES	<u>42,100</u>	<u>42,000</u>	<u>(100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 42,100</u>	<u>42,000</u>	<u>\$ (100)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 30,512	5,678	\$ (24,834)
Hospitality Tax	560,182	518,632	(41,550)
TOTAL REVENUES	<u>590,694</u>	<u>524,310</u>	<u>(66,384)</u>
EXPENDITURES			
Supplies:			
Energy	2,907	4,739	(1,832)
Purchased Services:			
Maintenance	169,354	145,337	24,017
Water and Sewer	48,149	80,730	(32,581)
TOTAL EXPENDITURES	<u>220,410</u>	<u>230,806</u>	<u>(10,396)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 370,284</u>	<u>293,504</u>	<u>\$ (76,780)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
VICTIMS' ASSISTANCE FUND

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Victims' Assistance Fines and Forfeitures	\$ 18,688	2,857	\$ (15,831)
TOTAL REVENUES	<u>18,688</u>	<u>2,857</u>	<u>(15,831)</u>
EXPENDITURES			
Judicial:			
Purchased Services:			
Professional Services	18,688	4,324	14,364
TOTAL EXPENDITURES	<u>18,688</u>	<u>4,324</u>	<u>14,364</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(1,467)</u>	<u>\$ (1,467)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES
CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>VARIANCE</u>
REVENUES			
Interest	\$ 18,327	-	\$ (18,327)
TOTAL REVENUES	<u>18,327</u>	<u>-</u>	<u>(18,327)</u>
EXPENDITURES			
Purchased Services:			
Closing Costs	-	35,643	(35,643.00)
Capital Outlay	444,239	6,947,169	(6,502,930)
Debt Service:			
Principal	333,000	-	333,000
Interest and Other Fiscal Charges	37,969	41,147	(3,178)
TOTAL EXPENDITURES	<u>815,208</u>	<u>7,023,959</u>	<u>(6,208,751)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (796,881)</u>	<u>(7,023,959)</u>	<u>\$ (6,227,078)</u>

TOWN OF KIAWAH ISLAND, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2018

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED	General	Magistrate	Municipal	Total
Court Fines and Assessments:				
Court fines and assessments collected	\$ -	-	150,434	\$ 150,434
Court fines and assessments remitted to State Treasurer	-	-	(79,079)	(79,079)
Total Court Fines and Assessments retained	-	-	71,355	71,355
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	-	-	10,146	10,146
Assessments retained	-	-	8,542	8,542
Total Surcharges and Assessments retained for victim services	\$ -	-	18,688	\$ 18,688

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 21,150	-	\$ 21,150
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	8,542	-	8,542
Victim Service Surcharges Retained by City/County Treasurer	10,146	-	10,146
Interest Earned	-	-	-
Grant Funds Received			
Grant from:	-	-	-
General Funds Transferred to Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 39,838	-	\$ 39,838
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ -	-	\$ -
Operating Expenditures	-	-	-
Victim Service Contract(s):			
(1) S.C. Ninth Circuit Judicial Services	18,688	-	18,688
(2) Entity's Name	-	-	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	18,688	-	-
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	21,150	-	21,150
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds – End of Year	\$ 21,150	-	\$ 21,150

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**Statistical Section
(Unaudited)**



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Financial Trends Information

Narrative

The financial trends information section of the Comprehensive Annual Financial Report for the year ended June 30, 2018 for the Town of Kiawah Island, South Carolina is comprised of four schedules. The schedules are:

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

Financial Trends Information

Net Position by Component, Last Ten Fiscal Years

Town of Kiawah Island Schedule 1

(Prepared using the accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 5,898,135	8,283,790	7,953,918	7,873,960	7,646,108	7,403,382	9,135,027	10,278,569	11,320,757	\$ 11,733,871
Restricted	6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,988,779	9,046,099	8,138,456	8,491,565
Unrestricted	7,888,160	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	6,420,131	5,550,418	6,116,525	7,029,886
Total governmental activities net position	20,134,485	21,773,977	22,422,471	22,829,834	23,176,541	24,822,195	23,543,937	24,875,086	25,575,738	\$ 27,255,322
Business-type Activities:										
Unrestricted	\$ 102,884	-	-	-	-	-	-	-	-	\$ -
Total business-type activities net position	\$ 102,884	-	-	-	-	-	-	-	-	\$ -
Primary Government:										
Net Investment in Capital Assets	\$ 5,898,135	8,283,790	7,953,918	7,873,960	7,646,108	7,403,382	9,135,027	10,278,569	11,320,757	\$ 11,733,871
Restricted	6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,988,779	9,046,099	8,138,456	8,491,565
Unrestricted	7,991,044	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	6,420,131	5,550,418	6,116,525	7,029,886
Total primary government net position	\$ 20,237,369	21,773,977	22,422,471	22,829,834	23,176,541	24,822,195	23,543,937	24,875,086	25,575,738	\$ 27,255,322

