

City of Isle of Palms, South Carolina
Report on Financial Statements
Year Ended June 30, 2016

**Basic Financial Statements,
Required Supplementary Information,
Other Supplementary Financial Information,
And Independent Auditors' Report**

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City of Isle of Palms, South Carolina

List of Elected and Appointed Officials

For the Year Ended June 30, 2016

MAYOR

Dick Cronin

CITY COUNCIL MEMBERS

Barbara Bergwerf

Marty Bettelli

Jimmy Carroll

Sandy Ferencz

Patrick Harrington

Ted Kinghorn

Carol Rice

Jimmy Ward

APPOINTED OFFICIALS

City Administrator

Assistant to Administrator

City Treasurer

City Clerk

Clerk of Court

Building Official

Director of Building, Planning, and Zoning

Fire Chief

Chief of Police

Public Works Director

Recreation Director

Linda Lovvorn Tucker

Desirée Fragoso

Debbie Schimsa Suggs

Marie Copeland

Amy Lee

William Seabrook

Douglas Kerr

Ann M. Graham

Thomas E. Buckhannon, III

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Isle of Palms, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Isle of Palms' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Isle of Palms' 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 City of Isle of Palms, as of June 30, 2016, 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 3 – 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 of Isle of Palms' basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the City of Isle of Palms' 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 of Isle of Palms' internal control over financial reporting and compliance.

McCay Kiddy LLC

Mount Pleasant, South Carolina
December 6, 2016

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management’s Discussion and Analysis
Year Ended June 30, 2016

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, 2016 (“FY 2016” or “2016”) compared to fiscal year ended June 30, 2015 (“FY 2015” or “2015”). 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 \$21,951,000 (*net position*). Of this amount, approximately \$16,773,000 and \$5,178,000 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 \$1,337,000 for its governmental activities and approximately \$528,000 for its business-type activities.
- The City’s total revenues of approximately \$15,128,000 exceeded total expenses of approximately \$12,870,000, resulting in an increase from the prior fiscal year of approximately \$2,258,000 in net position.
- At the close of 2016, the City’s governmental funds reported combined ending fund balances of approximately \$14,933,000, an increase of approximately \$1,997,000 over the prior year’s fund balances. Approximately 18% of the total fund balance, or approximately \$2,660,000, is available for spending at the City’s discretion (*unassigned fund balance*).
- The City added capital assets of approximately \$799,000 during the current fiscal year. Capital asset additions included vehicles, equipment, solar parking meters, and various other capital assets. Capital asset additions were offset by depreciation expense of approximately \$1,349,000 and \$139,000 for governmental and business-type activities, respectively. As depreciation expense was more than the capital asset additions for the year, total capital assets decreased by approximately \$688,000 (3%) from FY 2015.
- The City’s total debt decreased by approximately \$1,090,000 (10%) during the current fiscal year due primarily to normally scheduled debt service payments. The City refinanced/refunded the General Obligation Bond (Series 2006) related to Fire Station 2, which saved approximately \$263,000 in interest expense over the remaining life of the bonds.
- Standard and Poor’s increased the City’s bond rating from “AA” to “AA+” in September 2014. The City continues to hold an “Aa1” 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, 2016

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.

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.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2016

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, 2016

Figure A-1				
Major Features of the City's Government-Wide and Fund Financial Statements				
	Government-Wide 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.	All balance sheet elements that are primarily financial and short-term - no capital assets or long-term obligations included.	All balance sheet elements - both financial and capital and short-term and long-term.	All balance sheet elements - both short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	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, 2016

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, 2016 compared to June 30, 2015:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 15,833,291	\$ 13,982,561	\$ 555,163	\$ 559,181	\$ 16,388,454	\$ 14,541,742
Capital Assets, Net	17,815,941	18,378,017	5,549,498	5,688,131	23,365,439	24,066,148
Total Assets	33,649,232	32,360,578	6,104,661	6,247,312	39,753,893	38,607,890
Deferred Outflows of Resources:						
Deferred Pension Charges	1,108,179	765,998	-	-	1,108,179	765,998
Liabilities						
Long-Term Obligations	8,549,084	9,164,972	900,000	1,340,000	9,449,084	10,504,972
Net Pension Liability	8,465,220	7,281,486	-	-	8,465,220	7,281,486
Other Liabilities	938,260	1,116,693	26,864	37,502	965,124	1,154,195
Total Liabilities	17,952,564	17,563,151	926,864	1,377,502	18,879,428	18,940,653
Deferred Inflows of Resources:						
Deferred Pension Credits	44,237	740,299	-	-	44,237	740,299
Net Position						
Net Investment in Capital Assets	9,451,961	9,548,017	4,649,498	4,348,131	14,101,459	13,896,148
Restricted	5,971,684	4,612,942	-	-	5,971,684	4,612,942
Unrestricted	1,336,965	662,167	528,299	521,679	1,865,264	1,183,846
Total Net Position	\$ 16,760,610	\$ 14,823,126	\$ 5,177,797	\$ 4,869,810	\$ 21,938,407	\$ 19,692,936

The City implemented GASB No. 68/71 in FY 2015. See the Financial Highlights section for more details.

The City's total assets of approximately \$39,766,000 increased from the prior year due to an increase in cash and other assets. Total liabilities as of June 30, 2016 decreased slightly by \$61,000.

The City's net position increased approximately \$2,258,000 during the current fiscal year as current year revenues exceeded current year expenses. Please see discussion following the next table regarding this increase.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2016

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$21,951,000 as of June 30, 2016. Approximately 64% of total net position (\$14,114,000) 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 27% of net position (\$5,972,000) 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 (9% or \$1,865,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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 2016 compared to 2015:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,429,631	\$ 4,169,641	\$ 396,417	\$ 391,778	\$ 4,826,048	\$ 4,561,419
Operating Grants and Contributions	-	6,000	-	-	-	6,000
Capital Grants and Contributions	154,882	909,273	-	-	154,882	909,273
General Revenues:						
Taxes	9,818,689	9,191,011	-	-	9,818,689	9,191,011
Other	327,173	290,380	1,607	690	328,780	291,070
Total Revenues	14,730,375	14,566,305	398,024	392,468	15,128,399	14,958,773
Expenses:						
General Government	2,057,420	1,885,364	-	-	2,057,420	1,885,364
Public Safety	6,340,252	6,123,992	-	-	6,340,252	6,123,992
Building, Planning and Engineering	414,296	352,840	-	-	414,296	352,840
Public Works	1,634,127	1,604,025	-	-	1,634,127	1,604,025
Recreation	1,240,226	1,244,919	-	-	1,240,226	1,244,919
Non-Departmental	511,349	1,331,709	-	-	511,349	1,331,709
Interest on Long-Term Obligations	327,221	356,859	-	-	327,221	356,859
Marina	-	-	358,037	278,581	358,037	278,581
Total Expenses	12,524,891	12,899,708	358,037	278,581	12,882,928	13,178,289
Change in Net Position Before Transfers	2,205,484	1,666,597	39,987	113,887	2,245,471	1,780,484
Transfer In (Out)	(268,000)	(156,426)	268,000	156,426	-	-
Change in Net Position	1,937,484	1,510,171	307,987	270,313	2,245,471	1,780,484
Net Position - Beginning of Year					-	-
As Previously Reported	14,823,126	20,557,215	4,869,810	4,599,497	19,692,936	25,156,712
Cumulative change in Accounting Principle[^]	-	(7,244,260)	-	-	-	(7,244,260)
Net Position - Beginning of Year, Restated	14,823,126	13,312,955	4,869,810	4,599,497	19,692,936	17,912,452
Net Position - End of Year	\$ 16,760,610	\$ 14,823,126	\$ 5,177,797	\$ 4,869,810	\$ 21,938,407	\$ 19,692,936

