

MAYOR:
Bradley D. Belt

TOWN ADMINISTRATOR:
Stephanie Tillerson

TOWN ATTORNEY:
Stafford J. McQuillin III



MAYOR PRO TEMPORE:
Russell A. Berner

COUNCIL MEMBERS:
E. Luke Farrell
Madeleine Kaye
Lance Spencer

AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center
Council Conference Room
May 5, 2025; 1:00 pm

Agenda

- I. **Call to Order**
- II. **Roll Call:**
- III. **Approval of Minutes:**
 - A. Minutes of the Audit Committee meeting of April 7, 2025 [Tab 1]
- IV. **Presentation:**
 - A. M&J Governmental Advisory Group [Tab 2]
- V. **Old Business:**

None
- VI. **New Business:**
 - A. Internal Controls Assessment Discussion
 - B. Budget Report for the First Nine Months Ended 03/31/2025 [Tab 3]
- VII. **Chairman's Comments:**
- VIII. **Citizens' Comments:**
- IX. **Adjournment:**



TAB 1

AUDIT COMMITTEE

AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center

Council Conference Room

April 7, 2025; 1:00 pm

Minutes

I. **Call to Order:** *Chairman Farrell called the meeting to order at 11:00 am.*

II. **Roll Call:**

Present: Luke Farrell, Chairman
Peter Ashton
Paul Curth
William Donovan
John Wilson

Also Present: Dorota Szubert, *Finance Director*
Stephanie Tillerson, *Town Administrator*
Brad Belt, *Mayor*
Trey Scott, *Mauldin & Jenkins*

III. **Approval of Minutes:**

A. Minutes of the Audit Committee meeting of March 17, 2025

Chairman Farrell asked if there were any changes to the minutes of the March 17, 2025, Audit Committee meeting. No changes were noted, and the minutes were approved as presented.

IV. **Old Business:**

None

V. **New Business:**

A. Discussion of the Fiscal Year 2024 Audit Results

Ms. Szubert stated that she had shared last year's audit report and presentation made to the Audit Committee and the Town Council with the Committee Members and asked if there were any specific questions or if the group wanted to go through the entire presentation.

Mr. Curth and Mr. Scott discussed the lack of audit findings and management letter comments, indicating a clean financial statement audit.

Mr. Scott explained the audit process, focusing on risk assessments and key controls for significant classes of transactions, such as cash and disbursements.

B. Discussion of the Fiscal Year 2025 Extended Audit Scope

- **Quality of Work and Internal Controls**

Chairman Farrell suggested incorporating a quality of work document to ensure that all tasks are completed on time and to the required standard before payments are made.

Mr. Scott agreed to incorporate this into the audit process, emphasizing the need for proper authorization and documentation for disbursements.

The Committee Members discussed the need for better collaboration and documentation to avoid paying for incomplete work.

- **Contract Management and Internal Controls**

Mayor Belt and Committee Members discussed the ongoing issue of contract management and the need for better procedures to ensure milestones are met before payments are made.

Mr. Scott suggested incorporating additional testing for key controls and agreed-upon procedures to address these issues.

Mr. Curth and Mr. Ashton discussed the importance of clear documentation and the role of department heads in approving payments.

- **Review of Accounting Policies and Procedures**

Mr. Curth and Mr. Scott discussed the need for a review of the Town's accounting policies and procedures manual.

Mr. Scott mentioned the availability of governmental advisory services to provide operational assessments.

The Committee Members agreed to schedule a meeting with the governmental advisory team to discuss the scope of work of the internal controls assessment.

- **Cybersecurity and IT Management**

The Committee Members discussed the Town's current cybersecurity measures, including phishing tests and external IT support from IMS.

The Committee Member considered the need for additional cybersecurity assessments and penetration testing to ensure the security of the Town's IT systems.

Mr. Scott offers to provide more information on cybersecurity frameworks and potential next steps for the Town.

- **Human Resources and Ethics Policies**

Chairman Farrell suggests implementing an annual review of the Town's human resources policies, including a sign-off process for employees.

