

City of Isle of Palms, South Carolina
Report on Financial Statements
Year Ended June 30, 2018

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City of Isle of Palms, South Carolina

List of Elected and Appointed Officials

For the Year Ended June 30, 2018

MAYOR

Jimmy Carroll

CITY COUNCIL MEMBERS

Randy Bell

Ryan Buckhannon

Sandy Ferencz

John Moyer

Ted Kinghorn

Carol Rice

Susan Hill Smith

Jimmy Ward

APPOINTED OFFICIALS

City Administrator Emerita

Interim City Administrator

City Treasurer

City Clerk

Clerk of Court

Human Resources Officer

Building Official

Director of Building, Planning, and Zoning

Fire Chief

Interim Chief of Police

Public Works Director

Recreation Director

Linda Lovvorn Tucker

Desirée Fragoso

Debbie Schimsa Suggs

Marie Copeland

Amy Lee

Wynette DeGroot

William Seabrook

Douglas Kerr

Ann Graham

Kim Usry

Donnie Pitts

Norma Jean Page



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Isle of Palms
Isle of Palms, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, on pages 4 – 14, 58 – 62, and 63 – 66, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and schedule of expenditures of federal awards, schedule of budget to actual detailed revenues and expenditures, schedule of expenditures by type, and schedule of fines, assessments, and surcharges, 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

McCay Kiddy LLC

Mount Pleasant, South Carolina

November 20, 2018

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

The management of the City of Isle of Palms (City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018 (FY 2018 or 2018) compared to fiscal year ended June 30, 2017 (FY 2017 or 2017). The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged 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 City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$26,478,000 (*net position*). Of this amount, approximately \$20,378,000 and \$6,100,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the City's ongoing obligations to citizens and creditors) was approximately \$1,691,000 for its governmental activities and approximately \$526,000 for its business-type activities.
- The City's total revenues of approximately \$29,792,000 exceeded total expenses of approximately \$28,111,000, resulting in an increase from the prior fiscal year of approximately \$1,681,000 in net position.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of approximately \$16,728,000, a decrease of approximately \$690,000 over the prior year's fund balances. Approximately 17% of the total fund balance, or roughly \$2,762,000, is available for spending at the City's discretion (*unassigned fund balance*).
- The City added capital assets of approximately \$2,974,000 during the current fiscal year. Capital asset additions included vehicles, solar parking meters, radios and equipment, accounting software, renovation of the front beach restrooms, construction of a vehicle wash at the Public Works department, and the 45th – 52nd Avenue Drainage project. Capital asset additions were offset by depreciation expense of approximately \$1,465,000 and \$133,000 for governmental and business-type activities, respectively. As capital asset additions were more than depreciation expense for the year, total capital assets increased by approximately \$1,664,000 (7%) from FY 2017.
- The City's total debt decreased by \$1,005,000 (12%) during the current fiscal year due primarily to normally scheduled debt service payments.
- Standard and Poor's increased the City's bond rating from "AA" to "AA+" in September 2014. The City continues to hold an "Aa2" rating from Moody's.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, the notes to the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

Government-Wide Financial Statements. The financial statements include two statements that present different views of the City. These are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any), with the differences between these items 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 City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government; public safety; building, planning and engineering; public works; recreation; and non-departmental services. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities are the City's marina operations. 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 City'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 City, 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 City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 City's 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 to determine if there are more or less financial resources available to finance the City's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains twelve (12) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Hospitality Tax Fund, Beach Restoration Fund, and Beach Preservation Fee Fund – since they are considered major funds. Information from the other five (5) governmental funds is combined into aggregated presentations – non-major governmental funds. Individual fund data for each of these non-major governmental funds are provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

Proprietary Funds – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City uses an enterprise fund to account for its marina operations. The proprietary fund financial statements can be found as listed in the table of contents.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. *Agency Funds* are used to account for assets the City holds on behalf of others. The City's 1% Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by insurance companies. Agency funds are custodial in nature and do not present results of operations. The financial statement of the fiduciary fund 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.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Budgetary comparison schedules have been provided for the General Fund and all of the major special revenue funds with legally adopted budgets to demonstrate compliance with their budgets. Pension schedules have been included to provide information regarding the City's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

Supplementary information, including non-major governmental funds, is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

**City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018**

Figure A-1 Major Features of the City's Government-Wide and Fund Financial Statements				
	Fund Financial Statements			
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses, in the City's case, all activities related to the marina.	Instances in which the City is the trustee or agent for someone else's resources, in the City's case, 1% Volunteer Fire Department Fund.
Required Financial Statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances	* Statement of Net Position * Statement of Revenues, Expenses and Changes in Net Position * Statement of Cash Flows	* Statement of Fiduciary Assets and Liabilities
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All balance sheet elements - both financial and capital, and short-term and long-term.	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.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of June 30, 2018 compared to June 30, 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$ 18,115,724	\$ 23,256,898	\$ 849,755	\$ 750,473	\$ 18,965,479	\$ 24,007,371
Capital Assets, Net	19,109,109	17,620,043	5,603,265	5,428,834	24,712,374	23,048,877
Total Assets	37,224,833	40,876,941	6,453,020	6,179,307	43,677,853	47,056,248
Deferred Outflows of Resources:						
Deferred Pension Charges	2,304,817	2,111,114	-	-	2,304,817	2,111,114
Liabilities						
Long-Term Obligations	7,133,435	7,903,164	300,000	600,000	7,433,435	8,503,164
Net Pension Liability	10,534,357	9,911,089	-	-	10,534,357	9,911,089
Other Liabilities	1,397,760	5,891,342	53,244	33,440	1,451,004	5,924,782
Total Liabilities	19,065,552	23,705,595	353,244	633,440	19,418,796	24,339,035
Deferred Inflows of Resources:						
Deferred Pension Credits	85,642	30,353	-	-	85,642	30,353
Net Position						
Net Investment in Capital Assets	12,127,471	9,933,406	5,574,003	4,828,834	17,701,474	14,762,240
Restricted	6,560,363	7,237,394	-	-	6,560,363	7,237,394
Unrestricted	1,690,622	2,081,307	525,773	717,033	2,216,395	2,798,340
Total Net Position	\$ 20,378,456	\$ 19,252,107	\$ 6,099,776	\$ 5,545,867	\$ 26,478,232	\$ 24,797,974

The City's total assets of approximately \$43,678,000 decreased from the prior year due to a decrease in cash and other assets, particularly related to beach restoration expenditures for the offshore project that was completed in fiscal year 2018. Total liabilities as of June 30, 2018 decreased by approximately \$4,921,000 due to a decrease in other liabilities primarily resulting from the completion of the beach restoration project.

The City's net position increased approximately \$1,681,000 during the current fiscal year as current year revenues exceeded current year expenses. Please see discussion following the next table regarding this increase.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$26,478,000 as of June 30, 2018. Approximately 67% of total net position (\$17,702,000) reflects the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 25% of net position (\$6,560,000) represents resources that are subject to external restrictions on how they may be used. This portion of the net position is restricted primarily for special revenue programs which are restricted by the revenue source. The remaining portion of the City's net position (8% or \$2,216,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

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

The following table shows the changes in the City's net position for 2018 compared to 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,953,228	\$ 4,702,628	\$ 415,153	\$ 409,343	\$ 5,368,381	\$ 5,111,971
Capital Grants and Contributions	12,412,701	535,137	-	-	12,412,701	535,137
General Revenues:						
Taxes	10,387,873	10,038,469	-	-	10,387,873	10,038,469
Other	1,629,545	819,391	(6,798)	19,224	1,622,747	838,615
Total Revenues	29,383,347	16,095,625	408,355	428,567	29,791,702	16,524,192
Expenses:						
General Government	16,357,381	2,486,199	-	-	16,357,381	2,486,199
Public Safety	7,118,865	6,699,725	-	-	7,118,865	6,699,725
Building, Planning and Engineering	435,345	411,261	-	-	435,345	411,261
Public Works	1,913,208	1,675,456	-	-	1,913,208	1,675,456
Recreation	1,326,896	1,285,175	-	-	1,326,896	1,285,175
Non-Departmental	434,635	522,373	-	-	434,635	522,373
Interest on Long-Term Obligations	234,491	241,514	-	-	234,491	241,514
Marina	-	-	290,623	342,922	290,623	342,922
Total Expenses	27,820,821	13,321,703	290,623	342,922	28,111,444	13,664,625
Change in Net Position Before Transfers	1,562,526	2,773,922	117,732	85,645	1,680,258	2,859,567
Transfer In (Out)	(436,177)	(282,425)	436,177	282,425	-	-
Change in Net Position	1,126,349	2,491,497	553,909	368,070	1,680,258	2,859,567
Net Position - Beginning of Year	19,252,107	16,760,610	5,545,867	5,177,797	24,797,974	21,938,407
Net Position - End of Year	\$ 20,378,456	\$ 19,252,107	\$ 6,099,776	\$ 5,545,867	\$ 26,478,232	\$ 24,797,974

Governmental Activities:

Governmental activities had a net increase in net position of approximately \$1,126,000 in 2018.

Compared to the prior year, total governmental activities revenue increased by approximately \$13,288,000 or 83%. Key changes compared to the prior year were as follows:

- Revenues from grants and contributions increased by approximately \$11,878,000 due primarily to FEMA and State of SC grants related to disaster recovery and private sector contributions to the beach restoration project.
- Revenues from tourism, including accommodations and hospitality taxes, increased by approximately \$212,000 or 4% from the prior year.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

Expenses related to total governmental activities increased by approximately \$14,499,000, or 109%, from the prior year. Key changes as compared to the prior year were as follows:

- Beach restoration expenses increased approximately \$13,640,000, related to the offshore beach restoration project which was completed during the year.
- Capital outlay expenses increased approximately \$1,800,700, primarily related to the new vehicle wash station, front beach restroom renovation, and 45th – 52nd Avenue Drainage project.

Business-Type Activities:

Net position related to business-type activities (i.e., the marina) increased by approximately \$555,000. This increase was primarily due to budgeted transfers in of \$436,000 from other funds. The Marina also generated revenue (lease income) in excess of expenses (primarily interest on debt, depreciation, dock insurance, and professional services) equal to approximately \$118,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

At June 30, 2018, the City's governmental funds reported a combined ending fund balance of approximately \$16,728,000, a decrease of approximately \$690,000, or 4%, over the prior year's combined fund balance.

Approximately 17% of the total governmental fund balance (\$2,762,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new discretionary spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$4,597,000), (2) for recovery efforts on future disasters (\$2,382,000), (3) for capital projects (\$4,545,000), (4) for debt service (\$332,000), (5) for beach preservation (\$1,539,000) and (6) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victims' services, narcotics programs, and inventories (\$571,000).

The General Fund is the primary operating fund of the City. At June 30, 2018, the total fund balance was approximately \$5,587,000. As a measure of the General Fund's liquidity, it is useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$2,762,000) represents approximately 25% of total General Fund expenditures (\$10,881,000).

Highlights for General Fund revenues and other financing sources were as follows:

- Property tax revenue is stable. The City's millage rate was unchanged from the prior year rate of 24.7 mills.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

- Total General Fund revenues were up by approximately \$530,000 from the prior year. The most significant changes were:
 - Licenses and permits revenues increased approximately \$319,000 due mainly to increased building activity.
 - Revenues from grants and contributions increased by approximately \$183,000. The increase primarily related to FEMA and State of SC funds awarded related to disaster recovery, including funds for storm debris removal and emergency berm restoration on the beach.
- In order to maintain the level of service that residents and visitors expect, the City supplemented General Fund revenues with tourism-related revenues where appropriate. In FY 2018, \$1,198,000 of tourism-related revenue including the accommodations and hospitality tax funds were transferred into the General Fund to help pay for public safety and public works efforts required for tourism. This is a decrease of \$45,000 over FY 2017.

Total General Fund expenditures of \$10,881,000 increased by \$830,000, or 8%, over FY 2017:

- Salary and fringe expense increased by approximately \$497,000 or 7% due to increases in employee compensation, primarily resulting from cost of living and merit increases, and required increases in employer retirement contributions and health insurance premiums.

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) decreased by approximately \$1,178,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$1,716,000 during the fiscal year for the purchase of vehicles, equipment and various other capital assets. The General Fund transferred approximately \$1,128,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$4,929,000.
- Municipal and state accommodations revenues saw little change over the prior year. Accommodations funds were expended for various tourism-related efforts, including operation of the public restrooms, parking management, purchases of police, fire and public works vehicles, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. The Municipal Accommodations Fee Fund and the State Accommodations Tax Fund together also transferred approximately \$1,361,000 to the General Fund to offset personnel and other costs in the Police, Fire and Public Works Departments. At June 30, 2018, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,716,000 while the State Accommodations Tax Fund had a fund balance of approximately \$1,800,000, the Beach Restoration Fund had a fund balance of approximately \$246,000, and the Beach Preservation Fee Fund had a fund balance of approximately \$1,292,000.
- The fund balance for the Hospitality Tax Fund at June 30, 2018 was approximately \$1,080,000. In 2018, these funds were used to support personnel expenses in the General Fund, Public Safety equipment purchases, debt service on the Fire Station No. 2 GO bond and City-wide expenses related to landscaping and street sweeping.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Marina Enterprise Fund at the end of FY 2018 amounted to approximately \$6,100,000. Please see "Business-Type Activities" discussion in the previous section for details.