The City implemented GASB No. 68/71 in FY 2015. See the Financial Highlights section for more details.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2016

Governmental Activities: Governmental activities had a net increase in net position of approximately \$1,950,000 in 2016.

Compared to the prior year, total governmental activities revenue increased by approximately \$164,000 or 1%. Key changes compared to the prior year were as follows:

- Public Safety revenues related to court and parking fines increased by approximately \$120,000 or 101% due to increased parking citation rates and enforcement of new parking policies in the residential districts and in the newly automated municipal parking lots.
- Parking revenues increased approximately \$111,000 due to increases in hourly parking rates along Ocean Boulevard and the addition of parking kiosks in the municipal parking lots.
- Revenues from grants and contributions decreased by approximately \$760,000 or 83%. Fiscal year 2015 included \$847,000 in contributions related to a shoal management project that was completed in FY15.
- Revenues from accommodations and hospitality taxes combined increased by approximately \$539,000 or 12% from the prior year due to a full year of collections of the new 1% Beach Preservation Fee enacted in FY15.

Expenses related to total governmental activities decreased by approximately \$387,000, or 3%, from the prior year. Key changes as compared to the prior year were as follows:

- Salary and fringe expense increased by approximately \$470,000 or 7%. Of this total, approximately \$326,000 or 5% relates to increases in employee pay, primarily resulting from cost of living and merit increases. The remaining 2% results from increases in fringe expense, including FICA, retirement and health insurance.
- Spending related to the restoration and maintenance of the beach decreased by approximately \$892,000 or 81% since the most recent shoal management project was completed in FY15.

Business-Type Activities:

Net position related to business-type activities (i.e., the marina) increased by approximately \$308,000. This increase was due to budgeted transfers in of \$234,000 from the State Accommodations Tax Fund which were used to fund costs related to debt service, and a transfer in from the Hospitality Tax Fund of \$34,000 for professional services related to marina redevelopment. The Marina also generated revenue (lease income) in excess of expenses (primarily interest on debt, depreciation, dock insurance, and professional services) equal to approximately \$40,000.

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, 2016, the City's governmental funds reported a combined ending fund balance of approximately \$14,933,000, an increase of approximately \$1,997,000, or 15%, over the prior year's combined fund balance.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2016

Approximately 17% of the total governmental fund balance (\$2,597,000) 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 (\$4,323,000), (2) for recovery efforts on future disasters (\$2,293,000), (3) for beach maintenance (\$397,000), (4) for capital projects (\$2,641,000), (5) for debt service (\$239,000), (6) for beach preservation (\$1,308,000) and (7) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victims' services, narcotics programs, and inventories (\$1,135,000).

The General Fund is the primary operating fund of the City. At June 30, 2016, the total fund balance was approximately \$5,620,000. 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 (\$2,660,000) represents approximately 22% of total General Fund expenditures (\$11,903,000).

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 22.9 mills.
- Total General Fund revenues were up by approximately \$362,000 from the prior year. The most significant changes were:
 - Public Safety revenues related to court and parking fines increased by approximately \$120,000 or 101% due to increased parking citation rates and enforcement of new parking policies in the residential districts and in the newly automated municipal parking lots.
 - Parking revenues increased approximately \$111,000 due to increases in hourly parking rates along Ocean Boulevard and the addition of parking kiosks in the municipal parking lots.
 - Revenues from grants and contributions decreased by approximately \$760,000 or 83%. Fiscal year 2015 included \$847,000 in contributions related to a shoal management project that was completed in FY15.
 - Revenues from accommodations and hospitality taxes combined increased by approximately \$539,000 or 12% from the prior year due to continued growth in tourism and accommodations rates.
- 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 2016, \$1,101,000 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 an increase of \$102,000 over FY 2015.

Total General Fund expenditures of \$11,903,000 increased by \$1,104,000, or 10%, over FY 2015:

- Expenditures include \$2,235,000 that is directly attributable to the payoff/refunding of the 2006 General Obligation Bonds (which were used to finance the construction of Fire Station 2) which was refinanced at a lower interest rate. The prior interest rate was 3.99% and the new rate is 1.88%. The interest savings over the remaining life of the bond is approximately \$263,000. The offsetting \$2,235,000 proceeds from the new bond are listed under "Other Financing Sources" in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.
- Salary and fringe expense increased by approximately \$470,000, or 7%. Of this total, approximately \$326,000, or 5%, relates to increases in employee pay, primarily resulting from cost of living and merit increases. The remaining 2% results from increases in fringe expense, including FICA, retirement and health insurance.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
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The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) increased by approximately \$1,805,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$274,000 during the fiscal year for the purchase of vehicles, equipment and various other capital assets. In addition, the Capital Projects Fund expended \$108,000 on drainage system maintenance and improvements and approximately \$129,000 in tools and other maintenance. The General Fund transferred approximately \$1,015,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$3,555,000.
- Fiscal year 2016 was the first full year of revenues related to the City's Beach Preservation Fee on accommodations. The revenue from this source increased by \$540,000 over the prior year. Other 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 \$854,000 to the General Fund to offset personnel and other costs in the Police, Fire and Public Works Departments. At June 30, 2016, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,595,000 while the State Accommodations Tax Fund had a fund balance of approximately \$2,099,000 and the new Beach Preservation Fee Fund had a fund balance of approximately \$1,308,000.
- The fund balance for the Hospitality Tax Fund at June 30, 2016 was approximately \$628,000. In 2016, 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 2016 amounted to approximately \$5,178,000. 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 \$205,000 at June 30, 2016.

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 June 30, 2016.