The Committee Members discussed the importance of clear policies and procedures to ensure compliance with legal and regulatory requirements.

Ms. Szubert and Ms. Tillerson discussed the need for a designated person to handle whistleblower reports and ensure confidentiality.

C. Fiscal Year 2026 Budget Draft Presentation

- **Budget and Capital Expenditures**

The Committee Members transitioned into a discussion on the Town's budget, focusing on the allocation of capital expenditures.

Mayor Belt explained the Town's unique financial situation, with significant reserves and limited capital assets.

The Committee Members considered the pros and cons of maintaining a separate capital budget versus integrating capital expenditures into the operating budget.

- **Surplus Revenue**

Mayor Belt stated that the Town's revenue sources are unique and discussed the unusual situation of the Town running large surpluses and the lack of direct taxation, such as property tax, which goes to the county.

Mayor Belt mentions the need to repave Beachwalker Drive, a project never done before, and the Town's ability to finance it through restricted revenues.

- **State Accommodation Tax and Spending Challenges**

Chairman Farrell explains the complexity of spending the state accommodation tax, which totals \$3 million annually, and the need to spend it within two years.

The conversation touches on the local hospitality tax and the need to allocate funds for tourism and operating expenses.

Mayor Belt proposes establishing a Green Belt Fund and a redevelopment financing core to support conservation initiatives and low-cost financing for redevelopment projects.

- **Charitable Contributions and Budget Considerations**

Chairman Farrell mentioned the Town's practice of giving away \$200,000 annually to charitable organizations and the criteria used to select recipients.

Ms. Szubert provided an update on the budget, noting that the first reading will be in May.

Chairman Farrell suggested meeting in May to discuss the scope of the upcoming assessments and audits to ensure efficiency and alignment with the Town's needs.

- **Planning for Assessments and Audits**

Mr. Scott suggested creating a bulleted list of requirements for the operational assessment and cybersecurity teams to provide a clear proposal.

Mr. Curth and Chairman Farrell discussed the potential efficiencies of conducting internal controls and financial audits together.

Mr. Scott explained the typical timeline for audits and the need to decide on the scope of assessments before July to align with the audit process.

The Committee Members agreed to meet in May to finalize the scope and schedule for the assessments and audits, ensuring that all teams are aligned and prepared.

- **Operational Assessment and Cyber Security**

Mr. Scott and Ms. Szubert discussed the focus on operational assessments and the potential for cybersecurity assessments to be conducted separately.

Chairman Farrell emphasizes the importance of prioritizing the financial assessment and ensuring that the Town's needs are met.

The Committee Members agreed to share the Town's accounting policies manual and other relevant documents to facilitate a productive meeting in May.

Mr. Scott offers to provide the names and contact information of the operational assessment and cybersecurity teams to facilitate coordination.

D. Budget Report for First Eight Months Ending 2.29.25

Ms. Szubert provided the Town's Budget-to-Actual Report for the first eight months ended 2/28/2025. The Budget-to-Actual Report is compiled on a modified cash basis, and all the funds are consolidated.

Overall, for the first eight months, the Town's consolidated revenues of \$10.8 million are 4%, or \$424,000, higher than YTD for the last fiscal year, FY2024, and are 70% of the total budgeted revenues for the current year. Overall, the revenues are within the budget, with the Building Permits and Interest Income higher than originally budgeted.

With almost 70% of the year lapsed, the expenditures of \$7.9 million are 20% or \$1.3 million higher than for fiscal year FY2024 and 55% of the current year budget. The majority of the expenditures are reasonable and in line with the budget.

- **Finalizing Meeting Plans and Next Steps**

The Committee Members agreed to meet on May 5 at 1 PM to discuss the scope and schedule for the upcoming assessments and audits.

Mr. Scott will reach out to the operational assessment and cybersecurity teams to coordinate their participation and ensure alignment with the Town's needs.

The Committee Members discussed the importance of maintaining independence in the audit process and the potential for separate reports for different assessments.