Fiduciary Fund. The Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of one percent of the premiums received by fire insurance companies. Agency funds are custodial in nature and do not present results of operations. The Fiduciary Fund had amounts held in custody for others of approximately \$188,000 at June 30, 2018.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City did not make any budget amendments during FY 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2018 amounted to approximately \$24,712,000. Capital assets primarily include land, construction in progress, buildings, improvements, vehicles, furniture, equipment, and other infrastructure. The City's capital assets (net of depreciation) as of June 30, 2018 and 2017 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,272,896	\$ 4,272,896	\$ 3,035,786	\$ 3,035,786	\$ 7,308,682	\$ 7,308,682
Construction in Progress	1,410,275	616,551	-	-	1,410,275	616,551
Land Improvements	1,607,872	1,779,147	2,227,070	1,995,820	3,834,942	3,774,967
Buildings and Improvements	9,983,475	9,131,526	231,562	242,812	10,215,037	9,374,338
Vehicles and Vehicle Equipment	1,164,897	1,292,964	-	-	1,164,897	1,292,964
Equipment	667,762	524,753	1,872	6,035	669,634	530,788
Furniture and Fixtures	1,932	2,206	106,975	-	108,907	2,206
Docks	-	-	-	148,381	-	148,381
Total	\$ 19,109,109	\$ 17,620,043	\$ 5,603,265	\$ 5,428,834	\$ 24,712,374	\$ 23,048,877

The total increase in the City's capital assets for FY 2018 was approximately \$1,664,000 or 7%. The increase resulted because capital asset additions for the year was higher than depreciation expense for the year. Major capital asset events during FY 2018 included the following:

- Capital asset additions of approximately \$3,281,000 consisted primarily of:
 - Police, fire, public works and recreation vehicles for \$290,000
 - Solar parking meters for \$70,000
 - Police, fire, and recreation radios and equipment for \$141,000
 - Front beach restroom renovation of \$559,000
 - Accounting software of \$157,000
 - Construction in progress of \$1,662,000 including the vehicle wash station at Public Works and the 45th – 52nd Avenue Drainage project
- Depreciation expense of approximately \$1,465,000 for governmental activities and \$133,000 for business-type activities.

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management’s Discussion and Analysis
Year Ended June 30, 2018

Debt

As of June 30, 2018, the City had total outstanding debt of approximately \$7,085,000. All of this debt consisted of general obligation bonds (GOB) which are backed by the full faith and credit of the City. The City’s total debt as of June 30, 2018 and 2017 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 6,785,000	\$ 7,490,000	\$ 300,000	\$ 600,000	\$ 7,085,000	\$ 8,090,000
Total	<u>\$ 6,785,000</u>	<u>\$ 7,490,000</u>	<u>\$ 300,000</u>	<u>\$ 600,000</u>	<u>\$ 7,085,000</u>	<u>\$ 8,090,000</u>

The total decrease in the City’s debt for FY 2018 was \$1,005,000 or 12%.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The City’s statutory debt limit at June 30, 2018 was approximately \$16,345,000. The City had \$5,770,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2018 had an unused legal debt margin of approximately \$10,575,000.

The City continues to hold an “Aa2” rating from Moody’s and a bond rating of AA+ from Standard & Poor’s.

Additional information regarding the City’s long-term obligations and pension amounts can be found in Note III and Note IV.B, respectively, in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City’s elected officials and staff considered many factors when setting the fiscal year 2019 (FY 2019 or 2019) budget. The state of the economy, tourism activity, anticipated building activity, future capital needs and the best interests of the City’s residents were all taken into account.

- **Millage and Property Tax Revenues:** The City’s 2019 budget projects property tax revenue approximately equal to actual FY 2018 collections. There was no change to the City’s millage rate in 2018.
- **Business Licenses and Building Permits:** The City’s 2019 budget for revenues from business licenses and building permits was based on 2018 actual results.
- **Tourism-Related Revenues:** Total revenues from State Accommodations Tax, Municipal Accommodations Fee, Hospitality Tax and the Beach Preservation Fee are budgeted based on the most recent collections. The total FY 2019 budget for these revenues is \$5,097,000, which is a 7% increase over the FY 2018 budget.
- **Salaries and Wages:** The 2019 budget includes a 4.7% provision for cost of living and merit-based salary and wage adjustments.
- **Drainage and Stormwater Compliance:** The 2019 budget includes \$1,461,000 to complete construction of drainage improvements in the area of 45th – 52nd Avenue and \$187,000 for drainage ditch maintenance.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2018

REQUESTS FOR CITY INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, Post Office Drawer 508, Isle of Palms, South Carolina 29451. General information about the City can be obtained from the website at www.iop.net.



Government-Wide Financial Statement

City of Isle of Palms, South Carolina
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 9,189,671	\$ 749,097	\$ 9,938,768
Cash and Cash Equivalents - Restricted	5,274,156	-	5,274,156
Taxes Receivable, Net	107,873	-	107,873
Other Receivables, Net	3,355,368	100,658	3,456,026
Due from Other Governments	159,261	-	159,261
Inventory	29,395	-	29,395
Capital Assets:			
Non-Depreciable	5,683,171	3,035,786	8,718,957
Depreciable, Net	13,425,938	2,567,479	15,993,417
Total Capital Assets	19,109,109	5,603,265	24,712,374
Total Assets	\$ 37,224,833	\$ 6,453,020	\$ 43,677,853
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	\$ 2,304,817	\$ -	\$ 2,304,817
Liabilities			
Accounts Payable	\$ 917,383	\$ 6,307	\$ 923,690
Other Accrued Liabilities	369,851	15,500	385,351
Court Assessments/Victim's Rights Liabilities	25,938	-	25,938
Accrued Interest	73,223	2,175	75,398
Unearned Revenue	11,365	29,262	40,627
Net Pension Liabilities	10,534,357	-	10,534,357
Long-Term Obligations:			
Due Within One Year	921,638	300,000	1,221,638
Due In More Than One Year	6,211,797	-	6,211,797
Total Long-Term Obligations	7,133,435	300,000	7,433,435
Total Liabilities	\$ 19,065,552	\$ 353,244	\$ 19,418,796
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	\$ 85,642	\$ -	\$ 85,642
Net Position			
Net Investment in Capital Assets	\$ 12,127,471	\$ 5,574,003	\$ 17,701,474
Restricted for:			
Tourism Related Expenditures	4,597,238	-	4,597,238
Beach Preservation	1,538,653	-	1,538,653
Debt Service	332,205	-	332,205
Victim's Services	7,828	-	7,828
Narcotics Program	3,141	-	3,141
Beautification	81,298	-	81,298
Total Restrictions	6,560,363	-	6,560,363
Unrestricted	1,690,622	525,773	2,216,395
Total Net Position	\$ 20,378,456	\$ 6,099,776	\$ 26,478,232

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Statement of Activities
Year Ended June 30, 2018

<u>Functions/Programs</u>			Program Revenues		Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total Primary Government
			Grants and Contributions				
Primary Government:							
Governmental Activities:							
General Government	\$ 16,357,381	\$ -	\$ -	\$ 12,412,701	\$ (3,944,680)	\$ -	\$ (3,944,680)
Public Safety	7,118,865	226,657	-	-	(6,892,208)	-	(6,892,208)
Building, Planning, and Engineering	435,345	3,782,877	-	-	3,347,532	-	3,347,532
Public Works	1,913,208	-	-	-	(1,913,208)	-	(1,913,208)
Recreation	1,326,896	267,685	-	-	(1,059,211)	-	(1,059,211)
Non-Departmental	434,635	676,009	-	-	241,374	-	241,374
Interest on Long Term Obligations	234,491	-	-	-	(234,491)	-	(234,491)
Total Governmental Activities	27,820,821	4,953,228	-	12,412,701	(10,454,892)	-	(10,454,892)
Business-Type Activities:							
Marina	290,623	415,153	-	-	-	124,530	124,530
Total Primary Government	\$ 28,111,444	\$ 5,368,381	\$ -	\$ 12,412,701	(10,454,892)	124,530	(10,330,362)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,675,787	-	3,675,787
Property Taxes Levied for Debt Service Purposes					698,283	-	698,283
Local Option Sales Taxes					772,357	-	772,357
Hospitality Taxes					785,452	-	785,452
Accommodations Taxes					4,455,994	-	4,455,994
Total Taxes					<u>10,387,873</u>	<u>-</u>	<u>10,387,873</u>
Intergovernmental					141,598	-	141,598
Interest Income					247,100	8,993	256,093
Gain on Disposal of Capital Assets					721	-	721
Miscellaneous					1,240,126	(15,791)	1,224,335
Total Other					<u>1,629,545</u>	<u>(6,798)</u>	<u>1,622,747</u>
Transfers In (Out)					<u>(436,177)</u>	<u>436,177</u>	<u>-</u>
Total General Revenues and Transfers					<u>11,581,241</u>	<u>429,379</u>	<u>12,010,620</u>
Changes In Net Position					1,126,349	553,909	1,680,258
Net Position, Beginning of Year					<u>19,252,107</u>	<u>5,545,867</u>	<u>24,797,974</u>
Net Position, End of Year					<u>\$ 20,378,456</u>	<u>\$ 6,099,776</u>	<u>\$ 26,478,232</u>

Fund Financial Statements

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Assets			
Cash and Cash Equivalents	\$ 5,814,163	\$ 3,375,508	\$ -
Cash and Cash Equivalents - Restricted	34,679	-	1,512,273
Taxes Receivable, Net	107,873	-	-
Accounts Receivable	828,125	-	312,284
Due From:			
Other Governments	159,261	-	-
Other Funds	3,890	1,885,850	-
Inventory	29,395	-	-
Total Assets	<u>\$ 6,977,386</u>	<u>\$ 5,261,358</u>	<u>\$ 1,824,557</u>
Liabilities			
Accounts Payable	\$ 115,748	\$ 332,833	\$ 104,171
Other Accrued Liabilities	369,851	-	-
Court Assessments/Victim's Rights Liabilities	25,938	-	-
Due To:			
Other Funds	804,015	-	3,892
Unearned Revenue	11,374	-	-
Total Liabilities	<u>1,326,926</u>	<u>332,833</u>	<u>108,063</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	63,551	-	-
Total Deferred Inflows of Resources	<u>63,551</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Inventory	29,395	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	332,205	-	-
Tourism Related Expenditures	-	-	1,716,494
Beach Preservation	-	-	-
Beautification	81,298	-	-
Committed:			
Recovery Efforts on Future Disasters	2,381,585	-	-
Assigned:			
Drainage Improvements	-	323,068	-
Beach Maintenance	-	-	-
Recreation Center	-	-	-
Capital Projects	-	4,544,789	-
Other	-	60,668	-
Unassigned	2,762,426	-	-
Total Fund Balances	<u>5,586,909</u>	<u>4,928,525</u>	<u>1,716,494</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,977,386</u>	<u>\$ 5,261,358</u>	<u>\$ 1,824,557</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2018

	<u>State Accom-</u> <u>modations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Beach Restoration</u> <u>Fund</u>
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	1,521,343	973,596	155,307
Taxes Receivable, Net	-	-	-
Accounts Receivable	603,958	132,805	1,184,360
Due From:			
Other Governments	-	-	-
Other Funds	-	-	-
Inventory	-	-	-
Total Assets	<u>\$ 2,125,301</u>	<u>\$ 1,106,401</u>	<u>\$ 1,339,667</u>
Liabilities			
Accounts Payable	\$ 321,848	\$ 26,110	\$ 10,427
Other Accrued Liabilities	-	-	-
Court Assessments/Victim's Rights Liabilities	-	-	-
Due To:			
Other Funds	3,000	-	1,083,000
Unearned Revenue	-	-	-
Total Liabilities	<u>324,848</u>	<u>26,110</u>	<u>1,093,427</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Inventory	-	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	-	-	-
Tourism Related Expenditures	1,800,453	1,080,291	-
Beach Preservation	-	-	246,240
Beautification	-	-	-
Committed:			
Recovery Efforts on Future Disasters	-	-	-
Assigned:			
Drainage Improvements	-	-	-
Beach Maintenance	-	-	-
Recreation Center	-	-	-
Capital Projects	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,800,453</u>	<u>1,080,291</u>	<u>246,240</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,125,301</u>	<u>\$ 1,106,401</u>	<u>\$ 1,339,667</u>