City of Isle of Palms, South Carolina
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Management’s Discussion and Analysis
Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s capital assets as of June 30, 2016 amounted to approximately \$23,378,000. 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, 2016 and 2015 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 4,272,896	\$ 4,272,896	\$ 3,035,786	\$ 3,035,786	\$ 7,308,682	\$ 7,308,682
Construction in Progress	190,052	159,535	-	-	190,052	159,535
Land Improvements	1,794,353	1,979,458	2,062,230	2,128,691	3,856,583	4,108,149
Buildings and Improvements	9,661,337	10,222,717	254,618	276,966	9,915,955	10,499,683
Vehicles and Vehicle Equipment	1,486,709	1,301,352	-	-	1,486,709	1,301,352
Equipment	407,680	438,437	7,078	10,617	414,758	449,054
Furniture and Fixtures	2,914	3,622	-	-	2,914	3,622
Docks	-	-	189,786	236,071	189,786	236,071
Total	\$ 17,815,941	\$ 18,378,017	\$ 5,549,498	\$ 5,688,131	\$ 23,365,439	\$ 24,066,148

The total decrease in the City’s capital assets for FY 2016 was approximately \$688,000 or 3%. The decrease resulted because depreciation expense for the year was higher than capital asset additions for the year. Major capital asset events during FY 2016 included the following:

- Capital asset additions of approximately \$799,000 consisted primarily of:
 - Police, fire and public works vehicles for 595,776
 - Solar parking meters for \$64,230
 - Maintenance equipment for \$42,673
 - Land improvements of \$33,620
 - Construction in progress of \$30,517
 - Public Safety walkie talkies for \$18,183
 - Rescue equipment for \$14,293
- Depreciation expense of approximately \$1,349,000 for governmental activities and \$139,000 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, 2016

Debt

As of June 30, 2016, the City had total outstanding debt of approximately \$9,080,000. 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, 2016 and 2015 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 8,180,000	\$ 8,830,000	\$ 900,000	\$ 1,340,000	\$ 9,080,000	\$ 10,170,000
Total	<u>\$ 8,180,000</u>	<u>\$ 8,830,000</u>	<u>\$ 900,000</u>	<u>\$ 1,340,000</u>	<u>\$ 9,080,000</u>	<u>\$ 10,170,000</u>

The total decrease in the City’s debt for FY 2016 was approximately \$1,090,000 or 12%. Major events during fiscal year 2016 included the following:

- Refinanced/refunded the Series 2006 GOB (which was used to finance the construction of Fire Station 2). Improved interest rate from 3.99% to 1.88%. Principal payments and maturity date were not changed.
- Scheduled principal payments on general obligation bonds of approximately \$1,090,000.

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, 2016 was approximately \$15,922,000. The City had \$6,835,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2016 had an unused legal debt margin of approximately \$9,087,000.

The City continues to hold an “Aa1” rating from Moody’s. In September 2014, Standard & Poor’s raised the City’s bond rating from AA to AA+.

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 2017 (“FY 2017” or “2017”) 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 2017 budget projects property tax revenue approximately equal to actual FY 2016 collections. There was no change to the City’s millage rate in 2016.
- **Business Licenses and Building Permits:** Based on 2016 actual results, continued strong construction activity, the City increased the budget for business licenses and building permit revenues by approximately \$126,000.
- **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 2016 budget for these revenues is \$4,927,000, which is a 7.5% increase over the FY 2016 budget.
- **Salaries and Wages:** The 2017 budget includes a 3% provision for cost of living and merit-based salary and wage adjustments, down from 5% in FY 2016.

City of Isle of Palms, South Carolina
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Management's Discussion and Analysis
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- **Drainage and Stormwater Compliance:** The 2017 budget includes \$354,000 for construction of drainage improvements in the area of 46th – 52nd Avenues and \$315,000 for stormwater compliance and reconfiguration of the Public Works site.
- **Equipment Replacement Funds:** Beginning in FY 2014, the City began a policy of setting aside funds to cover the purchase of large fire and garbage vehicles and public safety radios to avoid the interest expense associated with municipal lease financing. The 2017 budget includes approximately \$720,000 towards this effort.
- **Beach Restoration:** The 2017 budget includes \$15,004,000 for an offshore beach restoration project on the northeast end of the island. This effort is expected to begin in early 2017.

REQUESTS FOR CITY INFORMATION

This financial report is designed to provide a general overview of the City of Isle of Palms' 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 Statements

City of Isle of Palms, South Carolina
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 8,733,977	\$ 481,849	\$ 9,215,826
Cash and Cash Equivalents - Restricted	5,096,808	-	5,096,808
Taxes Receivable, Net	180,459	-	180,459
Other Receivables, Net	1,589,219	70,639	1,659,858
Due from Other Funds	-	2,675	2,675
Due from Other Governments	207,058	-	207,058
Inventory	25,770	-	25,770
Capital Assets:			
Non-Depreciable	4,462,948	3,035,786	7,498,734
Depreciable, Net	13,352,993	2,513,712	15,866,705
Total Assets	\$ 33,649,232	\$ 6,104,661	\$ 39,753,893
Deferred Outflows of Resources			
Deferred Pension Charges	\$ 1,108,179	\$ -	\$ 1,108,179
Liabilities			
Accounts Payable	\$ 389,438	\$ 4,839	\$ 394,277
Other Accrued Liabilities	287,654	15,500	303,154
Court Assessments/Victim's Rights Liabilities	41,806	-	41,806
Accrued Interest	91,477	6,525	98,002
Due to Other Funds	2,824	-	2,824
Unearned Revenue	125,061	-	125,061
Net Pension Liabilities	8,465,220	-	8,465,220
Long-Term Obligations:			
Due Within One Year	878,981	300,000	1,178,981
Due In More Than One Year	7,670,103	600,000	8,270,103
Total Liabilities	\$ 17,952,564	\$ 926,864	\$ 18,879,428
Deferred Inflows of Resources			
Deferred Pension Credits	\$ 44,237	\$ -	\$ 44,237
Net Position			
Net Investment in Capital Assets	\$ 9,451,961	\$ 4,649,498	\$ 14,101,459
Restricted for:			
Tourism Related Expenditures	4,322,716	-	4,322,716
Beach Preservation	1,307,547	-	1,307,547
Debt Service	238,771	-	238,771
Victim's Services	19,757	-	19,757
Narcotics Program	14,305	-	14,305
Beautification	68,588	-	68,588
Unrestricted	1,336,965	528,299	1,865,264
Total Net Position	\$ 16,760,610	\$ 5,177,797	\$ 21,938,407

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Statement of Activities
Year Ended June 30, 2016