Financial Trends Information

Changes in Net Position - Last Ten Fiscal Years

Town of Kiawah Island Schedule 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Government activities:										
General government - (3)	\$ 1,893,588	1,597,727	1,866,909	2,049,514	2,052,957	2,685,958	3,289,126	3,376,047	5,498,034	\$ 4,485,727
Judicial	6,395	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831	39,539
Public safety	92,167	74,624	96,529	78,583	83,124	123,575	192,325	747,401	693,444	774,770
Environmental services - (3)	-	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-
Tourism and recreation	1,466,819	1,269,734	1,759,356	2,023,584	2,278,884	2,067,716	3,085,648	2,386,979	2,277,351	2,413,088
Interest and Other Charges	-	-	-	-	-	-	-	-	51,032	36,872
Total governmental activities expenses	3,458,969	3,839,112	4,722,025	5,271,541	5,268,326	5,643,493	7,488,893	7,332,803	8,543,692	7,749,996
Business-type activities:										
Solid waste (enterprise)	816,968	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	816,968	-	-	-	-	-	-	-	-	-
Total primary government expenses	\$ 4,275,937	3,839,112	4,722,025	5,271,541	5,268,326	5,643,493	7,488,893	7,332,803	8,543,692	\$ 7,749,996
Program Revenues										
Government activities:										
Charges for services:										
General government - (3)	\$ 1,845,126	1,722,676	1,639,614	1,737,421	1,790,186	2,810,519	3,117,157	3,173,464	3,899,157	\$ 4,196,703
Judicial	9,727	12,780	17,992	12,339	17,426	14,126	35,206	10,914	17,595	90,043
Environmental services - (3)	-	233,043	349,831	339,014	333,543	321,686	272,611	357,877	-	-
Tourism and recreation - (1)	1,849,228	1,567,821	1,878,064	2,076,645	2,387,382	2,499,681	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	119,541	42,072
Total governmental activities revenues	3,704,081	3,536,320	3,885,501	4,165,419	4,528,537	5,646,012	3,424,974	3,542,255	4,036,293	4,328,818
Business-type activities:										
Charges for services:										
Solid Waste	258,378	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	258,378	-	-	-	-	-	-	-	-	-
Total primary government revenues	\$ 3,962,459	3,536,320	3,885,501	4,165,419	4,528,537	5,646,012	3,424,974	3,542,255	4,036,293	\$ 4,328,818
Net (Expense) / Revenue										
Government activities	\$ 245,112	(302,792)	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	(4,507,399)	\$ (3,421,178)
Business-type activities	(558,590)	-	-	-	-	-	-	-	-	-
Total primary government net expense	\$ (313,478)	(302,792)	(836,524)	(1,106,122)	(739,789)	2,519	(4,063,919)	(3,790,548)	(4,507,399)	\$ (3,421,178)

(Continued)