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2018

	<u>Beach Preservation Fee Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ 9,189,671
Cash and Cash Equivalents - Restricted	1,004,777	72,932	5,274,907
Taxes Receivable, Net	-	-	107,873
Accounts Receivable	293,836	-	3,355,368
Due From:			
Other Governments	-	-	159,261
Other Funds	-	4,167	1,893,907
Inventory	-	-	29,395
Total Assets	<u>\$ 1,298,613</u>	<u>\$ 77,099</u>	<u>\$ 20,010,382</u>
Liabilities			
Accounts Payable	\$ 6,200	\$ 797	\$ 918,134
Other Accrued Liabilities	-	-	369,851
Court Assessments/Victim's Rights Liabilities	-	-	25,938
Due To:			
Other Funds	-	-	1,893,907
Unearned Revenue	-	-	11,374
Total Liabilities	<u>6,200</u>	<u>797</u>	<u>3,219,204</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	63,551
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>63,551</u>
Fund Balances			
Nonspendable:			
Inventory	-	-	29,395
Restricted:			
Victims' Services	-	7,828	7,828
Narcotics Program	-	3,141	3,141
Debt Service	-	-	332,205
Tourism Related Expenditures	-	-	4,597,238
Beach Preservation	1,292,413	-	1,538,653
Beautification	-	-	81,298
Committed:			
Recovery Effort on Future Disasters	-	-	2,381,585
Assigned:			
Drainage Improvements	-	-	323,068
Beach Maintenance	-	-	-
Recreation Center	-	65,333	65,333
Capital Projects	-	-	4,544,789
Other	-	-	60,668
Unassigned	-	-	2,762,426
Total Fund Balances	<u>1,292,413</u>	<u>76,302</u>	<u>16,727,627</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,298,613</u>	<u>\$ 77,099</u>	<u>\$ 20,010,382</u>

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 16,727,627
<p>Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:</p>	
Property taxes 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.	63,551
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 \$34,322,292 and the accumulated depreciation was \$15,213,183.	19,109,109
The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(8,315,182)
Accrued interest payable is recognized for governmental activities but was not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(73,214)
Long-term obligations (which includes debt and compensated absences) are not due or payable in the current period and, therefore, are not reported in the governmental funds.	
Debt	(6,785,000)
Compensated Absences	(348,435)
Total Net Position - Governmental Activities	\$ 20,378,456

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Revenues			
Property Taxes	\$ 4,340,013	\$ -	\$ -
Local Option Sales Tax	772,357	-	-
Hospitality Taxes	-	-	-
Intergovernmental	259,355	-	1,506,429
Licenses and Permits	3,782,877	-	-
Fines and Forfeitures	217,017	-	-
Grant Revenue	487,498	-	-
Contribution of Cash	-	-	-
Revenue from Use of Property	676,009	-	-
Interest	67,437	48,916	20,889
Other	291,336	1,196,945	-
Total Revenues	<u>10,893,899</u>	<u>1,245,861</u>	<u>1,527,318</u>
Expenditures			
Current:			
General Government	1,612,135	24,030	52,342
Public Safety	5,823,466	45,496	35,196
Building, Planning, and Engineering	391,621	-	-
Public Works	1,267,274	155,376	82,612
Recreation	963,885	45,220	1,273
Non-Departmental	93,124	-	210,270
Capital Outlay	-	1,716,290	366,160
Debt Service:			
Principal	526,000	-	68,000
Interest	203,348	-	7,963
Total Expenditures	<u>10,880,853</u>	<u>1,986,412</u>	<u>823,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,046</u>	<u>(740,551)</u>	<u>703,502</u>
Other Financing Sources (Uses)			
Transfers In	1,197,567	1,127,848	-
Transfers Out	(1,531,488)	-	(592,900)
Sale of Capital Assets	5,208	-	6,215
Total Other Financing Sources (Uses)	<u>(328,713)</u>	<u>1,127,848</u>	<u>(586,685)</u>
Net Changes In Fund Balances	(315,667)	387,297	116,817
Fund Balances, Beginning of Year	\$ 5,902,576	\$ 4,541,228	\$ 1,599,677
Fund Balances, End of Year	<u>\$ 5,586,909</u>	<u>\$ 4,928,525</u>	<u>\$ 1,716,494</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>State Accom-</u> <u>modations Tax Fund</u>	<u>Hospitality Tax</u> <u>Fund</u>	<u>Beach Restoration</u> <u>Fund</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Local Option Sales Tax	-	-	-
Hospitality Taxes	-	785,452	-
Intergovernmental	1,762,379	-	-
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Grant Revenue	-	-	6,891,938
Contribution of Cash	-	-	5,033,265
Revenue from Use of Property	-	-	-
Interest	23,956	10,476	51,555
Other	2,500	-	-
Total Revenues	<u>1,788,835</u>	<u>795,928</u>	<u>11,976,758</u>
Expenditures			
Current:			
General Government	629,084	-	13,881,225
Public Safety	24,512	27,758	-
Building, Planning, and Engineering	-	16	-
Public Works	13,889	108,907	-
Recreation	46,837	-	-
Non-Departmental	141,461	-	-
Capital Outlay	540,432	56,234	-
Debt Service:			
Principal	-	111,000	-
Interest	-	23,180	-
Total Expenditures	<u>1,396,215</u>	<u>327,095</u>	<u>13,881,225</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>392,620</u>	<u>468,833</u>	<u>(1,904,467)</u>
Other Financing Sources (Uses)			
Transfers In	-	-	2,150,707
Transfers Out	(768,513)	(261,330)	-
Sale of Capital Assets	8,930	-	-
Total Other Financing Sources (Uses)	<u>(759,583)</u>	<u>(261,330)</u>	<u>2,150,707</u>
Net Changes In Fund Balances	(366,963)	207,503	246,240
Fund Balances, Beginning of Year	\$ 2,167,416	\$ 872,788	\$ -
Fund Balances, End of Year	<u>\$ 1,800,453</u>	<u>\$ 1,080,291</u>	<u>\$ 246,240</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>Beach Preservation Fee Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ 4,340,013
Local Option Sales Tax	-	-	772,357
Hospitality Taxes	-	-	785,452
Intergovernmental	1,069,429	-	4,597,592
Licenses and Permits	-	-	3,782,877
Fines and Forfeitures	-	9,640	226,657
Grant Revenue	-	-	7,379,436
Contribution of Cash	-	-	5,033,265
Revenue from Use of Property	-	-	676,009
Interest	23,869	2	247,100
Other	-	17,030	1,507,811
Total Revenues	<u>1,093,298</u>	<u>26,672</u>	<u>29,348,569</u>
Expenditures			
Current:			
General Government	-	16	16,198,832
Public Safety	-	11,495	5,967,923
Building, Planning, and Engineering	-	-	391,637
Public Works	-	-	1,628,058
Recreation	-	22,884	1,080,099
Non-Departmental	-	-	444,855
Capital Outlay	275,000	18,372	2,972,488
Debt Service:			
Principal	-	-	705,000
Interest	-	-	234,491
Total Expenditures	<u>275,000</u>	<u>52,767</u>	<u>29,623,383</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>818,298</u>	<u>(26,095)</u>	<u>(274,814)</u>
Other Financing Sources (Uses)			
Transfers In	-	3,000	4,479,122
Transfers Out	(1,747,068)	(14,000)	(4,915,299)
Sale of Capital Assets	-	-	20,353
Total Other Financing Sources (Uses)	<u>(1,747,068)</u>	<u>(11,000)</u>	<u>(415,824)</u>
Net Changes In Fund Balances	(928,770)	(37,095)	(690,638)
Fund Balances, Beginning of Year	\$ 2,221,183	\$ 113,397	\$ 17,418,265
Fund Balances, End of Year	<u>\$ 1,292,413</u>	<u>\$ 76,302</u>	<u>\$ 16,727,627</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Fund Balances of the
Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Total Net Change In Fund Balances - Governmental Funds \$ (690,638)

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

Property taxes 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. 34,057

Bond principal payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 705,000

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 adjustment relates to the change in accrued interest from the prior year. 8,986

Governmental funds report the City's pension contributions as expenditures, however in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which the costs of benefits earned (\$1,289,143) exceeds employee contributions (\$804,291). (484,852)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 64,730

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense.

Capitalized capital outlay in the current period	2,973,722	
Loss on dispositions of capital outlay in the current period	(19,632)	
Depreciation expense in the current period	(1,465,024)	1,489,066

Total Change In Net Position of Governmental Activities \$ 1,126,349

City of Isle of Palms, South Carolina
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Marina Enterprise Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 749,097
Accounts Receivable	<u>100,658</u>
Total Current Assets	<u>849,755</u>
Noncurrent Assets	
Capital Assets:	
Land	3,035,786
Land Improvements	2,963,250
Building and Improvements	846,998
Docks	674,861
Equipment	283,043
Less: Accumulated Depreciation	<u>(2,200,673)</u>
Total Noncurrent Assets	<u>5,603,265</u>
Total Assets	<u><u>6,453,020</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	6,307
Accrued Interest	2,175
Security Deposits	15,500
Unearned Revenue	29,262
Bond Payable, Current Portion	<u>300,000</u>
Total Current Liabilities	<u>353,244</u>
Total Liabilities	<u><u>353,244</u></u>
Net Position	
Net Investment in Capital Assets	5,574,003
Unrestricted	<u>525,773</u>
Total Net Position	<u><u>\$ 6,099,776</u></u>

**City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and
Changes in Net Position – Proprietary Fund
Year Ended June 30, 2018**

	Marina <u>Enterprise Fund</u>
Operating Revenues	
Lease Income	\$ 415,153
Total Operating Revenues	<u>415,153</u>
Operating Expenses	
Depreciation	133,011
Insurance	74,535
Professional Services	53,541
Utilities	660
Maintenance and Service Contracts	14,420
Advertising	6,191
Miscellaneous	15,791
Total Operating Expense	<u>298,149</u>
Operating Income	<u>117,004</u>
Non-Operating Revenues (Expenses)	
Interest Income	8,993
Interest Expense	<u>(8,265)</u>
Total Non-Operating Revenues (Expenses)	<u>728</u>
Income Before Transfers	117,732
Transfers In	<u>436,177</u>
Change In Net Position	553,909
Net Position, Beginning of Year	<u>5,545,867</u>
Net Position, End of Year	<u><u>\$ 6,099,776</u></u>

City of Isle of Palms, South Carolina
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018

	<u>Marina</u> <u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 379,357
Cash Received from Miscellaneous Sources	29,262
Cash Payments to Suppliers for Goods and Services	<u>(172,421)</u>
Net Cash Provided By Operating Activities	<u>236,198</u>
Cash Flows From Non-Capital Financing Activities	
Transfer from Other Funds	<u>436,177</u>
Net Cash Provided By Non-Capital Financing Activities	<u>436,177</u>
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Bonds	(300,000)
Interest Paid on Bonds	<u>(10,440)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(310,440)</u>
Cash Flows From Investing Activities	
Purchases of Capital Assets	(307,442)
Investment Earnings	<u>8,993</u>
Net Cash Provided By Investing Activities	<u>(298,449)</u>
Net Increase In Cash and Cash Equivalents	63,486
Cash and Cash Equivalents, Beginning of Year	<u>685,611</u>
Cash and Cash Equivalents, End of Year	<u>\$ 749,097</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 117,004
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	133,011
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	(6,534)
Change Due to (Increase) Decrease in Operating Liabilities:	
Other Payables	<u>(7,283)</u>
Net Cash Provided by Operating Activities	<u>\$ 236,198</u>

City of Isle of Palms, South Carolina
Statement of Assets and Liabilities
Fiduciary Fund - Agency Fund
June 30, 2018

	<u>Volunteer Fire Department</u>
Assets	
Cash and Cash Equivalents - Restricted	<u>\$ 187,884</u>
Total Assets	<u><u>\$ 187,884</u></u>
Liabilities	
Due to Volunteer Fire Department	<u>\$ 187,884</u>
Total Liabilities	<u><u>\$ 187,884</u></u>

City of Isle of Palms, South Carolina Notes to the Financial Statements

The City of Isle of Palms, South Carolina (the City) encompasses an area of approximately 4.5 square miles. Incorporated in 1953, the City has grown into a recreational center for the coastal area of South Carolina. It serves over 4,100 full-time City residents and about 300,000 to 500,000 tourists annually. The City operates under a Council form of government. The mayor and eight members of council (the Council) establish policy for the City. Administrative functions are directed by the City Administrator.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the financial statements must present the City's financial information with any of its component units. 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 City both appoints a voting majority of the entity's governing body, and either 1) the City 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 City. 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 City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

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 City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City.

An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading.

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 in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any component units.

Major Operations

The City's major operations include general government, public safety (police and fire protection), building, planning and engineering, public works, recreation, and a marina.

City of Isle of Palms, South Carolina Notes to the Financial Statements

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 City (the Primary Government). The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The 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 City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. 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 City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are collected within sixty (60) days of the end of the current fiscal period. A 60-day availability period is used for revenue recognition for all other governmental fund revenue with the exception of certain expenditure driven grants for which a one-year availability period is generally used. 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. 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.

City of Isle of Palms, South Carolina Notes to the Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise 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. Fiduciary funds are reported by fund type.

When both restricted and unrestricted resources are available for use, it is the City'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 and non-major funds and fund types are used by the City.

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in Proprietary and Fiduciary Funds) 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 City's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City 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.

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 City has the following special revenue funds:

- i) The **Municipal Accommodations Fee Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the fee imposed on the rental of some accommodations within the City and the allocation of Charleston County Accommodations Fees received. These funds are restricted and thus can only be spent for tourism related expenditures.
- ii) The **State Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the accommodations taxes levied by the State of South Carolina and remitted to the City. These funds are restricted and thus can only be spent for advertising, promotion, and tourism related expenditures.
- iii) 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 City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism related expenditures.
- iv) The **Beach Restoration Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the City, state/local grants, and private contributions (from affected homeowners) all of which are restricted for the nourishment, monitoring, and regulatory compliance related to the beach.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

- v) The **Beach Preservation Fee Fund, a major fund** and an unbudgeted fund for fiscal year 2017, is used to account for the accumulation of resources from a 1% accommodations fee imposed on rental property effective January 1, 2015. These funds are restricted and can be used only to support beach restoration, preservation and maintenance, as well as maintenance of public beach access.
- vi) The **Special Revenue Funds, non-major funds**, are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. Most of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

Federal Narcotics	State Narcotics	Victims' Assistance
Aisle of Palms	Recreation Building	

The **Capital Projects Fund, a major fund** and a budgeted fund, is used to account for financial resources expended for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Fund or Special Revenue Funds). These funds are also used to carry on specified ongoing major improvement projects or major equipment acquisitions usually spanning more than one fiscal year.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has one enterprise fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary Fund types include the following funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has one major Enterprise Fund:

The **Marina Enterprise Fund**, a budgeted fund, is used to account for the City's marina operations.