<u>Functions/Programs</u>	Program Revenues					Net (Expense) Revenue and Changes In Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	
			<u>Grants and Contributions</u>					
Primary Government:								
Governmental Activities:								
General Government	\$ 2,057,420	\$ -	\$ -	\$ 154,882	\$ (1,902,538)	\$ -	\$ (1,902,538)	
Public Safety	6,340,252	257,870	-	-	(6,082,382)	-	(6,082,382)	
Building, Planning, and Engineering	414,296	3,350,354	-	-	2,936,058	-	2,936,058	
Public Works	1,634,127	-	-	-	(1,634,127)	-	(1,634,127)	
Recreation	1,240,226	261,929	-	-	(978,297)	-	(978,297)	
Non-Departmental	511,349	559,478	-	-	48,129	-	48,129	
Interest on Long Term Obligations	327,221	-	-	-	(327,221)	-	(327,221)	
Total Governmental Activities	12,524,891	4,429,631	-	154,882	(7,940,378)	-	(7,940,378)	
Business-Type Activities:								
Marina	358,037	396,417	-	-	-	38,380	38,380	
Total Primary Government	\$ 12,882,928	\$ 4,826,048	\$ -	\$ 154,882	(7,940,378)	38,380	(7,901,998)	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					3,573,765	-	3,573,765	
Property Taxes Levied for Debt Service Purposes					671,016	-	671,016	
Local Option Sales Taxes					698,077	-	698,077	
Hospitality Taxes					694,205	-	694,205	
Accommodations Taxes					4,181,626	-	4,181,626	
Intergovernmental					176,888	-	176,888	
Interest Income					52,620	1,607	54,227	
Gain on Disposal of Capital Assets					50,518	-	50,518	
Miscellaneous					47,147	-	47,147	
Transfers In (Out)					(268,000)	268,000	-	
Total General Revenues and Transfers					9,877,862	269,607	10,147,469	
Changes In Net Position					1,937,484	307,987	2,245,471	
Net Position, Beginning of Year					14,823,126	4,869,810	19,692,936	
Net Position, End of Year					\$ 16,760,610	\$ 5,177,797	\$ 21,938,407	

See accompanying notes and independent auditors' report.

Fund Financial Statements

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Assets			
Cash and Cash Equivalents	\$ 5,638,253	\$ 3,073,836	\$ -
Cash and Cash Equivalents - Restricted	311,445	-	1,186,932
Taxes Receivable, Net	95,408	-	-
Accounts Receivable	327,907	-	472,603
Due From:			
Other Governments	207,058	-	-
Other Funds	98,577	500,000	-
Inventory	25,770	-	-
Total Assets	<u>\$ 6,704,418</u>	<u>\$ 3,573,836</u>	<u>\$ 1,659,535</u>
Liabilities			
Accounts Payable	\$ 149,608	\$ 7,364	\$ 21,237
Other Accrued Liabilities	287,654	-	-
Court Assessments/Victim's Rights Liabilities	41,806	-	-
Due To:			
Other Funds	551,953	-	42,807
Unearned Revenue	-	11,371	-
Total Liabilities	<u>1,031,021</u>	<u>18,735</u>	<u>64,044</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	53,207	-	-
Total Deferred Inflows of Resources	<u>53,207</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Inventory	25,770	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	238,771	-	-
Tourism Related Expenditures	-	-	1,595,491
Beach Preservation	-	-	-
Beautification	68,588	-	-
Committed:			
Recovery Effort on Future Disasters	2,292,979	-	-
Assigned:			
Drainage Improvements	-	913,969	-
Beach Maintenance	397,367	-	-
Recreation Center	-	-	-
Capital Projects	-	2,641,132	-
Other	-	-	-
Unassigned	2,596,715	-	-
Total Fund Balances	<u>5,620,190</u>	<u>3,555,101</u>	<u>1,595,491</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,704,418</u>	<u>\$ 3,573,836</u>	<u>\$ 1,659,535</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2016

	State Accom- modations Tax Fund	Hospitality Tax Fund	Beach Restoration Fund
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	1,731,982	556,085	202,535
Taxes Receivable, Net	-	85,051	-
Accounts Receivable	533,371	-	-
Due From:			
Other Governments	-	-	-
Other Funds	5,500	-	-
Inventory	-	-	-
Total Assets	\$ 2,270,853	\$ 641,136	\$ 202,535
Liabilities			
Accounts Payable	\$ 171,837	\$ 10,252	\$ -
Other Accrued Liabilities	-	-	-
Court Assessments/Victim's Rights Liabilities	-	-	-
Due To:			
Other Funds	-	2,675	88,845
Unearned Revenue	-	-	113,690
Total Liabilities	171,837	12,927	202,535
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances			
Nonspendable:			
Inventory	-	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	-	-	-
Tourism Related Expenditures	2,099,016	628,209	-
Beach Preservation	-	-	-
Beautification	-	-	-
Committed:			
Recovery Effort on Future Disasters	-	-	-
Assigned:			
Drainage Improvements	-	-	-
Beach Maintenance	-	-	-
Recreation Center	-	-	-
Capital Projects	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total Fund Balances	2,099,016	628,209	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,270,853	\$ 641,136	\$ 202,535

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2016

	<u>Beach Preservation Fee Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ -	\$ 21,888	\$ 8,733,977
Cash and Cash Equivalents - Restricted	1,002,830	104,999	5,096,808
Taxes Receivable, Net	-	-	180,459
Accounts Receivable	255,338	-	1,589,219
Due From:			
Other Governments	-	-	207,058
Other Funds	88,845	1,807	694,729
Inventory	-	-	25,770
Total Assets	<u>\$ 1,347,013</u>	<u>\$ 128,694</u>	<u>\$ 16,528,020</u>
Liabilities			
Accounts Payable	28,195	\$ 945	\$ 389,438
Other Accrued Liabilities	-	-	287,654
Court Assessments/Victim's Rights Liabilities	-	-	41,806
Due To:			
Other Funds	11,271	-	697,551
Unearned Revenue	-	-	125,061
Total Liabilities	<u>39,466</u>	<u>945</u>	<u>1,541,510</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	53,207
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>53,207</u>
Fund Balances			
Nonspendable:			
Inventory	-	-	25,770
Restricted:			
Victims' Services	-	19,757	19,757
Narcotics Program	-	14,305	14,305
Debt Service	-	-	238,771
Tourism Related Expenditures	-	-	4,322,716
Beach Preservation	1,307,547	-	1,307,547
Beautification	-	-	68,588
Committed:			
Recovery Effort on Future Disasters	-	-	2,292,979
Assigned:			
Drainage Improvements	-	-	913,969
Beach Maintenance	-	-	397,367
Recreation Center	-	71,799	71,799
Capital Projects	-	-	2,641,132
Other	-	21,888	21,888
Unassigned	-	-	2,596,715
Total Fund Balances	<u>1,307,547</u>	<u>127,749</u>	<u>14,933,303</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,347,013</u>	<u>\$ 128,694</u>	<u>\$ 16,528,020</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Fund Balances - Governmental Funds	\$ 14,933,303
<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.	53,207
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 \$30,641,912 and the accumulated depreciation was \$12,813,382.	17,815,941
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.	(7,401,278)
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.	(91,478)
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	(8,180,000)
Compensated Absences	(369,085)
	16,760,610
Total Net Position - Governmental Activities	\$ 16,760,610