Financial Trends Information

Changes in Net Position - Last Ten Fiscal Years

Town of Kiawah Island Schedule 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position										
Government activities:										
SC aid to subdivisions	\$ 36,226	30,381	29,369	29,731	35,079	36,915	35,590	35,590	37,235	\$ 36,724
Franchise fee revenue	312,611	402,825	432,781	447,449	544,695	540,321	747,873	747,873	755,815	793,197
Local options sales tax	289,973	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248
Interest - (2)	309,086	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255
Hospitality tax	255,009	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182
Accommodations tax - (1)	-	-	-	-	-	-	2,724,872	2,929,710	3,229,911	3,008,349
Lease revenue	-	-	-	-	-	-	72,600	72,600	21,858	-
Beverage permits - (1)	-	-	-	-	-	-	30,000	36,000	42,000	42,100
Contributions and grants	36,315	300,000	265,637	116,044	3,535	-	-	-	-	-
Miscellaneous	13,791	8,730	15,115	26,606	40,762	8,179	197,555	132,801	26,310	119,586
Gain on sale of assets	-	-	-	18,600	11,000	-	-	11,000	-	-
Transfers	(500,000)	-	-	-	-	-	-	-	-	-
Total governmental activities	753,011	1,839,400	1,469,919	1,513,485	1,086,496	1,643,135	4,906,706	5,121,697	5,208,051	5,318,641
Business-type activities:										
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16	-	-	-	-	-	-	-	-	-
Transfers	500,000	-	-	-	-	-	-	-	-	-
Total business-type activities	500,016	-	-	-	-	-	-	-	-	-
Total primary government	\$ 1,253,027	1,839,400	1,469,919	1,513,485	1,086,496	1,643,135	4,906,706	5,121,697	5,208,051	\$ 5,318,641
Change in Net Position										
Governmental activities	\$ 998,123	1,536,608	633,395	407,363	346,707	1,645,654	842,787	1,331,149	700,652	\$ 1,897,463
Business-type activities	(58,574)	-	-	-	-	-	-	-	-	-
Total primary government	\$ 939,549	1,536,608	633,395	407,363	346,707	1,645,654	842,787	1,331,149	700,652	\$ 1,897,463

Notes:

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

Financial Trends Information

Fund Balances, Governmental Funds, Last Ten Fiscal Years

Town of Kiawah Island Schedule 3

(Prepared using the modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable for Prepaid Items	\$ 53,612	46,468	48,200	70,413	55,062	130,041	958	49,147	\$ 107,538	\$ 114,752
Restricted for Tourism Related Capital Improvements - (1)	-	-	-	-	-	-	777,645	-	-	-
Assigned for Budget Carryovers for Future Years' Expenditures	-	-	-	-	-	-	-	602,653	-	-
Assigned for Future Years' Expenditures	-	-	-	-	-	-	-	1,742,296	-	-
Unassigned	7,834,548	8,578,074	8,932,721	8,929,497	9,078,755	9,855,854	8,477,442	5,357,910	6,805,230	7,923,320
Total General Fund	\$ 7,888,160	8,624,542	8,980,921	8,999,910	9,133,817	9,985,895	9,256,045	7,752,006	\$ 6,912,768	\$ 8,038,072
All Other Governmental Funds										
Restricted for:										
Victims Assistance	\$ -	-	12,129	11,864	15,317	16,055	21,901	22,617	\$ 21,150	\$ 21,150
Tourism Related Capital Improvements - (1)	-	-	-	-	-	344,698	-	1,222,645	-	-
Tourism Related Expenditures	6,348,190	4,865,645	5,475,503	5,944,100	6,381,299	7,072,165	7,189,233	7,800,837	8,117,306	8,470,415
Committed for:										
Capital Improvements	-	-	-	-	-	-	-	-	1,572,645	1,852,420
Total all governmental funds	\$ 6,348,190	4,865,645	5,487,632	5,955,964	6,396,616	7,432,918	7,211,134	9,046,099	\$ 9,711,101	\$ 10,343,985
	\$14,236,350	13,490,187	14,468,553	14,955,874	15,530,433	17,418,813	\$16,467,179	16,798,105	\$16,623,869	\$ 18,382,057

Notes:

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

Financial Trends Information

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

Town of Kiawah Island Schedule 4

(Prepared using the modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Building permits	\$ 30,251	28,168	27,768	38,310	35,974	823,214	1,069,063	990,258	1,246,429	\$ 1,337,513
Business Licenses	1,718,275	1,597,908	1,515,246	1,602,511	1,657,812	1,920,755	2,048,093	2,183,207	2,290,018	2,502,770
Lease Revenue	72,600	72,600	72,600	72,600	72,400	66,550	72,600	72,600	21,858	-
SC aid to subdivision	36,226	30,381	29,369	29,731	35,079	36,915	35,590	37,235	37,235	36,724
Franchise fee revenue	312,611	402,825	432,781	447,449	544,695	540,321	662,823	747,873	755,815	793,197
Beverage permit revenue	24,000	24,000	24,000	24,000	24,000	27,900	30,000	36,000	42,000	42,100
Local option sales tax	289,973	291,961	291,513	363,092	362,654	357,575	430,527	501,770	530,338	548,248
Fines and Forfeitures	9,727	12,780	17,992	12,339	17,426	14,126	35,207	10,913	17,595	90,043
Interest - (1)	309,086	559,638	179,106	240,882	(220,047)	322,279	278,872	163,965	45,952	210,255
Contributions and grants	36,315	300,000	265,637	116,044	3,535	-	-	-	-	-
Miscellaneous	13,791	8,730	15,115	26,606	40,762	8,179	136,210	120,454	53,020	40,322
Accommodations tax - state	1,058,856	937,695	1,039,783	1,143,911	1,343,031	1,344,377	1,410,368	1,576,964	1,664,086	1,632,897
Accommodations tax - county	226,630	102,261	240,629	267,679	299,411	323,596	439,500	450,622	477,000	422,000
Accommodations tax - local	563,742	527,865	597,652	665,055	744,940	803,808	875,004	902,124	1,088,825	953,452
Environmental service fee	-	233,043	349,831	339,014	333,543	321,686	272,611	357,877	362,710	356,420
Federal revenue	-	-	-	-	-	-	-	-	119,541	42,072
Hospitality tax	255,009	245,865	256,398	271,081	308,818	377,866	473,867	490,388	518,632	560,182
Total revenues	4,957,092	5,375,720	5,355,420	5,660,304	5,604,033	7,289,147	8,270,335	8,640,605	9,271,054	9,568,195
General government - (2)	1,618,348	1,338,514	1,732,462	1,916,588	1,913,402	2,540,362	3,106,370	3,145,721	4,200,915	3,839,105
Judicial	6,395	3,713	9,209	6,236	5,919	2,947	926	2,023	23,831	39,304
Public safety	92,167	74,624	96,529	78,583	83,124	123,575	192,416	732,014	665,838	665,533
Environmental service - (2)	-	893,314	990,022	1,113,624	847,442	763,297	920,868	820,353	-	-
Tourism and recreation	1,455,549	1,260,381	1,519,400	1,783,957	2,015,603	1,805,285	2,838,110	2,104,111	2,043,326	2,177,990
Capital outlay	314,725	2,654,221	44,531	292,595	174,984	165,301	2,163,279	1,516,457	7,052,056	717,145
Interest and Other Fiscal Charges	-	-	-	-	-	-	-	-	41,147	370,969
Total expenditures	3,487,184	6,224,767	4,392,153	5,191,583	5,040,474	5,400,767	9,221,969	8,320,679	14,027,113	7,810,046
Excess of revenues over (under) expenditures	1,469,908	(849,047)	963,267	468,721	563,559	1,888,380	(951,634)	319,926	(4,756,059)	1,758,149
Bonds issued	-	-	-	-	-	-	-	-	3,000,000	-
Proceeds from sale of assets	-	-	-	18,600	11,000	-	-	11,000	1,581,823	39
Transfers In	75,102	-	-	-	-	-	587,000	2,494,500	3,839,497	2,306,625
Transfers Out	(575,102)	-	-	-	-	-	(587,000)	(2,494,500)	(3,839,497)	(2,306,625)
Net change in fund balance	\$ 969,908	(849,047)	963,267	487,321	574,559	1,888,380	(951,634)	330,926	(174,236)	\$ 1,758,188

Notes:

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

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

Revenue Capacity

Narrative

The revenue capacity information section of the Comprehensive Annual Financial Reports for the year end June 30, 2018 for the Town of Kiawah Island, South Carolina is comprised of two schedules. The schedule are:

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

Revenue Capacity

Significant Revenue, Governmental Funds Last Ten Years

Town of Kiawah Island Schedule 1

(Prepared using the modified accrual basis of accounting)

General Fund

Fiscal Year Ended June 30,	Business License	Local Option Sales Tax	Franchise Fees	Building Permits	Total
2018	\$ 2,502,770	548,248	793,197	1,337,513	\$ 5,181,728
2017	2,290,018	530,338	755,815	1,246,429	4,822,600
2016	2,183,207	501,770	747,873	990,258	4,423,108
2015	2,048,093	430,527	662,823	1,069,063	4,210,506
2014	1,920,755	357,575	540,321	823,214	3,641,865
2013	1,657,812	362,654	544,695	35,974	2,601,135
2012	1,602,511	363,092	447,449	38,310	2,451,362
2011	1,515,246	291,513	432,781	27,768	2,267,308
2010	1,597,908	291,961	402,825	28,168	2,320,862
2009	\$ 1,718,275	289,973	312,611	30,251	\$ 2,351,110