Fiduciary Fund Types include the **Agency Fund**. This fund is used to account for assets held by the City on behalf of individuals, other governments, and/or other funds. The City of Isle of Palms Volunteer Fire Department is accounted for as an Agency Fund. The Agency Fund is custodial in nature and does not present results of operations.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool to be cash equivalents. Securities with original maturities of more than three months when initially purchased are reported as investments.

Investments

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of Deposit (CD's) 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.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

The City's cash investment objectives are preservation of capital, liquidity and yield. The City reports its cash and investments at fair market value which is normally determined by quoted market prices. The City currently or in recent past years has generally used the following investments:

- South Carolina Local Government Investment Pool (the 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. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," investments are carried at fair value determined annually based upon 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. Financial statements for the Pool may be obtained by writing the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. 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 year-end, balances of interfund receivables or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Inventories and Prepaids

Prepaid items and inventories in the governmental funds are reported under the consumption method as they are recorded as an expenditure at the time individual inventory items are consumed. Inventories are valued at cost (first-in, first-out). Inventories in the General Fund are offset by a fund balance constraint (nonspendable) to reflect that portion of fund balance does not represent available expendable resources.

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These 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. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

City of Isle of Palms, South Carolina
Notes to the 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 valued at their estimated fair market value on the date donated. As allowed by GAAP, the City has elected to prospectively report public domain (infrastructure) general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2000 have not been recorded. Public domain capital assets consist of roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems and similar assets. 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 City maintains a minimum capitalization threshold of \$5,000 and capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental and Business- Type Activities
Buildings	20-50 years
Marina Docks and Related Capital Assets	10-40 years
Improvements	10-20 years
Vehicles, Fixtures, and Equipment	5-15 years

5. *Compensated Absences*

The City's general leave policy allows the accumulation of unused vacation leave up to a maximum of thirty (30) days and unused sick leave up to a maximum of ninety (90) days. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of separation or retirement. Sick leave can only be used while employed with the City and will not be paid out at termination or retirement.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide financial statements. No portion of the liability is applicable to the Proprietary Fund as the City has no employees working in the marina operations. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year-end that are expected to be paid within a short time subsequent to year end, if they are material.

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund 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. 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. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are expensed in the period incurred.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

7. Deferred Outflows and Inflows of Resources

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

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

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

8. Fund Balance

In accordance with GAAP, the City classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is 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.

City of Isle of Palms, South Carolina Notes to the Financial Statements

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 (City 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. Committed amounts for the City consist of amounts passed and approved by resolution by City Council (Council).

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 City reserves the right to assign fund balance by a simple majority vote of Council. Council by an approved resolution in its June 26, 2012 meeting also formally granted the Mayor and City Administrator the right to assign fund balance (when deemed appropriate).

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 City generally uses restricted amounts 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 City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

10. Pensions

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

City of Isle of Palms, South Carolina
Notes to the Financial Statements

remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the City during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

D. 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, deferred outflows of resources, 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.

E. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

F. Subsequent Events

Subsequent events are events or transactions that occur after the Statement of Net Position date but before the financial statements are available to be issued. The City recognized in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Net Position, including estimates inherent in the process of preparing the financial statements. The City's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Net Position but arose after the Statement of Net Position and before the financial statements were available to be issued.

Management has evaluated subsequent events through the date the financial statements were available to be issued, and concluded there were no subsequent events to disclose.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a GAAP basis. During the months of February through May, the City’s Administration, with other departments’ input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures. The City Treasurer and the City Administrator refine the budget model, develop objectives and update trends related to service efforts and accomplishments during the month of April. During May, the proposed budget is presented by the City Administrator to City Council. The budget includes proposed expenditures and the means for financing them.

Public meetings are conducted to obtain taxpayer comments. A target date in June is set for legal enactment of the budget through passage of an ordinance. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the City Council legally adopts the budget through the passage of the ordinance. After the City completes the formal budget process, the City prepares and issues the budget report.

Budget accountability rests primarily with the operating departments of the City. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned account, the department is obligated to stay within budget by each major expenditure category of personnel, operating, and capital. The City Administrator has the authority to transfer funds within departments and across departmental accounts. All unused expenditure appropriations lapse at year-end.

During the fiscal year, there were no amendments to the original adopted budget.

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 City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2018 none of the City’s bank balances were exposed to custodial credit risk.

Investments

As of June 30, 2018, the City had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 12,234,977	Unrated	^

^ Investments in 2a-7 like funds are not required to disclose interest rate risk.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates, but they do follow the investment policy statutes of the State of South Carolina.

The City does not typically buy security investments and thus has not developed a policy for credit risk, custodial credit risk, or concentration of credit risk for these types of investments.

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2018 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

The following table reconciles the amounts reported as deposits and investments in the notes to the financial statements to cash and cash equivalents and investments reported in the financial statements:

Statement of Net Position	Amount
Cash and Cash Equivalents	\$ 9,938,768
Cash and Cash Equivalents - Restricted	5,274,156
<hr/>	
Statement of Assets and Liabilities - Fiduciary Funds - Agency Fund	
Cash and Cash Equivalents	187,884
<hr/>	
Total Cash and Investments per Financial Statements	\$ 15,400,808
<hr/>	
Notes	Amount
Carrying Value of Deposits	\$ 3,165,831
Investments	12,234,977
Total Deposits and Investments per Notes to the Financial Statements	\$ 15,400,808

B. Receivables and Unavailable/Unearned Revenue

Property Taxes and Other Receivables

The City's 2017 property taxes were levied on September 30, 2017 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$204,000,000 for tax year 2017. Property taxes were considered late on January 15, 2018. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

- January 18 through February 1- 3% penalty for tax due
- February 2 through March 16 - 10% penalty for tax due
- March 17 - Lien Date - 15% penalty for tax due plus \$15 for a delinquent execution charge
- Unpaid Taxes After One Year - Property is sold by the County Tax Collector at the annual tax sale held the first Monday in November each year.

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The City's total tax rate for the 2017 property tax year was 24.7 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Amounts received by Charleston County, but not yet remitted to the City at year end, are included as Taxes Receivable on the governmental fund balance sheet and on the government-wide Statement of Net Position.

Local option sales taxes, collected by the State of South Carolina, but not yet remitted to the City at year end, are included as due from other governments on the governmental fund balance sheet and on the government-wide Statement of Net Position.

The City's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2018:

Description	General Fund	Municipal	State	Beach Preservation Fee Fund	Hospitality Tax Fund	Marina Enterprise Fund	Beach Restoration Fund
		Accommodations Fee Fund	Tax Fund				
Property Taxes	\$ 112,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Allowance for Uncollectible	(4,346)	-	-	-	-	-	-
Local Option Sales Tax	159,261	-	-	-	-	-	-
Accommodations Taxes	38,037	312,284	603,958	293,836	-	-	-
Hospitality Taxes	-	-	-	-	132,805	-	-
Marina Operations	-	-	-	-	-	100,658	-
MASC Brokers Tax	229,740	-	-	-	-	-	-
FEMA Grant	417,127	-	-	-	-	-	1,184,360
Franchise Fees	53,506	-	-	-	-	-	-
State Aid to Subdivisions	23,338	-	-	-	-	-	-
Other	66,377	-	-	-	-	-	-
Net Receivables	\$ 1,095,259	\$ 312,284	\$ 603,958	\$ 293,836	\$ 132,805	\$ 100,658	\$ 1,184,360

Receivables of the Marina Enterprise Fund consist of amounts due from the Marina's tenants. There is no allowance for uncollectible amounts other than for property taxes.

Unavailable/Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue).

At June 30, 2018, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 63,551	\$ -	\$ 63,551
Total Unavailable/Unearned Revenue		\$ 63,551	\$ -	\$ 63,551

City of Isle of Palms, South Carolina
Notes to the Financial Statements

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

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

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 3,890	\$ (804,015)
Capital Projects Fund	1,885,850	-
Municipal Accommodations Fee Fund	-	(3,892)
State Accommodations Tax Fund	-	(3,000)
Beach Restoration Fund	-	(1,083,000)
Non-major Funds	4,167	-
	<u>\$ 1,893,907</u>	<u>\$ (1,893,907)</u>

The Capital Projects receivable of \$1,083,000 from the General Fund relates to an assignment of funds for future capital projects. The General Fund payable, a portion of the Municipal Accommodations Fee Fund payable, and the State Accommodations Tax Fund receivable relate to the General Obligations Bond Series 2015 debt service payment. The General Fund receivable and the Municipal Accommodations Fee Fund payable relate primarily to a portion of the Public Works costs. All interfund balances are expected to be paid back within one year.

Interfund Transfers

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

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 1,197,567	\$ (1,531,488)
Capital Projects Fund	1,127,848	-
Municipal Accommodations Fee Fund	-	(592,900)
State Accommodations Tax Fund	-	(768,513)
Hospitality Tax Fund	-	(261,330)
Beach Restoration Fund	2,150,707	-
Beach Preservation Fee Fund	-	(1,747,068)
Non-major Funds	3,000	(14,000)
Proprietary Fund:		
Marina Enterprise Fund	436,177	-
Totals	<u>\$ 4,915,299</u>	<u>\$ (4,915,299)</u>

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Transfers made out of the General Fund were primarily to fund future capital projects. Transfers made out of the Municipal Accommodations Fee Fund were mainly to finance debt service payments in the Beach Restoration Fund and to offset Public Safety and Public Works costs in the General Fund. Transfers made out of the Hospitality Tax Fund were to offset Public Safety costs in the General Fund. Transfers from the State Accommodations Tax Fund were primarily for marina debt service and beach maintenance.

D. Capital Assets

Capital asset activity for the City'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	\$ 4,272,896	\$ -	\$ -	\$ -	\$ 4,272,896
Construction in Progress	616,551	1,230,341	-	(436,617)	1,410,275
Total Capital Assets, Non-Depreciable	4,889,447	1,230,341	-	(436,617)	5,683,171
Capital Assets, Depreciable:					
Land Improvements	3,879,606	60,000	-	-	3,939,606
Buildings and Improvements	15,200,152	1,058,322	-	436,617	16,695,091
Vehicles and Vehicle Equipment	4,791,512	289,794	(50,083)	-	5,031,223
Equipment	2,705,671	335,265	(140,625)	-	2,900,311
Furniture and Fixtures	72,890	-	-	-	72,890
Total Capital Assets, Depreciable	26,649,831	1,743,381	(190,708)	436,617	28,639,121
Less: Accumulated Depreciation for:					
Land Improvements	2,100,459	231,275	-	-	2,331,734
Buildings and Improvements	6,068,626	642,990	-	-	6,711,616
Vehicles and Vehicle Equipment	3,498,548	430,805	(63,027)	-	3,866,326
Equipment	2,180,918	159,680	(108,049)	-	2,232,549
Furniture and Fixtures	70,684	274	-	-	70,958
Total Accumulated Depreciation	13,919,235	1,465,024	(171,076)	-	15,213,183
Total Capital Assets, Depreciable, Net	12,730,596	278,357	(19,632)	436,617	13,425,938
Governmental Activities Capital Assets, Net	\$ 17,620,043	\$ 1,508,698	\$ (19,632)	\$ -	\$ 19,109,109

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Capital asset additions and depreciation expense for the City's governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities		
General Government	\$ 860,653	\$ 176,119
Public Safety	340,094	807,186
Building, Planning, and Engineering	27,425	24,006
Public Works	1,663,109	244,562
Recreation	82,441	213,151
Total - Governmental Activities	<u>\$ 2,973,722</u>	<u>\$ 1,465,024</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,035,786	\$ -	\$ -	\$ -	\$ 3,035,786
Construction in Progress	-	-	-	-	-
Total Capital Assets, Non-Depreciable	<u>3,035,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035,786</u>
Capital Assets, Depreciable:					
Land Improvements	2,655,808	307,442	-	-	2,963,250
Buildings and Improvements	846,998	-	-	-	846,998
Docks	674,861	-	-	-	674,861
Equipment	283,043	-	-	-	283,043
Total Capital Assets, Depreciable	<u>4,460,710</u>	<u>307,442</u>	<u>-</u>	<u>-</u>	<u>4,768,152</u>
Less: Accumulated Depreciation for:					
Land Improvements	659,987	76,193	-	-	736,180
Buildings and Improvements	604,186	11,250	-	-	615,436
Docks	526,481	41,405	-	-	567,886
Equipment	277,008	4,163	-	-	281,171
Total Accumulated Depreciation	<u>2,067,662</u>	<u>133,011</u>	<u>-</u>	<u>-</u>	<u>2,200,673</u>
Total Capital Assets, Depreciable, Net	<u>2,393,048</u>	<u>174,431</u>	<u>-</u>	<u>-</u>	<u>2,567,479</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,428,834</u>	<u>\$ 174,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,603,265</u>

City of Isle of Palms, South Carolina
Notes to the Financial Statements

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligations Bonds (GOB) are directed obligations and pledge the full faith and credit of the City.