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Revenues			
Property Taxes	\$ 4,239,550	\$ -	\$ -
Local Option Sales Tax	698,077	-	-
Hospitality Taxes	-	-	-
Intergovernmental	288,771	-	1,452,821
Licenses and Permits	3,350,354	-	-
Fines and Forfeitures	238,272	-	-
Grant Revenue	16,906	11,542	-
Contribution of Cash	-	-	-
Revenue from Use of Property	559,478	-	-
Interest	23,259	15,146	5,638
Other	276,543	8,928	-
Total Revenues	<u>9,691,210</u>	<u>35,616</u>	<u>1,458,459</u>
Expenditures			
Current:			
General Government	1,043,428	12,715	37,634
Public Safety	5,314,752	44,419	36,917
Building, Planning, and Engineering	360,308	28,980	-
Public Works	1,139,340	112,083	76,089
Recreation	928,054	35,111	8,963
Non-Departmental	109,803	-	241,994
Capital Outlay	-	277,204	367,942
Debt Service:			
Principal	486,000	-	62,000
Issuance of Refunding General Obligation Bond	2,235,000	-	-
Interest	286,133	-	10,080
Total Expenditures	<u>11,902,818</u>	<u>510,512</u>	<u>841,619</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,211,608)</u>	<u>(474,896)</u>	<u>616,840</u>
Other Financing Sources (Uses)			
Transfers In	1,227,654	1,015,442	-
Transfers Out	(1,065,442)	(63,000)	(553,252)
Issuance of Refunding General Obligation Bond	2,235,000	-	-
Sale of Capital Assets	7,257	-	15,750
Total Other Financing Sources (Uses)	<u>2,404,469</u>	<u>952,442</u>	<u>(537,502)</u>
Net Changes In Fund Balances	192,861	477,546	79,338
Fund Balances, Beginning of Year	<u>5,427,329</u>	<u>3,077,555</u>	<u>1,516,153</u>
Fund Balances, End of Year	<u>\$ 5,620,190</u>	<u>\$ 3,555,101</u>	<u>\$ 1,595,491</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, 2016

	State Accom- modations Tax Fund	Hospitality Tax Fund	Beach Restoration Fund
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Local Option Sales Tax	-	-	-
Hospitality Taxes	-	694,205	-
Intergovernmental	1,650,770	-	-
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Grant Revenue	-	-	-
Contribution of Cash	-	-	126,434
Revenue from Use of Property	-	-	-
Interest	7,516	965	23
Other	6,249	-	-
Total Revenues	1,664,535	695,170	126,457
Expenditures			
Current:			
General Government	571,178	-	126,457
Public Safety	5,161	32,064	-
Building, Planning, and Engineering	-	396	-
Public Works	5,790	74,443	-
Recreation	42,469	-	-
Non-Departmental	160,018	-	-
Capital Outlay	112,557	41,590	-
Debt Service:			
Principal	-	102,000	-
Issuance of Refunding General Obligation Bond	-	-	-
Interest	-	57,576	-
Total Expenditures	897,173	308,069	126,457
Excess (Deficiency) of Revenues Over Expenditures	767,362	387,101	-
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(537,773)	(280,629)	-
Issuance of Refunding General Obligation Bond	-	-	-
Sale of Capital Assets	19,108	8,403	-
Total Other Financing Sources (Uses)	(518,665)	(272,226)	-
Net Changes In Fund Balances	248,697	114,875	-
Fund Balances, Beginning of Year	1,850,319	513,334	-
Fund Balances, End of Year	\$ 2,099,016	\$ 628,209	\$ -

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, 2016

	<u>Beach Preservation Fee Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ 4,239,550
Local Option Sales Tax	-	-	698,077
Hospitality Taxes	-	-	694,205
Intergovernmental	966,152	-	4,358,514
Licenses and Permits	-	-	3,350,354
Fines and Forfeitures	-	19,598	257,870
Grant Revenue	-	-	28,448
Contribution of Cash	-	-	126,434
Revenue from Use of Property	-	-	559,478
Interest	62	11	52,620
Other	-	17,357	309,077
Total Revenues	<u>966,214</u>	<u>36,966</u>	<u>14,674,627</u>
Expenditures			
Current:			
General Government	83,894	2,099	1,877,405
Public Safety	-	13,189	5,446,502
Building, Planning, and Engineering	-	-	389,684
Public Works	-	-	1,407,745
Recreation	-	8,950	1,023,547
Non-Departmental	-	-	511,815
Capital Outlay	-	-	799,293
Debt Service:			
Principal	-	-	650,000
Issuance of Refunding General Obligation Bond	-	-	2,235,000
Interest	-	-	353,789
Total Expenditures	<u>83,894</u>	<u>24,238</u>	<u>14,694,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>882,320</u>	<u>12,728</u>	<u>(20,153)</u>
Other Financing Sources (Uses)			
Transfers In	-	3,000	2,246,096
Transfers Out	-	(14,000)	(2,514,096)
Issuance of Refunding General Obligation Bond	-	-	2,235,000
Sale of Capital Assets	-	-	50,518
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,000)</u>	<u>2,017,518</u>
Net Changes In Fund Balances	882,320	1,728	1,997,365
Fund Balances, Beginning of Year	<u>425,227</u>	<u>126,021</u>	<u>12,935,938</u>
Fund Balances, End of Year	<u>\$ 1,307,547</u>	<u>\$ 127,749</u>	<u>\$ 14,933,303</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, 2016**

Total Net Change In Fund Balances - Governmental Funds \$ 1,997,365

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. 5,231

Bond principal payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 650,000

Payments to the refunded bond escrow agent are expenditures in the governmental funds, but the payment reduces long-term obligations in the Statement of Net Position. 2,235,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. (2,235,000)

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. 26,568

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 (\$753,003) exceeds employee contributions (\$607,452). (145,491)

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. (34,113)

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. This is the amount by which depreciation expenses of \$1,348,780 exceeded capital asset additions of \$799,293 in the current period. (562,076)

Total Change In Net Position of Governmental Activities \$ 1,937,484

City of Isle of Palms, South Carolina
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Marina</u> <u>Enterprise Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 481,849
Accounts Receivable	70,639
Due from Other Funds	<u>2,675</u>
Total Current Assets	<u>555,163</u>
Noncurrent Assets	
Capital Assets:	
Land	3,035,786
Land Improvements	2,655,808
Building and Improvements	846,998
Docks	674,861
Equipment	279,923
Less: Accumulated Deprecation	<u>(1,943,878)</u>
Total Noncurrent Assets	<u>5,549,498</u>
Total Assets	<u><u>6,104,661</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	4,839
Accrued Interest	6,525
Security Deposits	15,500
Bond Payable, current portion	<u>300,000</u>
Total Current Liabilities	<u>326,864</u>
Noncurrent Liabilities	
Bond Payable, Net of Current Portion	<u>600,000</u>
Total Liabilities	<u><u>926,864</u></u>
Net Position	
Net Investment in Capital Assets	4,649,498
Unrestricted	<u>528,299</u>
Total Net Position	<u><u>\$ 5,177,797</u></u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and
Changes in Net Position – Proprietary Fund
Year Ended June 30, 2016