The meeting concludes with expressions of gratitude and appreciation for the collaborative efforts of the committee members.

I. Chairman's Comments:

None

II. Citizens' Comments:

None

III. Adjournment:

Chairman Farrell adjourned the meeting at 12:49 pm.

Submitted by,

Petra S. Reynolds, Town Clerk

Date



TAB 2

AUDIT COMMITTEE



PRESENTATION TO THE TOWN OF KIAWAH ISLAND

Finance Function Assessment

May 5, 2025

- I. With You Today
- II. About M&J's Government Advisory Practice
- III. Our Understanding of Your Needs
- IV. Assessment Approach
- V. Questions
- VI. Contact Information



David Roberts

Partner

- 25 years of governmental consulting experience and 20 years with the “Big 4”
- Significant experience assessing, benchmarking, and transforming government operations and service delivery models – specifically within the finance function
- Focuses on balancing efficiency and risk



Kate Russell

Director

- 10+ years with state government overseeing financial operations
- Significant experience with accounting transformation and change management
- Focuses on assessing, testing, and implementing internal controls

II. ABOUT M&J'S GOVERNMENT ADVISORY PRACTICE



**M&J's
Government
Advisory
Practice helps
the
governments
of TODAY
become the
leaders of
TOMORROW**

- Separate and distinct from the Audit/Assurance Practice
- Practice of professionals dedicated to only serving government organizations
- Government Advisory Practice is led by David Roberts, with 25+ years experience in serving federal, state, and local governments
- Work with state and local governments across the country focusing on operational efficiency, effectiveness, and risk identification and mitigation
- Has helped clients achieve numerous government industry awards for transformation and innovation
- Consists of seasoned government consultants and C-level management executives
- Specializes in assessing and positively transforming government operations

Core Offerings

Strategy

Develops and defines the future vision, goals, and objectives

- Innovation
- Long-Term Planning
- Organization Management
- Workforce of the Future Planning
- Internet of Things/Market Disruptors Assessment
- Artificial Intelligence/Robotics
- Service Delivery Model Planning
- Strategy Mapping
- Technology Consulting/ERP
- Technology Solution/Vendor Selection
- Operational Vision
- Business Case

Operational Efficiency and Effectiveness

Ensures business processes and service delivery are provided in a manner maximizing targeted goals

- Cost Containment
- Operations Improvement
- Program Delivery
- Revenue Enhancement
- Staffing Assessments
- Benchmarking
- Technology Utilization
- Governance
- Policy/Procedure Assessments
- Operations/Management Reviews

Transformation

Allows for the successful change from the current state to the desired environment or outcome

- Change Management and Organizational Transformation Strategies
- Customer Service Optimization
- Service Delivery Modeling
- Technology/Workflow Design
- Human Capital Management

Performance Measurement

Ensures outputs and outcomes are producing desired results

- Budget Forecasting & Design
- Cost Accounting
- Data Science
- Grant Strategy
- Risk Assessments
- Internal Controls & Compliance
- KPI Design
- Benchmarking
- Project Management
- Independent Verification & Validation
- Management/Dashboard Reporting

III. OUR UNDERSTANDING OF YOUR NEEDS



We understand that the Town desires an Assessment of the Town's Finance function focusing on internal controls and compliance.