Details on the City's debt outstanding as of June 30, 2018 are as follows:

<p>\$6,700,000 General Obligation Bonds Series 2008 ("Series 2008B") issued in August 2008 to defray the cost of constructing and equipping a new public safety building and renovating certain municipal facilities. Principal is payable annually and interest, at 4.14%, semi-annually. Annual debt service requirements range from approximately \$343,000 to \$540,000 through March 2028 and are being paid 100% by the General Fund.</p>	<p>Principal Outstanding at Year End</p> <p style="text-align: right;">\$ 3,900,000</p>
<p>\$2,235,000 General Obligation Refunding Bond Series 2016 ("Series 2016") issued in April 2016 to refund the remaining balance on the \$3,650,000 General Obligation Bond ("Series 2006") issued in August 2006 which originally financed the construction and equipping of Fire Station 2. Principal is payable annually and interest, at 1.88% semi-annually. Annual debt service requirements range from approximately \$180,000 to \$275,000 through June 2026 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.</p>	<p style="text-align: right;">1,870,000</p>
<p>\$1,500,000 General Obligation Refunding Bond Series 2015 ("Series 2015") issued in February 2015 to refund the remaining balance on the \$2,900,000 General Obligation Bond ("Series 2003") issued in July 2003 which originally financed the expansion of the recreation center (which was approved through voter referendum and thus not subject to the 8% debt limit). Principal is payable annually and interest, at 1.68%, semi-annually. Annual debt service requirements range from approximately \$160,000 to \$221,000 through June 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.</p>	<p style="text-align: right;">1,015,000</p>
<p>\$1,450,000 General Obligation Refunding Bond Series 2013 ("Series 2013") issued in October 2013 to refund the remaining balance on the \$2,925,000 General Obligation Bond ("Series 2008A") issued in April 2008, which refunded the \$4,250,000 General Obligation Bond ("Series 1999") issued in January 1999 which originally purchased the Marina, was approved through voter referendum, and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 1.74%, semi-annually. Annual debt service requirements range from approximately \$285,000 to \$308,000 through February 2019 and are being paid by the Marina Enterprise Fund. For the fiscal year ended June 30, 2018, \$232,830 of the marina debt service was offset by a transfer from the State Accommodations Tax Fund.</p>	<p style="text-align: right; border-bottom: 1px solid black;">300,000</p>
<p>Total General Obligation Bonds</p>	<p style="text-align: right; border-bottom: 3px double black;">\$ 7,085,000</p>

GOB have been issued for both governmental and proprietary/enterprise activities. Bonds are reported in the Enterprise Fund if they are expected to be repaid from Enterprise Fund operations.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Interest paid on the debt currently issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities (via the Pool), especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2018.

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2018, for the City's governmental and business-type activities:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
GOB Debt:					
GOB - Series 2008B	\$ 4,250,000	\$ -	\$ 350,000	\$ 3,900,000	\$ 350,000
GOB - Series 2015	1,185,000	-	170,000	1,015,000	180,000
GOB - Series 2016	<u>2,055,000</u>	<u>-</u>	<u>185,000</u>	<u>1,870,000</u>	<u>195,000</u>
Total GOB Debt	<u>7,490,000</u>	<u>-</u>	<u>705,000</u>	<u>6,785,000</u>	<u>725,000</u>
Accrued Compensated Absences	413,165	218,236	282,966	348,435	196,638
Total Governmental Activities	<u>\$ 7,903,165</u>	<u>\$ 218,236</u>	<u>\$ 987,966</u>	<u>\$ 7,133,435</u>	<u>\$ 921,638</u>
Business-Type Activities:					
GOB Debt:					
GOB - Series 2013	600,000	-	300,000	300,000	300,000
Total GOB Debt	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Resources from the General Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, and Hospitality Tax Fund have been used to liquidate the governmental activities debt. Resources from the Marina Enterprise Fund and the State Accommodations Tax Fund have been used to liquidate the business-type activities debt. The accrued compensated absences liability has been liquidated through the General Fund.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no city shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such city or city voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit, without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2018, the City had \$5,770,000 of bonded debt subject to the 8% limit of approximately \$16,345,000 available, resulting in an unused legal debt margin of approximately \$10,575,000.

The City incurred interest expense of approximately \$234,000 and \$8,000 for its governmental and business-type activities debt, respectively.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Debt Service Requirements to Maturity

Presented below are the debt service requirements to maturity for the governmental and business-type activities:

Year Ended June 30,	GOB		Totals
	Principal	Interest	
<u>Governmental Activities</u>			
2019	\$ 725,000	\$ 213,668	\$ 938,668
2020	760,000	192,488	952,488
2021	800,000	170,700	970,700
2023-2027	3,600,000	513,241	4,113,241
2028	900,000	55,890	955,890
Totals	<u>\$ 6,785,000</u>	<u>\$ 1,145,987</u>	<u>\$ 7,930,987</u>
<u>Business-Type Activities</u>			
2019	300,000	5,220	305,220
Totals	<u>\$ 300,000</u>	<u>\$ 5,220</u>	<u>\$ 305,220</u>

F. Marina Revenue

The City-owned Marina earns revenues from the rental of Marina facilities as noted below:

- The City dock lease (marine operations) – rent income of approximately \$171,000 for the year ended June 30, 2018. The lease expires in January 31, 2045.
- Marina store lease – rent income of approximately \$77,000 for the year ended June 30, 2018. The lease expires in January 31, 2045.
- Marina restaurant lease – rent income of approximately \$147,000 for the year ended June 30, 2018 (which includes regular rent income of approximately \$90,000 plus additional rent of \$57,000 for gross income over target amount). The final three year renewal option for this lease began in November 2017 and ends October 31, 2020.
- Water sports dock lease – rent income of approximately \$23,000 for the year ended June 30, 2018. The lease expires on September 30, 2020.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2018 are as follows:

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Year Ended June 30,	Amount
2019	\$ 360,669
2020	360,669
2021	298,182
2022	248,286
2023-2027	1,241,430
2028-2032	1,241,430
2033-2037	1,241,430
2038-2042	1,241,430
2044-2046	632,834
	\$ 6,866,360

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The City 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 City is a member of the South Carolina Municipal Insurance Reserve Fund (SCMIRF), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The City pays an annual premium for this coverage. For the year ended June 30, 2018, the City's premium costs totaled approximately \$271,000. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$12,207,000.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (SCMIT), a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The City pays an annual premium to SCMIT. For the year ended June 30, 2018, the City made premium payments totaling approximately \$179,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2017, totaled approximately \$55,464,000.

For the above public entity risk pools for property and casualty insurance, there were no significant reductions in coverage in the past fiscal year, and settled claims in excess of insurance coverage for the last three years were immaterial.

Health Insurance

The City provides a health insurance program for its employees through the SC State Health Plan (Health Plan). The City pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims.

Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the 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

City of Isle of Palms, South Carolina Notes to the Financial Statements

and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 firefighters 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, teachers, and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

Plan Benefits

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

City of Isle of Palms, South Carolina Notes to the Financial Statements

- 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 requirements that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight- year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

Plan Contributions

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

City of Isle of Palms, South Carolina
Notes to the Financial Statements

As noted above, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation as follows:

Required **employee** contribution rates are as follows:

<u>SCRS</u>	<u>2018</u>	<u>2017</u>
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%

<u>PORS</u>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required **employer** contribution rates are as follows:

<u>SCRS</u>		
Employee Class Two	13.41%	11.41%
Employee Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

<u>PORS</u>		
Employee Class Two	15.84%	13.84%
Employee Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2016. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

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. For the year ended June 30, 2017, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension</u>
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%

At June 30, 2018, the City reported liabilities of approximately \$4,335,000 and \$6,199,000 for its proportionate share of the NPLs for the SCRS and PORS (Plans), respectively. The NPLs were measured as of June 30, 2017, and the total pension liabilities for the Plans used to calculate the NPLs were determined based on the most recent actuarial valuation report as of July 1, 2016 that was projected forward to the measurement date. The City's proportion of the NPLs were based on a projection of the City'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 June 30, 2017, the City's SCRS proportion was 0.019257 percent, which increased slightly from the prior year. At June 30, 2017, the City's PORS proportion was 0.226290 percent, which decreased slightly from the prior year.

For the year ended June 30, 2018, the City recognized pension expense of approximately \$456,000 and \$833,000 for the SCRS and PORS, respectively. At June 30, 2018, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

<u>SCRS:</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 19,326	\$ 2,403
Changes of assumptions	253,771	-
Net difference between projected and actual earnings on pension plan investments	121,015	-
Changes in proportion and differences between City contributions and proportionate share of contributions	69,009	13,949
City contributions subsequent to the measurement date	<u>279,865</u>	<u>-</u>
Total	<u>\$ 742,986</u>	<u>\$ 16,352</u>

City of Isle of Palms, South Carolina
Notes to the Financial Statements

<u>PORS:</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 55,280	\$ -
Changes of assumptions	588,370	-
Net difference between projected and actual earnings on pension plan investments	220,906	-
Changes in proportion and differences between City contributions and proportionate share of contributions	172,849	69,290
City contributions subsequent to the measurement date	<u>524,426</u>	<u>-</u>
Total	<u>\$ 1,561,831</u>	<u>\$ 69,290</u>

Approximately \$280,000 and \$524,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized as an increase or (decrease) in pension expense as follows:

<u>Year ended June 30:</u>	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
2018	\$ 134,888	\$ 321,664	\$ 456,552
2019	209,741	406,551	616,292
2020	134,940	233,475	368,415
2021	<u>(32,800)</u>	<u>6,425</u>	<u>(26,375)</u>
	<u>\$ 446,769</u>	<u>\$ 968,115</u>	<u>\$ 1,414,884</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process 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.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

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

Actuarial assumptions:	SCRS	PORS
Actuarial cost method	Entry age	Entry age
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)*
Includes inflation at	2.25%	2.25%
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. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market assumptions. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

City of Isle of Palms, South Carolina
Notes to the Financial Statements

Asset Class	Target Asset 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%	2.08%
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%
Infrastructure	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%

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 SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State 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.

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans as of June 30, 2017 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 1.00% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 5,587,297	\$ 4,335,060	\$ 3,575,247
PORS	\$ 8,370,305	\$ 6,199,297	\$ 4,489,322

City of Isle of Palms, South Carolina Notes to the Financial Statements

Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payable to Plans

The City reported payables of \$135,649 to the PEBA as of June 30, 2018, representing required employer and employee contributions related to 2018. These amounts are included in Other Accrued Liabilities on the financial statements and have been paid subsequent to year end.

C. Other Postemployment Benefits

Upon retirement from the City, employees who meet certain eligibility requirements have the option to retain health insurance through the Health Plan paying the applicable retiree rate. The Health Plan and the City's Personnel Manual establish the requirements for post-employment healthcare benefits. Presently there are no retired participants who opted to retain health insurance through the Health Plan. For the fiscal year ended June 30, 2018, there were no material liabilities or expenditures to be required with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

D. Beach Restoration

During 2007, severe beach erosion occurred along approximately one-half mile of the City's seven mile beach. To address this problem, the City is managing a public-private jointly funded effort to restore the eroded beach, thereby protecting the City's greatest natural asset as well as millions of dollars of property. The City's monetary contribution to the project in 2008 consisted of \$200,000 budgeted for beach restoration and an additional \$1,700,000 obtained via a bank loan secured by future municipal accommodations fee revenues, which has been paid in full as of June 30, 2015. Private contributions of approximately \$7,108,000 were received from the affected property owners in 2008. In 2009, the City also received project support from Charleston County for \$900,000 and approximately \$671,000 from the South Carolina Department of Health and Environmental Control Office of Coastal Resource Management (OCRM). The OCRM grant was restricted to the area of the project where public access exists.

The City recognized the funds received for this public-private jointly funded project (beach restoration and focused erosion) as revenue as the expenditures are incurred (using the City's contribution and grant and loan proceeds first before utilizing the private donations). The most significant construction phase of the project was substantially completed as of July 2008 with certain required post-project monitoring functions completed during 2009 and 2010.

In 2011, the United States Army Corps of Engineers and the South Carolina Department of Health and Environmental Control Office of Ocean and Coastal Resource Management issued permits to the City to address erosional "hot spots." In March and April 2012, the City executed a Shoal Management Project in which land-based equipment moved 87,763 cubic yards of sand from the "borrow area" to the "fill area." Funding for this project was available in escrow from monies collected for the public-private jointly funded 2008 project. The City executed new agreements with the stakeholders to utilize this funding for the 2012 Shoal Management Project, and the project and all post-project monitoring have been completed.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

In August and September of 2014, the City collected new signed agreements and approximately \$423,000 in new contributions from identified stakeholders towards the execution of a second land-based Shoal Management Project which took place in November 2014. The restricted cash account established for the 2008 project had a balance of approximately \$664,000 as of June 30, 2014, and City Council allocated an additional \$200,000 from its Beach Maintenance Fund. The City incurred renourishment costs of approximately \$1,047,000 in fiscal year 2015 and \$126,000 for the year ended June 30, 2016. Thus, the remaining unearned liability in the financial statements as of June 30, 2016 was approximately \$114,000 which is related to the remaining private contributions received that are restricted for future beach restoration projects.