	<u>Marina Enterprise Fund</u>
Operating Revenues	
Lease Income	\$ 396,417
Total Operating Revenues	<u>396,417</u>
Operating Expenses	
Depreciation	138,633
Insurance	76,833
Professional Services	110,523
Utilities	660
Maintenance and Service Contracts	2,098
Advertising	5,000
Miscellaneous	1,011
Total Operating Expense	<u>334,758</u>
Operating Income	<u>61,659</u>
Non-Operating Revenues (Expenses)	
Interest Income	1,608
Interest Expense	(23,280)
Total Non-Operating Revenues (Expenses)	<u>(21,672)</u>
Income Before Transfers	39,987
Transfers In	<u>268,000</u>
Change In Net Position	307,987
Net Position, Beginning of Year	<u>4,869,810</u>
Net Position, End of Year	<u><u>\$ 5,177,797</u></u>

City of Isle of Palms, South Carolina
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

	<u>Marina</u> <u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 394,943
Cash Payments to Suppliers for Goods and Services	(202,355)
Net Cash Provided By Operating Activities	<u>192,588</u>
Cash Flows From Non-Capital Financing Activities	
Transfer from Other Funds	268,000
Due from Other Funds	(2,675)
Net Cash Provided By Non-Capital Financing Activities	<u>265,325</u>
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Bonds	(440,000)
Interest Paid on Bonds	(27,688)
Net Cash Used In Capital and Related Financing Activities	<u>(467,688)</u>
Cash Flows From Investing Activities	
Investment Earnings	1,608
Net Cash Provided By Investing Activities	<u>1,608</u>
Net Decrease In Cash and Cash Equivalents	(8,167)
Cash and Cash Equivalents, Beginning of Year	<u>490,016</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 481,849</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 61,659
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	138,633
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	(1,474)
Change Due to (Increase) Decrease in Operating Liabilities:	
Other Payables	(6,230)
Net Cash Provided by Operating Activities	<u><u>\$ 192,588</u></u>

City of Isle of Palms, South Carolina
Statement of Assets and Liabilities
Fiduciary Fund - Agency Fund
Year Ended June 30, 2016

	<u>Volunteer Fire Department</u>
Assets	
Cash and Cash Equivalents - Restricted	\$ 205,020
Due from Funds	<u>145</u>
Total Assets	<u><u>\$ 205,165</u></u>
Liabilities	
Accounts Payable	\$ 1,410
Due to Volunteer Fire Department	<u>203,755</u>
Total Liabilities	<u><u>\$ 205,165</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 marina.

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.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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.

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.

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

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.
- v) The **Beach Preservation Fee Fund, a major fund** and an unbudgeted fund for fiscal year 2016, 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
Aisle of Palms

State Narcotics
Recreation Building

Victims' Assistance

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.

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

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.

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.

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

- (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.

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.

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

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.

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.

City of Isle of Palms, South Carolina Notes to the 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.

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 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.

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

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. Implementation of New Accounting Pronouncement

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note A in Section III for additional information.

G. 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.

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 department 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

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

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, 2016 none of the City's bank balances were exposed to custodial credit risk.

Investments

As of June 30, 2016, the City had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 10,501,602	Unrated	^

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

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, 2016 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

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

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	\$ 9,215,827
Cash and Cash Equivalents - Restricted	5,096,808
<hr/>	
Statement of Assets and Liabilities - Fiduciary Funds - Agency Fund	
Cash and Cash Equivalents	205,020
<hr/>	
Total Cash and Investments per Financial Statements	\$ 14,517,655
<hr/>	
Notes	Amount
Carrying Value of Deposits	\$ 4,016,053
Investments	10,501,602
Total Deposits and Investments per Notes to the Financial Statements	\$ 14,517,655

B. Receivables and Unavailable/Unearned Revenue

Property Taxes and Other Receivables

The City's 2015 property taxes were levied on September 30, 2015 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$190,000,000 as of January 1, 2015. Property taxes were considered late on January 16, 2016. 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 16 through February 1 - 3% penalty for tax due
- February 2 through March 15 - 10% penalty for tax due
- March 16 - 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 2015 property tax year was 24.7 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

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.

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

The City's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2016:

Description	General Fund	Capital Projects Fund	Municipal Accommodations		Beach Preservation Fee Fund	Hospitality Tax Fund	Marina Enterprise Fund	Totals
			Fee Fund	Tax Fund				
Property Taxes	\$ 99,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,513
Allowance for Uncollectible	(4,105)	-	-	-	-	-	-	(4,105)
Local Option Sales Tax	207,058	-	-	-	-	-	-	207,058
Accommodations Taxes	34,322	-	472,603	533,371	255,338	-	-	1,295,634
Hospitality Taxes	-	-	-	-	-	85,051	-	85,051
Marina Operations	-	-	-	-	-	-	70,639	70,639
MASC Brokers Tax	208,880	-	-	-	-	-	-	208,880
Franchise Fees	57,728	-	-	-	-	-	-	57,728
State Aid to Subdivisions	22,290	-	-	-	-	-	-	22,290
Other	4,686	-	-	-	-	-	-	4,686
Net Receivables	<u>\$ 630,372</u>	<u>\$ -</u>	<u>\$ 472,603</u>	<u>\$ 533,371</u>	<u>\$ 255,338</u>	<u>\$ 85,051</u>	<u>\$ 70,639</u>	<u>\$ 2,047,374</u>

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, 2016, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 53,207	\$ -	\$ 53,207
Other	General	-	11,371	11,371
Cash Contributions	Beach Restoration	-	113,690	113,690
Total Unavailable/Unearned Revenue		<u>\$ 53,207</u>	<u>\$ 125,061</u>	<u>\$ 178,268</u>

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, 2016, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 98,577	\$ (551,953)
Capital Projects Fund	500,000	-
Municipal Accommodations Fee Fund	-	(42,807)
State Accommodations Tax Fund	5,500	-
Hopitality Tax Fund	-	(2,675)
Beach Restoration Fund	-	(88,845)
Beach Preservation Fund	88,845	(11,271)
Non-major Funds	1,807	-
Proprietary Funds:		
Marina Enterprise Fund	2,675	-
Fiduciary Fund - Agency Fund:		
Volunteer Fire Department	145	-
	<u>\$ 697,549</u>	<u>\$ (697,551)</u>

The Capital Projects receivable of \$500,000 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.

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

Interfund Transfers

Transfers between funds for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,227,654	\$ (1,065,442)
Capital Projects Fund	1,015,442	(63,000)
Municipal Accommodations Fee Fund	-	(553,252)
State Accommodations Tax Fund	-	(537,773)
Hospitality Tax Fund	-	(280,629)
Non-major Funds	3,000	(14,000)
<u>Proprietary Fund:</u>		
Marina Enterprise Fund	268,000	-
Totals	<u>\$ 2,514,096</u>	<u>\$ (2,514,096)</u>

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.