Special Revenue Fund

Accommodations Taxes

Fiscal Year Ended June 30,	State	County	Local	Total
2018	\$ 1,632,897	422,000	953,452	\$ 3,008,349
2017	1,664,086	477,000	1,088,825	3,229,911
2016	1,576,964	450,622	902,124	2,929,710
2015	1,410,368	439,500	875,004	2,724,872
2014	1,344,104	323,596	803,808	2,471,508
2013	1,252,129	299,411	744,940	2,296,480
2012	1,062,965	267,679	665,055	1,995,699
2011	964,044	240,629	597,652	1,802,325
2010	867,060	102,261	527,865	1,497,186
2009	\$ 982,163	226,630	563,742	\$ 1,772,535

Revenue Capacity

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

Town of Kiawah Island Schedule 2

Class License Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Lessors of Real Estate	37.7%	33.0%	30.6%	26.1%	25.2%	31.5%	25.1%	29.4%	26.8%	29.1%
Construction	14.3%	16.6%	18.0%	21.0%	21.7%	20.5%	19.2%	18.1%	18.6%	19.2%
Landscaping	2.1%	2.4%	2.6%	3.7%	2.9%	3.3%	4.2%	3.9%	3.1%	2.9%
Plumbing / Heating/ AC	1.8%	2.2%	1.9%	2.1%	1.2%	2.0%	1.1%	1.0%	0.9%	1.1%
Painting	0.9%	1.1%	1.1%	1.6%	1.2%	1.5%	1.3%	1.1%	1.3%	1.2%
Carpentry	1.9%	2.3%	2.5%	2.3%	3.6%	3.0%	3.2%	3.1%	3.0%	2.5%
Electrical Contractors	0.6%	0.7%	0.7%	1.3%	0.8%	1.1%	1.9%	1.9%	2.1%	2.4%
Janitorial Services	0.4%	0.5%	0.2%	0.9%	0.3%	0.9%	0.7%	0.8%	0.6%	0.5%
Carpet / Upholstery	0.5%	0.4%	0.3%	0.5%	0.3%	0.4%	0.3%	0.3%	0.4%	0.5%
Masonry / Stone	0.3%	0.4%	0.2%	0.6%	0.1%	0.2%	0.5%	0.4%	0.4%	0.7%
Floor Laying	0.4%	0.4%	0.3%	0.6%	0.4%	0.7%	0.7%	0.8%	1.0%	1.9%
Architectural Services	1.2%	0.9%	0.6%	1.4%	0.9%	0.9%	1.5%	1.8%	2.1%	1.0%
Roofing / Siding	0.6%	0.6%	0.6%	1.1%	0.7%	0.5%	0.5%	0.5%	0.8%	0.9%
Interior Design Services	1.1%	0.9%	0.7%	1.2%	0.6%	1.6%	1.0%	1.1%	0.9%	0.2%
Exterminating / Pest Control	0.3%	0.3%	0.4%	0.6%	0.4%	0.5%	0.5%	0.4%	0.5%	0.0%
All other classes	36.2%	37.3%	39.3%	35.1%	39.9%	31.4%	38.3%	35.4%	37.5%	35.9%
	100.1%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue Capacity

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

Town of Kiawah Island Schedule 3

Class License Description	2016	2017	2018
Hotels	38%	40%	36%
Real Estate/Rental Management Companies	41%	45%	51%
Homes/Villas	21%	15%	13%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Debt Capacity

Narrative

The debt capacity information section of the Comprehensive Annual Financial Reports for the year end June 30, 2018 for the Town of Kiawah Island, South Carolina is comprised of two schedules. They are:

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

Debt Capacity

Ratio of Outstanding Debt by Type

Town of Kiawah Island Schedule 1

Fiscal Year	General Obligation Bonds	Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
2018	\$ 2,667,000	\$ 2,667,000	1.6%	\$ 1,728
2017	3,000,000	3,000,000	1.8%	1,694
2016	-	-	n/a	n/a
2015	-	-	n/a	n/a
2014	-	-	n/a	n/a
2013	-	-	n/a	n/a
2012	-	-	n/a	n/a
2011	-	-	n/a	n/a
2010	-	-	n/a	n/a
2009	\$ -	\$ -	n/a	n/a

Notes:

¹Personal income information obtained from the US Census Bureau.