In January 2017, the City began outreach to stakeholders concerning recapitalizing the beach restoration account to enable an estimated \$15,000,000 project once permitted by SC DHEC, OCRM and the Corps of Engineers. Letters were sent outlining the expected project and agreements were attached. Those expecting to participate in the funding formula were to execute the agreements and return along with their portion of the required funding participation. By spring of 2017, approximately \$5,000,000 in private funds were collected. In tandem with the City's anticipated \$2,900,000 participation in the project and the private property owners' contributions, the City successfully pursued grant funding of approximately \$3,000,000 from the South Carolina Department of Parks, Recreation and Tourism. Storm damage from both the 1,000-year flood and Hurricane Matthew produced the expectation of approximately \$2,500,000 in FEMA and State funding as well. With the majority of funding identified and all permits secured, the City awarded a contract to Great Lake Dredge and Dock to accomplish the project within the allowed window which ends March 30, 2018. During the year, the beach restoration project was completed at an approximate cost of \$13,876,000.

Responding to significant beach erosion caused by Hurricanes Matthew and Irma, the City awarded separate emergency berm restoration projects following each disaster. FEMA and the State of SC have already reimbursed costs associated with Hurricane Matthew and Hurricane Irma.

E. Commitments and Contingencies

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2018.

F. Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.



Required Supplementary Information (Unaudited)

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules
 - General Fund
 - Municipal Accommodations Fee Fund
 - State Accommodations Tax Fund
 - Hospitality Tax Fund
 - Beach Restoration Fund
- South Carolina Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions
- South Carolina Police Officers Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 4,340,000	\$ 4,340,000	\$ 4,340,013	\$ 13
Local Option Sales Tax	715,000	715,000	772,357	57,357
Intergovernmental	257,000	257,000	746,853	489,853
Licenses and Permits	3,365,400	3,365,400	3,782,877	417,477
Fines and Forfeitures	275,000	275,000	217,017	(57,983)
Revenues From Use of Properties (Marina excluded)	708,000	708,000	676,009	(31,991)
Interest	15,000	15,000	67,437	52,437
Other Revenues	281,900	281,900	291,336	9,436
Total Revenues	9,957,300	9,957,300	10,893,899	936,599
Expenditures				
General Government:				
Mayor and Council	103,911	103,911	139,008	(35,097)
Administration	909,843	909,843	1,216,732	(306,889)
Judicial and Legal	318,673	318,673	256,395	62,278
Public Safety:				
Police Department	2,717,614	2,717,614	2,597,699	119,915
Fire Department	3,251,235	3,251,235	3,225,767	25,468
Building, Planning, and Engineering	459,149	459,149	391,621	67,528
Public Works	1,254,417	1,254,417	1,267,274	(12,857)
Recreation:				
Recreation Department	919,527	919,527	873,855	45,672
Recreation Programs	96,750	96,750	90,030	6,720
Non-Departmental:				
Parking Meters	136,184	136,184	93,124	43,060
Debt Service:				
Principal	526,000	526,000	526,000	-
Interest	203,349	203,349	203,348	1
Total Expenditures	10,896,652	10,896,652	10,880,853	15,799
Excess (Deficiency) of Revenues Over Expenditures	(939,352)	(939,352)	13,046	952,398
Other Financing Sources (Uses)				
Transfer In	1,264,349	1,264,349	1,197,567	(66,782)
Transfer Out	(324,998)	(324,998)	(1,531,488)	(1,206,490)
Sale of Capital Assets	-	-	5,208	5,208
Total Other Financing Sources (Uses)	939,351	939,351	(328,713)	(1,268,064)
Net Changes In Fund Balances	(1)	(1)	(315,667)	(315,666)
Fund Balances, Beginning of Year	5,902,576	5,902,576	5,902,576	-
Fund Balances, End of Year	\$ 5,902,575	\$ 5,902,575	\$ 5,586,909	\$ (315,666)

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Municipal Accommodations Fee Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodation Fee Revenue	\$ 967,000	\$ 967,000	\$ 1,069,429	\$ 102,429
County Accommodations Fee Revenue	437,000	437,000	437,000	-
Interest	10,000	10,000	20,889	10,889
Total Revenues	<u>1,414,000</u>	<u>1,414,000</u>	<u>1,527,318</u>	<u>113,318</u>
Expenditures				
Current:				
General Government	76,610	76,610	52,342	24,268
Public Safety	125,977	125,977	35,196	90,781
Public Works	94,457	94,457	82,612	11,845
Recreation:				
Recreation Department	-	-	1,273	(1,273)
Non-Departmental:				
Public Restrooms	226,797	226,797	210,270	16,527
Capital Outlay	1,011,458	1,011,458	366,160	645,298
Debt Service:				
Principal	68,000	68,000	68,000	-
Interest	7,963	7,963	7,963	-
Total Expenditures	<u>1,611,262</u>	<u>1,611,262</u>	<u>823,816</u>	<u>787,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(197,262)</u>	<u>(197,262)</u>	<u>703,502</u>	<u>900,764</u>
Other Financing Sources (Uses)				
Transfer Out	(648,067)	(648,067)	(592,900)	55,167
Sale of Capital Assets	-	-	6,215	6,215
Total Other Financing Sources (Uses)	<u>(648,067)</u>	<u>(648,067)</u>	<u>(586,685)</u>	<u>61,382</u>
Net Changes In Fund Balances	<u>(845,329)</u>	<u>(845,329)</u>	<u>116,817</u>	<u>962,146</u>
Fund Balances, Beginning of Year	<u>1,599,677</u>	<u>1,599,677</u>	<u>1,599,677</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 754,348</u>	<u>\$ 754,348</u>	<u>\$ 1,716,494</u>	<u>\$ 962,146</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - State Accommodations Tax Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodations Tax Revenue	\$ 1,652,000	\$ 1,652,000	\$ 1,762,379	\$ 110,379
Interest	12,000	12,000	23,956	11,956
Other	2,000	2,000	2,500	500
Total Revenues	<u>1,666,000</u>	<u>1,666,000</u>	<u>1,788,835</u>	<u>122,835</u>
Expenditures				
Current:				
General Government	702,750	702,750	629,084	73,666
Public Safety	86,477	86,477	24,512	61,965
Public Works	22,957	22,957	13,889	9,068
Recreation:				
Recreation Department	52,000	52,000	46,837	5,163
Non-Departmental:				
Public Restrooms	174,691	174,691	141,461	33,230
Capital Outlay	1,141,669	1,141,669	540,432	601,237
Total Expenditures	<u>2,180,544</u>	<u>2,180,544</u>	<u>1,396,215</u>	<u>784,329</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(514,544)</u>	<u>(514,544)</u>	<u>392,620</u>	<u>907,164</u>
Other Financing Sources (Uses)				
Transfer Out	(814,449)	(814,449)	(768,513)	45,936
Sale of Capital Assets	5,000	5,000	8,930	3,930
Total Other Financing Sources (Uses)	<u>(809,449)</u>	<u>(809,449)</u>	<u>(759,583)</u>	<u>49,866</u>
Net Changes In Fund Balances	(1,323,993)	(1,323,993)	(366,963)	957,030
Fund Balances, Beginning of Year	<u>2,167,416</u>	<u>2,167,416</u>	<u>2,167,416</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 843,423</u>	<u>\$ 843,423</u>	<u>\$ 1,800,453</u>	<u>\$ 957,030</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Hospitality Tax Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hospitality Taxes	\$ 698,000	\$ 698,000	\$ 785,452	\$ 87,452
Interest	2,200	2,200	10,476	8,276
Total Revenues	<u>700,200</u>	<u>700,200</u>	<u>795,928</u>	<u>95,728</u>
Expenditures				
Current:				
Public Safety	31,000	31,000	27,758	3,242
Building, Planning, and Engineering	1,150	1,150	16	1,134
Public Works	206,800	206,800	108,907	97,893
Capital Outlay	143,200	143,200	56,234	86,966
Debt Service:				
Principal	111,000	111,000	111,000	-
Interest	23,180	23,180	23,180	-
Total Expenditures	<u>516,330</u>	<u>516,330</u>	<u>327,095</u>	<u>189,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>183,870</u>	<u>183,870</u>	<u>468,833</u>	<u>284,963</u>
Other Financing Sources (Uses)				
Transfer Out	(594,723)	(594,723)	(261,330)	333,393
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>(594,723)</u>	<u>(594,723)</u>	<u>(261,330)</u>	<u>333,393</u>
Net Changes In Fund Balances	(410,853)	(410,853)	207,503	618,356
Fund Balances, Beginning of Year	<u>872,788</u>	<u>872,788</u>	<u>872,788</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 461,935</u>	<u>\$ 461,935</u>	<u>\$ 1,080,291</u>	<u>\$ 618,356</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Beach Restoration Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions	\$ 5,200,000	\$ 5,200,000	\$ 5,033,265	\$ (166,735)
Grant Income	6,932,000	6,932,000	6,891,938	(40,062)
Loan Proceeds	1,200,000	1,200,000	-	-
Interest	100	100	51,555	51,455
Total Revenues	<u>13,332,100</u>	<u>13,332,100</u>	<u>11,976,758</u>	<u>(155,342)</u>
Expenditures				
Current:				
General Government	15,004,078	15,004,078	13,881,225	1,122,853
Total Expenditures	<u>15,004,078</u>	<u>15,004,078</u>	<u>13,881,225</u>	<u>1,122,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,671,978)</u>	<u>(1,671,978)</u>	<u>(1,904,467)</u>	<u>967,511</u>
Other Financing Sources (Uses)				
Transfer In	-	1,671,978	2,150,707	478,729
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,671,978</u>	<u>2,150,707</u>	<u>478,729</u>
Net Changes In Fund Balances	(1,671,978)	-	246,240	1,446,240
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ (1,671,978)</u>	<u>\$ -</u>	<u>\$ 246,240</u>	<u>\$ 1,446,240</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability
South Carolina Retirement System
Year Ended June 30, 2018

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
City of Isle of Palms' proportion of the net pension liability	0.019257%	0.019055%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 4,335,060</u>	<u>\$ 4,070,120</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 1,942,949</u>	<u>\$ 1,845,203</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.12%	220.58%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Contributions
South Carolina Retirement System
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 279,865	\$ 224,605	\$ 204,079	\$ 190,452	\$ 181,973
Contributions in relation to the contractually required contribution	<u>(279,865)</u>	<u>(224,605)</u>	<u>(204,079)</u>	<u>(190,452)</u>	<u>(181,973)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 2,063,898</u>	<u>\$ 1,942,949</u>	<u>\$ 1,845,203</u>	<u>\$ 1,747,268</u>	<u>\$ 1,718,609</u>
Contributions as a percentage of covered-employee payroll	13.56%	11.56%	11.06%	10.90%	10.59%

*Note- This schedule will show information for 10 years. However, until a full 10 years is compiled, the City will show information for years for which information is available.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability
South Carolina Police Officers Retirement System
Year Ended June 30, 2018

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
City of Isle of Palms' proportion of the net pension liability	0.226290%	0.230280%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 6,199,297</u>	<u>\$ 5,840,969</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 3,047,364</u>	<u>\$ 2,885,754</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.43%	202.41%
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Contributions
South Carolina Police Officers Retirement System
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 524,426	\$ 433,945	\$ 403,373	\$ 375,863	\$ 324,766
Contributions in relation to the contractually required contribution	<u>(524,426)</u>	<u>(433,945)</u>	<u>(403,373)</u>	<u>(375,863)</u>	<u>(324,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 3,229,223</u>	<u>\$ 3,047,364</u>	<u>\$ 2,885,754</u>	<u>\$ 2,802,857</u>	<u>\$ 2,526,375</u>
Contributions as a percentage of covered-employee payroll	16.24%	14.24%	13.98%	13.41%	12.86%

*Note- This schedule will show information for 10 years. However, until a full 10 years is compiled, the City will show information for years for which information is available.

Supplementary Information

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than fiduciary funds or capital project funds) that are received by the City of Isle of Palms (City) that are either legally restricted or assigned for specified purposes.

FEDERAL AND STATE NARCOTICS FUNDS – To account for the accumulation of funds seized by the City from illegal drug trafficking. These funds are used by the City to deter illegal drug use through investigation and education.

VICTIMS' ASSISTANCE FUND – To account for monies set aside to assist victims of crimes in accordance with state law.

AIISLE OF PALMS FUND – To account for donations received for the planting of palm trees by the City and funds collected for the purchase of bricks, benches, and palm trees in connection with the Front Beach Enhancement Project.

RECREATION BUILDING FUND – To account for donations made to the City's Recreation Department.