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

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2016 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	159,535	30,517	-	-	190,052
Total Capital Assets, Non-Depreciable	4,432,431	30,517	-	-	4,462,948
Capital Assets, Depreciable:					
Land Improvements	3,670,702	33,621	(2,800)	-	3,701,523
Buildings and Improvements	15,168,319	-	-	-	15,168,319
Vehicles and Vehicle Equipment	4,510,956	595,776	(301,283)	-	4,805,449
Equipment	2,373,702	139,379	(82,298)	-	2,430,783
Furniture and Fixtures	72,890	-	-	-	72,890
Total Capital Assets, Depreciable	25,796,569	768,776	(386,381)	-	26,178,964
Less: Accumulated Depreciation for:					
Land Improvements	1,691,244	218,726	(2,800)	-	1,907,170
Buildings and Improvements	4,945,602	561,380	-	-	5,506,982
Vehicles and Vehicle Equipment	3,209,604	410,419	(301,283)	-	3,318,740
Equipment	1,935,265	170,136	(82,298)	-	2,023,103
Furniture and Fixtures	69,268	708	-	-	69,976
Total Accumulated Depreciation	11,850,983	1,361,369	(386,381)	-	12,825,971
Total Capital Assets, Depreciable, Net	13,945,586	(592,593)	-	-	13,352,993
Governmental Activities Capital Assets, Net	\$ 18,378,017	\$ (562,076)	\$ -	\$ -	\$ 17,815,941

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	\$ 78,317	\$ 133,621
Public Safety	584,045	788,511
Building, Planning, and Engineering	-	18,503
Public Works	105,202	214,358
Recreation	31,729	206,376
Total - Governmental Activities	\$ 799,293	\$ 1,361,369

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

Capital asset activity for the City's business-type activities for the year ended June 30, 2016, 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	-	-	-	2,655,808
Buildings and Improvements	846,998	-	-	-	846,998
Docks	674,861	-	-	-	674,861
Equipment	279,923	-	-	-	279,923
Total Capital Assets, Depreciable	<u>4,457,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,457,590</u>
Less: Accumulated Depreciation for:					
Land Improvements	527,117	66,460	-	-	593,577
Buildings and Improvements	570,032	22,348	-	-	592,380
Docks	438,791	46,285	-	-	485,076
Equipment	269,306	3,539	-	-	272,845
Total Accumulated Depreciation	<u>1,805,246</u>	<u>138,632</u>	<u>-</u>	<u>-</u>	<u>1,943,878</u>
Total Capital Assets, Depreciable, Net	<u>2,652,344</u>	<u>(138,632)</u>	<u>-</u>	<u>-</u>	<u>2,513,712</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,688,130</u>	<u>\$ (138,632)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,549,498</u>

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.

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

Details on the City's debt outstanding as of June 30, 2016 are as follows:

General Obligation Bonds	Principal Outstanding at Year End
<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>	\$ 4,600,000
<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>	2,235,000
<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 \$180,000 to \$221,000 through June 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.</p>	1,345,000
<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.</p>	<div style="border-top: 1px solid black;">900,000</div>
<p>Total General Obligation Bonds</p>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,080,000</div>

General obligation bonds 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.

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, 2016.

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

In April 2016, the City issued a \$2,235,000 General Obligation Refunding Bond (Series 2016) to refund the remaining balance on the \$3,360,000 General Obligation Bonds (Series 2006) issued in August 2006, which lowered the average interest rate to 1.88%. The refunding resulted in approximately \$298,000 in debt service savings over the remaining ten years. The deferred loss on refunding was not significant and thus has not been recorded in the City's financial statements.

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2016, for the City's governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GOB Debt:					
GOB - Series 2006	\$ 2,405,000	\$ -	\$ 2,405,000	\$ -	\$ -
GOB - Series 2008B	4,925,000	-	325,000	4,600,000	350,000
GOB - Series 2015	1,500,000	-	155,000	1,345,000	160,000
GOB - Series 2016	-	2,235,000	-	2,235,000	185,000
Total GOB Debt	<u>8,830,000</u>	<u>2,235,000</u>	<u>2,885,000</u>	<u>8,180,000</u>	<u>695,000</u>
Accrued Compensated Absences	334,972	258,089	221,235	369,085	183,981
Total Governmental Activities	<u>\$ 9,164,972</u>	<u>\$ 2,493,089</u>	<u>\$ 3,106,235</u>	<u>\$ 8,549,085</u>	<u>\$ 878,981</u>
Business-Type Activities:					
GOB Debt:					
GOB - Series 2009	\$ 165,000	\$ -	\$ 165,000	\$ -	\$ -
GOB - Series 2013	1,175,000	-	275,000	900,000	300,000
Total GOB Debt	<u>\$ 1,340,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 900,000</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, 2016, the City had \$6,835,000 of bonded debt subject to the 8% limit of approximately \$15,922,000 available, resulting in an unused legal debt margin of approximately \$9,087,000.

The City incurred interest expense of approximately \$354,000 and \$23,000 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:

Governmental Activities

2017	\$ 690,000	\$ 241,515	\$ 931,515
2018	705,000	228,492	933,492
2019	725,000	213,668	938,668
2020	760,000	192,488	952,488
2021	800,000	170,700	970,700
2022-2026	3,600,000	513,241	4,113,241
2027-2028	900,000	55,890	955,890
Totals	<u>\$ 8,180,000</u>	<u>\$ 1,615,994</u>	<u>\$ 9,795,994</u>

Business-Type Activities

2017	\$ 300,000	\$ 15,660	\$ 315,660
2018	300,000	10,440	310,440
2019	300,000	5,220	305,220
Totals	<u>\$ 900,000</u>	<u>\$ 31,320</u>	<u>\$ 931,320</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 \$164,000 for the year ended June 30, 2016. The lease was renewed through January 31, 2045.
- Marina store lease – rent income of approximately \$73,000 for the year ended June 30, 2016. The lease was renewed through January 31, 2045.
- Marina restaurant lease – rent income of approximately \$137,000 for the year ended June 30, 2016 (which includes regular rent income of approximately \$79,000 plus additional rent of \$58,000 for gross income over target amount). The lease has been renewed through October 31, 2017. There is one additional three year renewal option that could extend the lease term until October 31, 2020.
- Water sports dock lease – rent income of approximately \$22,000 for the year ended June 30, 2016. The lease has been renewed through September 30, 2020.

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

Estimated future annual lease income for the long-term leases in effect as of June 30, 2016 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 344,660
2018	\$ 301,116
2019	\$ 259,800
2020	\$ 259,800
2021	\$ 243,645
2022-2026	\$ 1,191,300
2027-2031	\$ 1,191,300
2032-2036	\$ 1,191,300
2037-2041	\$ 1,191,300
2042-2045	\$ 862,015

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, 2016, the City’s premium costs totaled approximately \$226,000. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2015, totaled approximately \$14,390,000.