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

Debt Capacity

Ratio of General Bonded Debt Outstanding

Town of Kiawah Island Schedule 2

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
2018	\$ 2,667,000	-	\$ 2,667,000	0.82%	\$ 1,728
2017	3,000,000	-	3,000,000	0.99%	1,694
2016	-	-	-	n/a	n/a
2015	-	-	-	n/a	n/a
2014	-	-	-	n/a	n/a
2013	-	-	-	n/a	n/a
2012	-	-	-	n/a	n/a
2011	-	-	-	n/a	n/a
2010	-	-	-	n/a	n/a
2009	-	-	-	n/a	n/a
2008	\$ -	-	\$ -	n/a	n/a

Notes:

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

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

Debt Capacity

Legal Debt Margin Information

Town of Kiawah Island Schedule 4

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24,276,473	\$ 25,904,913
Total Net Debt Applicable to Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,000,000	2,667,000
Legal Debt Margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21,276,473	23,237,913
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.36%	10.30%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$ 323,811,409
Total Assessed Value	<u>\$ 323,811,409</u>
Debt Limit (8% of Total Assessed Value)	\$ 25,904,913
Debt Applicable to Limit:	
General Obligation Bonds (Excluding Premiums)	2,667,000
Less: Amounts Issued Under Referendum	-
Total Net Debt Applicable to Limit	<u>2,667,000</u>
Legal Debt Margin	<u>\$ 23,237,913</u>

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

Demographic and Economic Information

Narrative

The demographic and economic information section of the Comprehensive Annual Financial Reports for the year end June 30, 2018 for the Town of Kiawah Island, South Carolina is comprised of six schedules and graphs. They are:

- Profile of General Demographic Characteristics: – This schedule and graph shows the population by age. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.
- Population by Race - This schedule and graph shows the population by race. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.
- Housing Occupancy - This schedule and graph shows the housing totals and their occupancy rates. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.
- Educational Attainment - This schedule and graph shows the rates for level of education. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.
- School Enrollment - This schedule and graph shows the school enrollment by age. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.
- Median Household Income - This schedule and graph shows the household income by age groups. These numbers are based on the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates.

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

Demographic and Economic Information

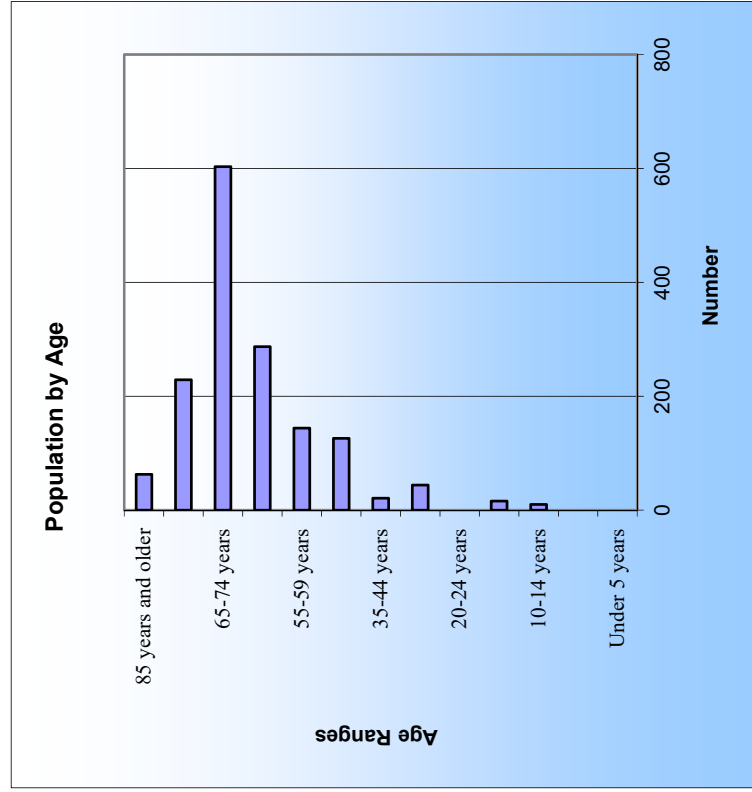
Town of Kiawah Island

21 Beachwalker Drive
Kiawah Island, SC 29455



Profile of General Demographic Characteristics:

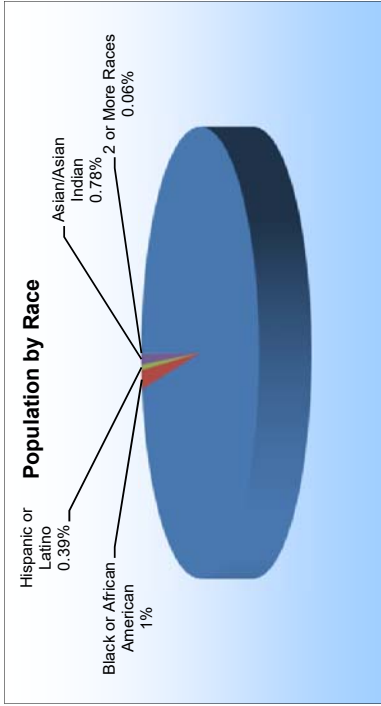
	Number	Percent
Population	1543	100
Sex and Age		
Male	776	50.3
Female	767	49.7
Under 5 years	0	-
5-9 years	0	-
10-14 years	10	0.6
15-19 years	16	1.0
20-24 years	0	-
25-34 years	44	2.9
35-44 years	21	1.4
45-54 years	126	8.2
55-59 years	144	9.3
60-64 years	287	18.6
65-74 years	603	39.1
75-84 years	229	14.8
85 years and older	63	4.1
Median age	68	(X)



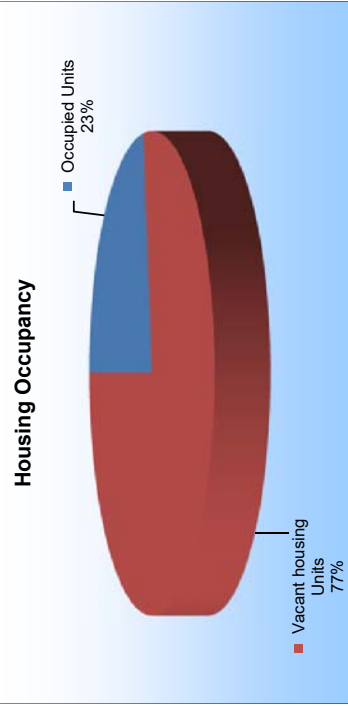
Demographic and Economic Information (Continued)

Profile of General Demographic Characteristics: (Continued)

Race	Number	Percent
White	1503	97.4
Black or African American	21	1.4
Hispanic or Latino	6	0.4
Asian/Asian Indian	12	0.8
2 or More Races	1	0.1

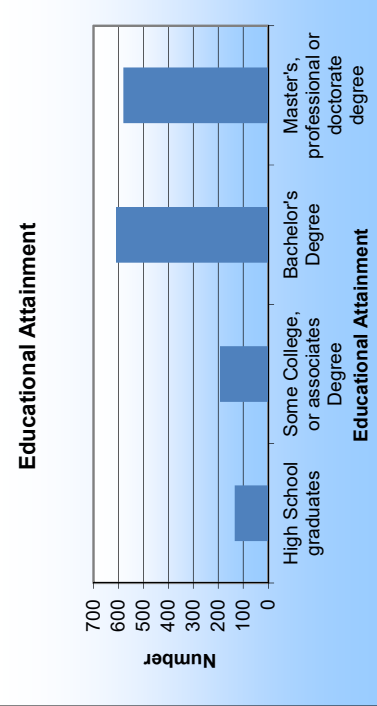


Housing Occupancy	Number	Percent
Total Housing Units	3502	100
Occupied Units	799	22.8
Vacant housing Units	2703	77.2
Seasonal Vacation Use	2333	66.6
Home owner vacancy rate (%)	5.6	(X)
Rental Vacancy rate (%)	50.3	(X)



Educational Attainment

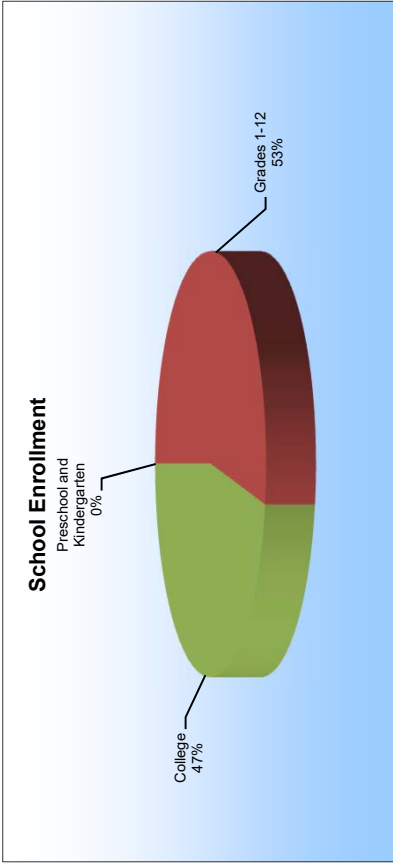
Educational Attainment	Number	Percent
Population 25 and older	1517	
High School graduates	134	8.8
Some College, or associates Degree	193	12.7
Bachelor's Degree	610	40.2
Master's, professional or doctorate degree	580	38.2