City of Isle of Palms, South Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Federal Narcotics Fund	State Narcotics Fund	Victims' Assistance Fund	Aisle of Palms Fund	Recreation Building Fund	Total Non- Major Funds
Assets						
Cash and Cash Equivalents - Restricted	\$ -	\$ 3,892	\$ 6,707	\$ -	\$ 62,333	\$ 72,932
Due from other funds	-	-	1,167	-	3,000	4,167
Total Assets	<u>\$ -</u>	<u>\$ 3,892</u>	<u>\$ 7,874</u>	<u>\$ -</u>	<u>\$ 65,333</u>	<u>\$ 77,099</u>
Liabilities						
Accounts Payable	\$ 751	\$ -	\$ 46	\$ -	\$ -	\$ 797
Total Liabilities	<u>751</u>	<u>-</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>797</u>
Fund Balances						
Restricted	(751)	3,892	7,828	-	-	10,969
Assigned	-	-	-	-	65,333	65,333
Total Fund Balances	<u>(751)</u>	<u>3,892</u>	<u>7,828</u>	<u>-</u>	<u>65,333</u>	<u>76,302</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,892</u>	<u>\$ 7,874</u>	<u>\$ -</u>	<u>\$ 65,333</u>	<u>\$ 77,099</u>

City of Isle of Palms, South Carolina
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018

	Federal Narcotics Fund	State Narcotics Fund	Victims' Assistance Fund	Aisle of Palms Fund	Recreation Building Fund	Total Non- Major Funds
Revenues						
Fines and Forfeitures	\$ -	\$ -	\$ 9,640	\$ -	\$ -	\$ 9,640
Interest	-	-	-	-	2	2
Other	-	-	-	3,450	13,580	17,030
Total Revenues	<u>-</u>	<u>-</u>	<u>9,640</u>	<u>3,450</u>	<u>13,582</u>	<u>26,672</u>
Expenditures						
Current:						
General Government	-	-	-	16	-	16
Public Safety	6,662	3,450	1,383	-	-	11,495
Recreation	-	-	-	-	22,884	22,884
Capital Outlay	-	-	-	18,372	-	18,372
Total Expenditures	<u>6,662</u>	<u>3,450</u>	<u>1,383</u>	<u>18,388</u>	<u>22,884</u>	<u>52,767</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,662)</u>	<u>(3,450)</u>	<u>8,257</u>	<u>(14,938)</u>	<u>(9,302)</u>	<u>(26,095)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	3,000	3,000
Transfers Out	-	-	(14,000)	-	-	(14,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>3,000</u>	<u>(11,000)</u>
Net Change In Fund Balances	(6,662)	(3,450)	(5,743)	(14,938)	(6,302)	(37,095)
Fund Balances, Beginning of Year	5,911	7,342	13,571	14,938	71,635	113,397
Fund Balances, End of Year	<u>\$ (751)</u>	<u>\$ 3,892</u>	<u>\$ 7,828</u>	<u>\$ -</u>	<u>\$ 65,333</u>	<u>\$ 76,302</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 4,340,000	\$ 4,340,013	\$ 13
Local Option Sales Tax	715,000	772,357	57,357
Intergovernmental			
State Aid to Subdivisions	100,000	93,353	(6,647)
State Accommodations Tax Administrative Fee	112,000	117,757	5,757
State Shared Funds - Alcohol	45,000	48,245	3,245
Grants	-	487,498	487,498
Total Intergovernmental	257,000	746,853	489,853
Licenses and Permits			
Business Licenses	1,095,000	1,413,076	318,076
Residential Rental Licenses	510,000	511,530	1,530
Insurance Licenses	636,000	687,835	51,835
Public Utilities	830,000	797,152	(32,848)
Building Permits	262,000	341,138	79,138
Telecommunication Licenses	24,000	20,074	(3,926)
Transportation	5,000	9,027	4,027
Alarm Permits	1,500	1,295	(205)
Animal Licenses	1,900	1,750	(150)
Total Licenses and Permits	3,365,400	3,782,877	417,477
Fines and Forfeitures	275,000	217,017	(57,983)
Revenue From Use of Properties			
Parking Lot Revenue	320,000	289,737	(30,263)
Parking Meter Revenue	387,000	385,720	(1,280)
Residential Guest Parking Revenue	1,000	552	(448)
Total Revenue From Use of Properties	708,000	676,009	(31,991)
Interest			
Interest Income	15,000	67,437	52,437
Total Interest	15,000	67,437	52,437

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other Revenues			
Recreation Program Income	\$ 100,000	\$ 90,585	\$ (9,415)
Recreation Instructors Income	166,000	177,100	11,100
Sales of Assets	1,000	5,208	4,208
Miscellaneous	8,400	16,932	8,532
Cart Purchase Revenue	4,000	4,800	800
Boat Ramp Fees	2,400	1,800	(600)
Kennel Fees	100	119	19
	<u>281,900</u>	<u>296,544</u>	<u>14,644</u>
Total Other Revenues	<u>281,900</u>	<u>296,544</u>	<u>14,644</u>
Total Revenues	<u>9,957,300</u>	<u>10,899,107</u>	<u>941,807</u>
Expenditures			
General Government			
<u>Mayor and Council:</u>			
Salaries	17,000	17,000	-
Payroll Taxes	1,301	1,301	-
Retirement	1,492	1,053	439
Group Health Insurance	43,205	72,222	(29,017)
Workers Compensation	474	379	95
Membership and Dues	50	-	50
Print and Office Supplies	500	2,053	(1,553)
Meetings and Seminars	9,000	14,033	(5,033)
Vehicle, Fuel, and Oil	250	-	250
Telephone	3,672	2,719	953
Insurance	2,038	1,999	39
Miscellaneous and Contingency	4,500	4,448	52
Citizens and Employee Services	20,429	21,801	(1,372)
	<u>103,911</u>	<u>139,008</u>	<u>(35,097)</u>
Total Mayor and Council	<u>103,911</u>	<u>139,008</u>	<u>(35,097)</u>
<u>Administration:</u>			
Salaries	464,726	476,309	(11,583)
Salaries - Overtime	8,895	16,562	(7,667)
Salaries - Part-time	18,423	619	17,804
Payroll Taxes	37,641	36,086	1,555
Retirement	64,223	62,907	1,316
Group Health Insurance	38,083	44,251	(6,168)
Workers Compensation	5,200	4,330	870
Print and Office Supplies	10,000	10,749	(749)
Membership and Dues	5,985	5,714	271

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Meetings and Seminars	\$ 6,000	\$ 6,531	\$ (531)
Vehicle, Fuel, and Oil	1,750	1,462	288
Electric and Gas	4,000	4,683	(683)
Telephone and Cable	10,952	11,018	(66)
Water and Sewer	2,120	1,760	360
Noncapital Tools and Equipment	1,250	1,233	17
Maintenance and Service Contracts	38,935	25,104	13,831
Machine and Equipment Repair	1,000	69	931
Cleaning and Sanitary Supplies	2,000	1,623	377
Storm Preparation & Cleanup	-	355,757	(355,757)
Medical and Lab	800	554	246
Insurance	21,662	20,968	694
Rent and Leases	10,700	8,023	2,677
Advertising	7,600	3,850	3,750
Employee Training	83,968	44,792	39,176
Professional Services	38,520	38,489	31
Miscellaneous and Contingency	18,910	16,390	2,520
Election Expense	-	10,513	(10,513)
Bank Service Charges	6,500	6,386	114
	<u>909,843</u>	<u>1,216,732</u>	<u>(306,889)</u>
<u>Judicial and Legal:</u>			
Salaries - Full-time	64,068	67,225	(3,157)
Salaries - Over-time	2,946	5,344	(2,398)
Salaries - Part-time	18,000	15,442	2,558
Payroll Taxes	6,504	6,503	1
Retirement	11,528	10,814	714
Group Health Insurance	6,265	6,248	17
Workers Compensation	288	231	57
Print and Office Supplies	4,500	4,072	428
Membership and Dues	200	107	93
Meetings and Seminars	800	228	572
Telephone and Cable	3,540	3,923	(383)
Noncapital Tools and Equipment	800	2,024	(1,224)
Maintenance and Service Contracts	6,800	3,475	3,325
Insurance	584	576	8

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee Training	\$ 2,000	\$ 1,398	\$ 602
Professional Services	189,000	127,954	61,046
Miscellaneous and Contingency	850	831	19
Total Judicial and Legal	<u>318,673</u>	<u>256,395</u>	<u>62,278</u>
Total General Government	<u>1,332,427</u>	<u>1,612,135</u>	<u>(279,708)</u>

Public Safety

Police Department:

Salaries	1,422,137	1,386,453	35,684
Salaries - Over-time	122,721	161,481	(38,760)
Payroll Taxes	118,182	116,135	2,047
Retirement	243,229	240,041	3,188
Group Health Insurance	211,860	196,336	15,524
Workers Compensation	72,876	56,296	16,580
Print and Office Supplies	14,000	13,821	179
Membership and Dues	2,500	1,516	984
Meetings and Seminars	2,000	1,191	809
Vehicle, Fuel, and Oil	75,000	88,661	(13,661)
Vehicle Maintenance	46,000	46,626	(626)
Electric and Gas	31,000	33,877	(2,877)
Telephone and Cable	66,153	52,849	13,304
Water and Sewer	5,300	6,224	(924)
Noncapital Tools and Equipment	2,000	1,746	254
Maintenance and Service Contracts	67,499	59,769	7,730
Machine and Equipment Repair	8,500	8,043	457
Uniforms	20,715	20,246	469
Cleaning and Sanitary Supplies	1,750	1,768	(18)
Medical and Lab	4,000	3,814	186
Insurance	73,162	62,343	10,819
Rent and Leases	3,300	2,939	361
Employee Training	8,980	10,048	(1,068)
Professional Services	85,500	12,992	72,508
Contracted Services	5,000	9,135	(4,135)
Miscellaneous and Contingency	3,250	2,640	610
Canine Kennel Expenses	1,000	709	291
Total Police Department	<u>2,717,614</u>	<u>2,597,699</u>	<u>119,915</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Fire Department:</u>			
Salaries - Full-time	\$ 1,650,080	\$ 1,632,793	\$ 17,287
Salaries - Over-time	297,593	344,556	(46,963)
Salaries - Part-time	20,000	13,286	6,714
Payroll Taxes	150,527	149,150	1,377
Retirement	318,676	304,966	13,710
Group Health Insurance	264,262	261,888	2,374
Workers Compensation	86,079	70,966	15,113
Print and Office Supplies	6,500	5,795	705
Membership and Dues	2,300	1,987	313
Meetings and Seminars	500	147	353
Vehicle, Fuel, and Oil	19,000	17,932	1,068
Vehicle Maintenance	70,000	60,009	9,991
Electric and Gas	44,500	48,781	(4,281)
Telephone and Cable	63,056	59,421	3,635
Water and Sewer	10,600	11,471	(871)
Noncapital Tools and Equipment	4,700	5,707	(1,007)
Maintenance and Service Contracts	65,675	58,165	7,510
Machine and Equipment Repair	10,000	10,652	(652)
Uniforms	20,000	20,732	(732)
Cleaning and Sanitary Supplies	4,000	3,981	19
Medical and Lab	15,000	16,420	(1,420)
Insurance	101,687	108,073	(6,386)
Rent and Leases	2,500	1,300	1,200
Employee Training	10,000	8,156	1,844
Professional Services	6,000	3,229	2,771
Miscellaneous and Contingency	6,000	5,483	517
Volunteer Point Allocation	2,000	721	1,279
	<u>3,251,235</u>	<u>3,225,767</u>	<u>25,468</u>
Total Fire Department	<u>3,251,235</u>	<u>3,225,767</u>	<u>25,468</u>
Total Public Safety	<u>5,968,849</u>	<u>5,823,466</u>	<u>145,383</u>
Building, Planning, and Engineering			
Salaries - Full-time	245,883	244,862	1,021
Salaries - Over-time	1,409	559	850
Payroll Taxes	18,918	17,801	1,117
Retirement	33,533	31,237	2,296
Group Health Insurance	34,489	40,790	(6,301)
Workers Compensation	2,880	2,227	653
Print and Office Supplies	12,500	10,198	2,302
Membership and Dues	1,000	794	206
Meetings and Seminars	1,000	495	505
Vehicle, Fuel, and Oil	4,000	4,324	(324)

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Vehicle Maintenance	\$ 1,000	\$ 621	\$ 379
Electric and Gas	4,000	4,683	(683)
Telephone and Cable	5,352	5,054	298
Water and Sewer	1,600	1,580	20
Noncapital Tools and Equipment	300	200	100
Maintenance and Service Contracts	7,500	9,035	(1,535)
Machine and Equipment Repair	500	69	431
Uniforms	500	262	238
Cleaning and Sanitary Supplies	500	398	102
Medical and Lab	100	71	29
Insurance	9,085	8,769	316
Rent and Leases	800	574	226
Employee Training	1,300	1,077	223
Professional Services	70,500	5,444	65,056
Miscellaneous and Contingency	500	497	3
Total Building, Planning, and Engineering	<u>459,149</u>	<u>391,621</u>	<u>67,528</u>