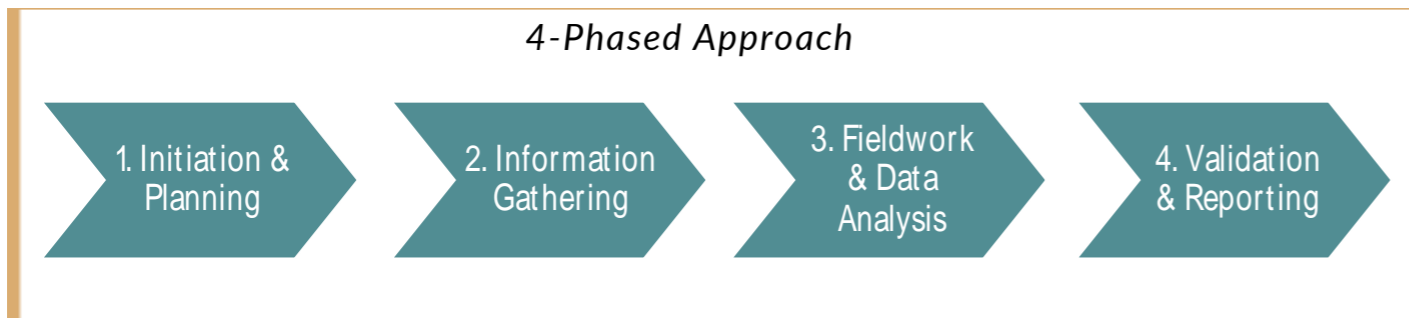
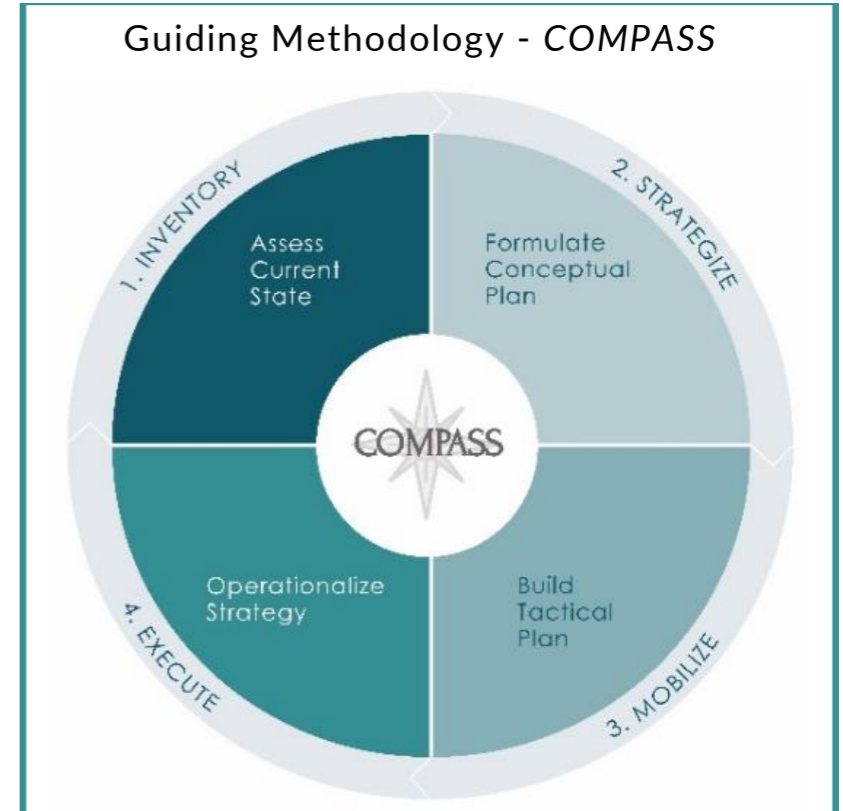
Objectives

- Assess current controls
- Identify gaps
- Assess governance
- Assess compliance
- Develop meaningful observations and recommendations based on leading practices and Town-specific objectives

IV. ASSESSMENT APPROACH

Key Approach Activities

- Review accounting manual and other governing documentation
- Conduct interviews with staff to understand their perception of roles and responsibilities
- Perform shadowing of select duties as performed
- Perform sample testing to verify adequate documentation to support controls implementation



Questions and Discussion?

VI. CONTACT INFORMATION

David Roberts, Partner
Email: droberts@mjcpa.com
Phone: 770-980-2487

Kate Russell, Director
Email: krussell@mjcpa.com
Phone: 678-742-6783



TAB 3

AUDIT COMMITTEE



Memorandum

TO: Chair and Members of Ways and Means Committee

FROM: Dorota Szubert, Finance Director

SUBJECT: Budget Report for the First Nine Months Ended 03/31/2025

DATE: May 6, 2025

Overview:

Presented here is the Town's Balance Sheet as of March 31, 2025, and Budget to Actual Report for the first nine months. The Budget to Actual Report is compiled on a cash basis, and all the funds are consolidated.