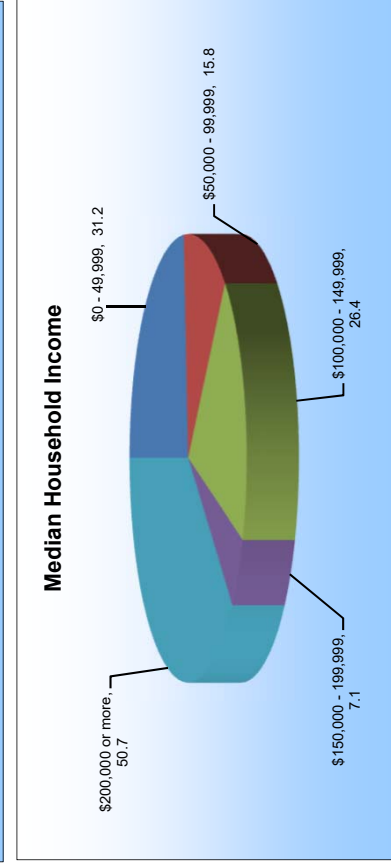
Demographic and Economic Information (Continued)

Profile of General Demographic Characteristics: (Continued)

School Enrollment		
	Number	Percent
Population 3 years and older	49	-
Preschool and Kindergarten	0	53.1
Grades 1-12	26	46.9
College	23	



Median Household Income in \$		
	Amount	Percent
Median Household income	137,250	
\$0 - 49,999	190	31.2
\$50,000 - 99,999	96	15.8
\$100,000 - 149,999	161	26.4
\$150,000 - 199,999	43	7.1
\$200,000 or more	309	50.7



Sources: 2012-2016 American Community Survey 5-Year Estimates per the U.S. Census Bureau

Operating Information

Narrative

The operating information section of the Comprehensive Annual Financial Reports for the year end June 30, 2018 for the Town of Kiawah Island, South Carolina is comprised of three schedules. They are:

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

Operating Information

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

Town of Kiawah Island Schedule 1

	Management	Finance	Administrative			Deputies	Solid Waste	Total
	Services		Services	Building	Other			
2018	1	3	3	7	3	46	0	63
2017	1	3	3	7	3	46	0	63
2016	1	3	3	4	3	58	0	72
2015	1	3	3	4	3	55	0	69
2014	1	3	2	4	2	40	0	52
2013	1	2	2	3	2	29	0	39
2012	1	2	2	2	2	29	0	38
2011	1	2	2	2	2	29	0	38
2010	1	2	2	2	2	29	0	38
2009	1	2	1	2	2	29	1	38

Notes:

Source: Town's Human Resource Office

Deputies are recorded at actual number of contractual staff.

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

Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

Town of Kiawah Island
Schedule 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function:										
Police										
Traffic tickets issued	115	171	239	123	126	165	254	154	165	51
Criminal issues	3	5	6	4	2	17	24	29	1	1
Solid Waste										
Waste by (tons)	3947	3819	2453	2354	2044	1995	1939	2098	2141	1700
Culture and recreation										
Recreation permits issued	7	3	3	4	3	26	6	3	3	12
Town sponsored events	23	39	31	32	33	34	39	37	38	35
Code Enforcement										
Tickets issued	54	96	226	90	181	79	104	28	85	541

Note: There was a decrease in traffic tickets issued and an increase in code enforcement tickets issued due to increased code enforcement efforts in 2018.
Source: Town of Kiawah Island

Operating Information

Capital Assets Statistics by Function Last Ten Fiscal Years

Town of Kiawah Island Schedule 3

Function:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Vehicles	2	2	2	2	3	4	4	4	7	7
Radios	13	13	13	13	13	13	31	34	34	34
Solid Waste										
Collection trucks	2	2	2	3	3	3	3	5	5	4
Contractors	2	2	2	1	1	1	1	1	1	1
Land and Building										
Municipal meeting rooms	3	3	3	3	3	3	3	3	3	4
Municipal center square footage	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	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	57	57	68	71	95

Note: The increase in Municipal center square footage is due to the Town moving into a new building early 2018.
Source: Town of Kiawah Island

Compliance Section



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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Kiawah Island, South Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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OPEN BY APPOINTMENT ONLY

Purpose of this Report

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 27, 2018