Public Works

Salaries - Full-time	518,274	528,155	(9,881)
Salaries - Over-time	13,535	17,031	(3,496)
Payroll Taxes	40,683	41,016	(333)
Retirement	72,113	70,131	1,982
Group Health Insurance	68,284	69,077	(793)
Workers Compensation	35,865	29,608	6,257
Print and Office Supplies	1,000	883	117
Membership and Dues	500	459	41
Meetings and Seminars	250	-	250
Vehicle, Fuel, and Oil	58,000	60,562	(2,562)
Vehicle Maintenance	85,000	86,122	(1,122)
Electric and Gas	86,900	75,099	11,801
Telephone and Cable	10,952	11,724	(772)
Water and Sewer	1,700	7,215	(5,515)
Noncapital Tools and Equipment	2,000	1,734	266
Maintenance and Service Contracts	9,700	7,399	2,301
Machine and Equipment Repair	4,000	2,036	1,964
Uniforms	7,000	9,072	(2,072)
Cleaning and Sanitary Supplies	3,500	1,787	1,713
Medical and Lab	3,500	3,306	194
Street Signs	4,000	1,703	2,297
Insurance	37,861	38,316	(455)
Rent and Leases	250	465	(215)

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	Final Budget	Actual	Variance
Employee Training	\$ 300	\$ -	\$ 300
Professional Services	2,000	1,700	300
Temporary Labor	177,450	192,293	(14,843)
Contracted Services	1,000	558	442
Miscellaneous and Contingency	1,000	105	895
Garbage Cart - Procurement	7,800	9,718	(1,918)
Total Public Works	1,254,417	1,267,274	(12,857)

Recreation

Recreation Department:

Salaries - Full-time	349,457	347,796	1,661
Salaries - Over-time	17,838	5,843	11,995
Salaries - Part-time	207,400	195,657	11,743
Payroll Taxes	43,964	40,800	3,164
Retirement	53,195	47,593	5,602
Group Health Insurance	56,699	55,369	1,330
Workers Compensation	13,427	10,929	2,498
Print and Office Supplies	10,500	9,544	956
Membership and Dues	1,600	1,328	272
Meetings and Seminars	2,000	1,332	668
Vehicle, Fuel, and Oil	4,000	3,218	782
Vehicle Maintenance	2,000	1,617	383
Electric and Gas	37,000	39,280	(2,280)
Telephone and Cable	13,992	17,846	(3,854)
Water and Sewer	4,240	3,702	538
Noncapital Tools and Equipment	1,800	1,296	504
Maintenance and Service Contracts	38,600	34,108	4,492
Machine and Equipment Repair	2,500	350	2,150
Uniforms	1,950	1,403	547
Cleaning and Sanitary Supplies	4,750	4,953	(203)
Medical and Lab	800	675	125
Insurance	42,200	42,039	161
Rent and Leases	3,700	1,900	1,800
Employee Training	2,300	1,860	440
Professional Services	115	105	10
Miscellaneous and Contingency	3,500	3,312	188
Total Recreation Department	919,527	873,855	45,672

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Recreation Programs:</u>			
Five Year Old & Under Play Group	\$ 750	\$ 590	\$ 160
Gymnastics	3,000	2,855	145
Special Activities	22,000	23,074	(1,074)
Summer Camp	14,500	10,674	3,826
Themed Activities	2,000	2,099	(99)
Middle School Dance	2,500	2,371	129
Adult Sports	14,000	12,192	1,808
Youth Sports	35,000	33,063	1,937
Keenagers	3,000	3,112	(112)
	<u>96,750</u>	<u>90,030</u>	<u>6,720</u>
Total Recreation Programs	<u>96,750</u>	<u>90,030</u>	<u>6,720</u>
Total Recreation	<u>1,016,277</u>	<u>963,885</u>	<u>52,392</u>
Non-Departmental			
Parking Meters			
Salaries - Over-time	3,505	1,300	2,205
Salaries - Part-time	116,820	80,480	36,340
Payroll Taxes	9,205	6,259	2,946
Retirement	-	1,073	(1,073)
Group Health Insurance	-	35	(35)
Workers Compensation	6,654	3,977	2,677
	<u>136,184</u>	<u>93,124</u>	<u>43,060</u>
Total Parking Meters	<u>136,184</u>	<u>93,124</u>	<u>43,060</u>
Total Non-Departmental	<u>136,184</u>	<u>93,124</u>	<u>43,060</u>
Debt Service			
Principal	526,000	526,000	-
Interest	203,349	203,348	1
	<u>729,349</u>	<u>729,348</u>	<u>1</u>
Total Debt Service	<u>729,349</u>	<u>729,348</u>	<u>1</u>
Total General Fund Expenditures	<u>\$ 10,896,652</u>	<u>\$ 10,880,853</u>	<u>\$ 15,799</u>

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2018

	General Government		
	Mayor and Council	Administration	Judicial and Legal
Salaries - Full-time	\$ 17,000	\$ 476,309	\$ 67,225
Salaries - Over-time	-	16,562	5,344
Salaries - Part-time	-	619	15,442
Payroll Taxes	1,301	36,086	6,503
Retirement	1,053	62,907	10,814
Group Health Insurance	72,222	44,251	6,248
Workers Compensation	379	4,330	231
Print and Office Supplies	2,053	10,749	4,072
Membership and Dues	-	5,714	107
Membership and Seminars	14,033	6,531	228
Vehicle, Fuel, and Oil	-	1,462	-
Vehicle Maintenance	-	-	-
Electric and Gas	-	4,683	-
Telephone and Cable	2,719	11,018	3,923
Water and Sewer	-	1,760	-
Noncapital Tools and Equipment	-	1,233	2,024
Maintenance and Service Contracts	-	25,104	3,475
Machine and Equipment Repair	-	69	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,623	-
Storm Preparation & Cleanup	-	355,757	-
Medical and Lab	-	554	-
Street Signs	-	-	-
Insurance	1,999	20,968	576
Rent and Leases	-	8,023	-
Advertising	-	3,850	-
Employee Training	-	44,792	1,398
Professional Services	-	38,489	127,954
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	4,448	16,390	831
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	21,801	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Election Expenses	-	10,513	-
Bank Service Charges	-	6,386	-
Total Departmental Expenditures	\$ 139,008	\$ 1,216,732	\$ 256,395

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2018

	<u>Public Safety</u>		<u>Building,</u>	<u>Public Works</u>
	<u>Police</u>	<u>Fire Department</u>	<u>Planning, and</u>	
	<u>Department</u>		<u>Engineering</u>	<u>Department</u>
Salaries - Full-time	\$ 1,386,453	\$ 1,632,793	\$ 244,862	\$ 528,155
Salaries - Over-time	161,481	344,556	559	17,031
Salaries - Part-time	-	13,286	-	-
Payroll Taxes	116,135	149,150	17,801	41,016
Retirement	240,041	304,966	31,237	70,131
Group Health Insurance	196,336	261,888	40,790	69,077
Workers Compensation	56,296	70,966	2,227	29,608
Print and Office Supplies	13,821	5,795	10,198	883
Membership and Dues	1,516	1,987	794	459
Membership and Seminars	1,191	147	495	-
Vehicle, Fuel, and Oil	88,661	17,932	4,324	60,562
Vehicle Maintenance	46,626	60,009	621	86,122
Electric and Gas	33,877	48,781	4,683	75,099
Telephone and Cable	52,849	59,421	5,054	11,724
Water and Sewer	6,224	11,471	1,580	7,215
Noncapital Tools and Equipment	1,746	5,707	200	1,734
Maintenance and Service Contracts	59,769	58,165	9,035	7,399
Machine and Equipment Repair	8,043	10,652	69	2,036
Uniforms	20,246	20,732	262	9,072
Cleaning and Sanitary Supplies	1,768	3,981	398	1,787
Storm Preparation & Cleanup	-	-	-	-
Medical and Lab	3,814	16,420	71	3,306
Street Signs	-	-	-	1,703
Insurance	62,343	108,073	8,769	38,316
Rent and Leases	2,939	1,300	574	465
Advertising	-	-	-	-
Employee Training	10,048	8,156	1,077	-
Professional Services	12,992	3,229	5,444	1,700
Temporary Labor	-	-	-	192,293
Contracted Services	9,135	-	-	558
Miscellaneous and Contingency	2,640	5,483	497	105
Volunteer Point Allocation	-	721	-	-
Citizens and Employee Services	-	-	-	-
Canine Kennel Expenses	709	-	-	-
Recreation Instruction Expense	-	-	-	-
Garbage Cart - Procurement	-	-	-	9,718
Election Expenses	-	-	-	-
Bank Service Charges	-	-	-	-
Total Departmental Expenditures	\$ 2,597,699	\$ 3,225,767	\$ 391,621	\$ 1,267,274

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2018

	<u>Recreation</u>	<u>Non-Departmental Parking Meters</u>	<u>Total</u>
Salaries - Full-time	\$ 347,796	\$ -	\$ 4,700,593
Salaries - Over-time	5,843	1,300	552,676
Salaries - Part-time	195,657	80,480	305,484
Payroll Taxes	40,800	6,259	415,051
Retirement	47,593	1,073	769,815
Group Health Insurance	55,369	35	746,216
Workers Compensation	10,929	3,977	178,943
Print and Office Supplies	9,544	-	57,115
Membership and Dues	1,328	-	11,905
Membership and Seminars	1,332	-	23,957
Vehicle, Fuel, and Oil	3,218	-	176,159
Vehicle Maintenance	1,617	-	194,995
Electric and Gas	39,280	-	206,403
Telephone and Cable	17,846	-	164,554
Water and Sewer	3,702	-	31,952
Noncapital Tools and Equipment	1,296	-	13,940
Maintenance and Service Contracts	34,108	-	197,055
Machine and Equipment Repair	350	-	21,219
Uniforms	1,403	-	51,715
Cleaning and Sanitary Supplies	4,953	-	14,510
Storm Preparation & Cleanup	-	-	355,757
Medical and Lab	675	-	24,840
Street Signs	-	-	1,703
Insurance	42,039	-	283,083
Rent and Leases	1,900	-	15,201
Advertising	-	-	3,850
Employee Training	1,860	-	67,331
Professional Services	105	-	189,913
Temporary Labor	-	-	192,293
Contracted Services	-	-	9,693
Miscellaneous and Contingency	3,312	-	33,706
Volunteer Point Allocation	-	-	721
Citizens and Employee Services	-	-	21,801
Canine Kennel Expenses	-	-	709
Recreation Instruction Expense	90,030	-	90,030
Garbage Cart - Procurement	-	-	9,718
Election Expenses	-	-	10,513
Bank Service Charges	-	-	6,386
Total Departmental Expenditures	\$ 963,885	\$ 93,124	\$ 10,151,505
		Debt Service	729,348
			\$ 10,880,853

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2018

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 287,177.99	\$ 287,177.99
Court fines and assessments remitted to State Treasurer			\$ (60,520.94)	\$ (60,520.94)
Total Court Fines and Assessments retained	\$ -	\$ -	\$ 226,657.05	\$ 226,657.05
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			\$ 5,083.21	\$ 5,083.21
Assessments retained			\$ 4,556.49	\$ 4,556.49
Total Surcharges and Assessments retained for victim services	\$ -	\$ -	\$ 9,639.70	\$ 9,639.70

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 13,571.19		\$ 13,571.19
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	\$ -		\$ -
Victim Service Assessments Retained by City/County Treasurer	\$ 4,556.49		\$ 4,556.49
Victim Service Surcharges Retained by City/County Treasurer	\$ 5,083.21		\$ 5,083.21
Interest Earned	\$ 0.35		\$ 0.35
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)	\$ 23,211.24	\$ -	\$ 23,211.24

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2018

Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			\$ -
Operating Expenditures	\$ 1,383.25		\$ 1,383.25
Victim Service Contract(s):			
(1) Entity's Name			\$ -
(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	\$ 14,000.00		\$ 14,000.00
Total Expenditures from Victim Service Fund/Program (B)	\$ 15,383.25	\$ -	\$ 15,383.25
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 7,827.99		\$ 7,827.99
Less: Prior Year Fund Deficit Repayment			\$ -
Carryforward Funds – End of Year	\$ 7,827.99	\$ -	\$ 7,827.99

**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**

INDEPENDENTS AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Isle of Palms
Isle of Palms, South Carolina

We have audited the City of Isle of Palms (the City), 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 charges with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 City'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

McCay Kiddy LLC

Mount Pleasant, South Carolina

November 20, 2018

Reporting Under *Uniform Guidance*

**Report on Compliance for each Major Federal Program; Report on Internal
Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

The Honorable Mayor and Members of City Council
City of Isle of Palms
Isle of Palms, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Isle of Palms (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2018, and have issued our report thereon dated November 20, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

McCay Kiddy LLC

Mount Pleasant, South Carolina
November 20, 2018

City of Isle of Palms, South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal Grantor Pass-through Grantor Program Title	Federal *CFDA Number	Agency or Pass-through Number	Federal Expenditures
Federal Emergency Management Agency South Carolina Emergency Management Division Disaster Grants - Public Assistance - Hurricane Matthew	97.036	N/A	\$ 1,685,537
Federal Emergency Management Agency South Carolina Emergency Management Division Disaster Grants - Public Assistance - Hurricane Irma	97.036	N/A	<u>1,588,236</u>
Total expenditures of federal awards			<u>\$ 3,273,773</u>

*Catalog of Federal Domestic Assistance

City of Isle of Palms, South Carolina
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Isle of Palms under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Isle of Palms, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Isle of Palms.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C – Indirect Cost Rate

The City of Isle of Palms elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Isle of Palms, South Carolina
Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified not considered to be material weakness? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified not considered to be material weakness? No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? No

Programs tested as major programs include:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Federal Emergency Management Agency – South Carolina Emergency Management Division

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

Not Applicable