As of March 31, 2025, the Town's governmental funds combined have an ending fund balance of approximately \$43.5M, an increase of approximately \$2.9M from June 30, 2024. The total fund balance consists of:

- Unassigned Fund Balance (available for discretionary spending): \$24.4M (56%)
- Capital and Emergency Reserves: \$9.7M (23%)
- Restricted for Tourism-Related Funding: \$9.4M (21%)

Overall, for the first six months, the Town's consolidated revenues of \$12.1M are 8%, or \$910K, higher than those of the same period last fiscal year, FY2024. This amount represents 78% of the total budgeted revenues for the current year. Overall, the revenues are within the budget, with the Building Permits, Waste Management Fees, and Interest Income higher than originally budgeted.

With 75% of the year lapsed, the expenditures of \$9.3M are 16% or 1.3M higher than for fiscal year FY2024 and 66% of the current year budget. The expenditures are reasonable and in line with the budget.

Town of Kiawah Island
Balance Sheet - Governmental Funds
Unaudited
Modified Cash Basis
March 31, 2025

	GENERAL FUND	SPECIAL FUNDS COMBINED	CAPITAL FUND	TOTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 24,595,974	\$ -	\$ -	\$ 24,595,974
Cash and Cash Equivalents, Restricted	-	9,377,650	9,712,978	19,090,628
Accounts Receivable	59,686	-	-	59,686
TOTAL ASSETS	24,655,660	9,377,650	9,712,978	43,746,287
LIABILITIES				
Accounts Payable and Accrued Liabilities	168,492	17,862	-	186,354
Municipal Court Fines and Assessments Payable	-	-	-	-
Unearned Revenue	7,740	-	-	7,740
TOTAL LIABILITIES	176,232	17,862	-	194,094
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	55,539	-	-	55,539
TOTAL DEFERRED INFLOWS OF RESOURCES	55,539	-	-	55,539
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	231,771	17,862	-	249,633
FUND BALANCES				
Restricted:				
Tourism Related Expenditures & Capital Improvements	-	9,338,410	9,712,978	19,051,387
Victims' Assistance	-	21,378	-	21,378
Unrestricted	24,423,889	-	-	24,423,889
TOTAL FUND BALANCES	24,423,889	9,359,788	9,712,978	43,496,654
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,655,660	\$ 9,377,650	\$ 9,712,978	\$ 43,746,287

Town of Kiawah Island
 Budget to Actuals
 For the Nine Months Ended 3/31/2025
 Modified Cash Basis /Unaudited

Fiscal 2025

FY2025 VS FY2024

	Y-T-D ACTUALS	TOTAL BUDGET	VARIANCE	% OF BUDGET	FY2024 Y-T-D	\$ VARIANCE	% VARIANCE
Revenue:							
Building Permits	\$ 2,049,226	\$ 1,300,000	\$ 749,226	158%	\$ 1,282,244	\$ 766,982	60%
Building Permits-Special Projects	437,092	-	437,092	-	959,182	(522,090)	-54%
Business Licenses	1,227,559	3,350,000	(2,122,441)	37%	1,373,425	(145,866)	-11%
STR Application Fees	207,600	400,000	(192,400)	52%	155,000	52,600	34%
Franchisee Fees	690,031	970,000	(279,969)	71%	711,691	(21,660)	-3%
Local Option Tax	663,881	900,000	(236,119)	74%	644,687	19,194	3%
State ATAX	1,767,412	3,000,000	(1,232,588)	59%	1,645,632	121,780	7%
Local ATAX	1,180,277	1,500,000	(319,723)	79%	1,085,490	94,787	9%
County ATAX	416,622	612,000	(195,378)	68%	400,084	16,538	4%
Hospitality Tax	565,538	900,000	(334,462)	63%	548,932	16,606	3%
Waste Management	1,247,142	1,068,000	179,142	117%	652,338	594,804	91%
Inte	1,526,385	1,200,000	326,385	127%	1,461,403	64,982	4%
Other	158,798	267,012	(108,214)	59%	306,743	(147,945)	-48%
Total Revenue	12,137,563	15,467,011	(3,329,448)	78%	11,226,851	910,712	8%
Expenses:							
Salaries & Benefits :							
Salaries/Regular Employees	1,770,661	2,478,883	(708,222)	71%	1,585,595	(185,066)	-12%
Overtime	5,858	11,700	(5,842)	50%	10,288	4,430	43%
Benefits	590,871	859,225	(268,354)	69%	475,370	(115,501)	-24%
Payroll Tax	160,861	226,950	(66,089)	71%	145,790	(15,071)	-10%
Subtotal	2,528,251	3,576,758	(1,048,507)	71%	2,217,043	(311,208)	-14%
Administration/Operations:							
Communications	56,294	84,724	(28,430)	66%	55,657	(637)	-1%
Insurance	224,219	225,090	(871)	100%	202,674	(21,545)	-11%
Maintenance	453,510	599,000	(145,490)	76%	477,755	24,245	5%
Utilities & Supplies	131,759	259,800	(128,041)	51%	243,481	111,722	201%
Rentals	35,853	40,000	(4,147)	90%	29,158	(6,695)	-23%
Travel	44,524	100,650	(56,126)	44%	48,038	3,514	7%
Professional Services	257,341	515,000	(257,659)	50%	298,967	41,626	14%
Other	140,501	243,520	(103,019)	58%	203,153	62,652	31%
Subtotal	1,344,001	2,067,784	(723,783)	65%	1,558,883	214,882	14%
Consultants	116,697	362,000	(245,303)	32%	242,061	125,364	52%
Waste Management	1,411,759	2,107,000	(695,241)	67%	921,002	(490,757)	-53%
Contracted Public Safety Resources:							
Charleston County Deputies	590,472	703,779	(113,307)	84%	249,575	(340,897)	-137%
Evening Code Enforcement	292,032	389,376	(97,344)	75%	292,032	-	0%
Beach Patrol	437,999	584,000	(146,001)	75%	437,999	-	0%
Subtotal	1,320,503	1,677,155	(356,652)	79%	979,606	(340,897)	-35%
Funded from SATAX *	(719,930)	(881,000)	161,070	82%	(481,302)	238,628	-50%
Charitable:							
Contributions	-	200,000	(200,000)	0%	-	-	-
MUSC Pledge	200,000	200,000	-	100%	200,000	-	0%
Subtotal	200,000	400,000	(200,000)	50%	200,000	-	0%
ATAX & HTAX :							
Promotional Fund-CVB	607,917	843,274	(235,357)	72%	486,190	(121,727)	-25%
SATAX Town Allocations	799,682	1,053,163	(253,481)	76%	481,302	(318,380)	-66%
SATAX Other Recipients	1,272,631	1,946,837	(674,206)	65%	607,918	(664,713)	-109%
Other Uses	320,762	805,900	(485,138)	40%	292,427	(28,335)	-10%
Subtotal	3,000,992	4,649,174	(1,648,182)	65%	1,867,837	(1,133,155)	-61%
Contingency	5,000	100,000	(95,000)	5%	38,000	33,000	87%
Capital Outlay:							
Building	-	25,000	(25,000)	0%	-	-	-
Vehicles	23,944	35,000	(11,056)	68%	-	(23,944)	-
Other	55,017	50,000	5,017	110%	-	(55,017)	-
Subtotal	78,961	110,000	(31,039)	72%	-	(78,961)	-
Total Expenses	9,286,234	14,168,871	(4,882,637)	66%	8,024,432	(1,261,802)	-16%
Net Changes in Fund Balance	\$ 2,851,329	\$ 1,298,140	\$ 1,553,189		\$ 3,202,419	\$ 351,090	