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, 2016, the City made premium payments totaling approximately \$213,000. 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, 2015, totaled approximately \$54,295,000.

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.

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

B. 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 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 and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in 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.

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

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.

- 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 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>2016</u>	<u>2015</u>
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%
<u>PORS</u>		
Employee Class Two	8.74%	8.41%
Employee Class Three	8.74%	8.41%

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

<u>SCRS</u>		
Employee Class Two	10.91%	10.75%
Employee Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
<u>PORS</u>		
Employee Class Two	13.34%	13.01%
Employee Class Three	13.34%	13.01%
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, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, 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, 2015, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$44,097,310,230	\$25,131,828,101	\$18,965,482,129	57.0%
PORS	\$6,151,321,222	\$3,971,824,838	\$2,179,496,384	64.6%

At June 30, 2016, the City reported liabilities of approximately \$3,534,000 and \$4,931,000 for its proportionate share of the net pension liabilities for the SCRS and PORS (“Plans”), respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date. The City’s proportion of the net pension liabilities 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, 2015, the City’s SCRS proportion was 0.018636 percent, which decreased slightly from the prior year. At June 30, 2015, the City’s PORS proportion was 0.22624 percent, which increased slightly from the prior year.

For the year ended June 30, 2016, the City recognized pension expense of approximately \$245,000 and \$508,000 for the SCRS and PORS, respectively. At June 30, 2016, 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:

	Deferred outflows of resources	Deferred inflows of resources
<u>SCRS:</u>		
Differences between expected and actual experience	\$ 62,791	\$ 6,320
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	23,656	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	37,917
City contributions subsequent to the measurement date	204,079	-
Total	<u>\$ 290,526</u>	<u>\$ 44,237</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	\$ 97,733	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	53,954	-
Changes in proportion and differences between City contributions and proportionate share of contributions	262,593	-
City contributions subsequent to the measurement date	<u>403,373</u>	<u>-</u>
Total	<u><u>\$ 817,653</u></u>	<u><u>\$ -</u></u>

Approximately \$204,000 and \$403,000 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 net pension liability in the year ended June 30, 2017.

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>
2016	\$ 15,131	\$ 15,334	\$ 30,466
2017	15,131	15,334	30,466
2018	(6,437)	11,018	4,581
2019	<u>56,301</u>	<u>110,000</u>	<u>166,301</u>
	<u><u>\$ 80,127</u></u>	<u><u>\$ 151,687</u></u>	<u><u>\$ 231,813</u></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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

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, 2014, valuations for SCRS and PORS.

Actuarial assumptions:	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Investment rate of return	7.50%	7.50%
Projected salary increases*	3.5% to 12.5% (varies by service)	3.5% to 12.5% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

*Includes inflation at 2.75%

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 and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. 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.

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

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 8.75 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 6.00 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.9%	0.04%
Short Duration	3.0%	2.0%	0.06%
Domestic Fixed Income:	13.0%		
Core Fixed Income	7.0%	2.7%	0.19%
High Yield	6.0%	3.8%	0.23%
Global Fixed Income:	9.0%		
Global Fixed Income	3.0%	2.8%	0.08%
Emerging Markets Debt	6.0%	5.1%	0.31%
Global Public Equity	31.0%	7.1%	2.20%
Global Tactical Asset Allocation	10.0%	4.9%	0.49%
Alternatives:	32.0%		
Hedge Funds (Low Beta)	8.0%	4.3%	0.34%
Private Debt	7.0%	9.9%	0.69%
Private Equity	9.0%	9.9%	0.89%
Real Estate (Broad Market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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.

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

The following table presents the sensitivity of the City’s proportionate share of the net pension liability of the Plans as of June 30, 2015 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 4,455,878	\$ 3,534,218	\$ 2,762,098
PORS	\$ 6,717,027	\$ 4,931,002	\$ 3,334,185

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 approximately \$67,000 and \$32,000 to the PEBA as of June 30, 2016, representing required employer and employee contributions related to 2016. 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.

In 2004, GASB issued Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” (“GASB No. 45”). GASB No. 45 establishes standards for the measurement, recognition and display of Other Post-Employment Benefits (“OPEB”) expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City adopted GASB No. 45 in fiscal year 2010. No liability or expenditures are recorded as of June 30, 2016 due to the fact that the City’s current OPEB plan requires retirees to pay the full cost of an age adjusted retiree rate rather than a blended group rate.

GASB has issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (“GASB No. 75”), which will supersede GASB No. 45. Expected implementation of the standard will be in fiscal year June 30, 2018. At that time, other employment benefit liabilities and expenditures will be recorded.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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 is recognizing 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.

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 project costs of approximately \$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.

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, 2016.

In June 2015, the City renewed a five year contract with a vendor for drainage ditch maintenance on the island for approximately \$88,000 per year.

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 4,190,000	\$ 4,190,000	\$ 4,239,550	\$ 49,550
Local Option Sales Tax	652,000	652,000	698,077	46,077
Intergovernmental	290,773	290,773	305,677	14,904
Licenses and Permits	3,220,000	3,220,000	3,350,354	130,354
Fines and Forfeitures	100,000	100,000	238,272	138,272
Revenues From Use of Properties (Marina excluded)	453,000	453,000	559,478	106,478
Interest	2,700	2,700	23,259	20,559
Other Revenues	273,104	273,104	283,800	10,696
Total Revenues	9,181,577	9,181,577	9,698,467	516,890
Expenditures				
General Government:				
Mayor and Council	85,824	85,824	86,479	(655)
Administration	664,097	664,097	660,815	3,282
Judicial and Legal	297,277	297,277	296,134	1,143
Public Safety:				
Police Department	2,440,079	2,440,079	2,299,055	141,024
Fire Department	2,990,876	2,990,876	3,015,697	(24,821)
Building, Planning, and Engineering	372,992	372,992	360,308	12,684
Public Works	1,179,247	1,179,247	1,139,340	39,907
Recreation:				
Recreation Department	845,102	845,102	832,786	12,316
Recreation Programs	92,250	92,250	95,268	(3,018)
Non-Departmental:				
Parking Meters	104,479	104,479	109,803	(5,324)
Debt Service:				
Principal	486,000	486,000	486,000	-
Payment of Refunding General Obligation Bond	-	-	2,235,000	(2,235,000)
Interest	257,399	257,399	286,133	(28,734)
Total Expenditures	9,815,622	9,815,622	11,902,818	(2,087,196)
Excess (Deficiency) of Revenues Over Expenditures	(634,045)	(634,045)	(2,204,351)	(1,570,306)
Other Financing Sources (Uses)				
Transfer In	1,149,487	1,149,487	1,227,654	78,167
Transfer Out	(515,442)	(515,442)	(1,065,442)	(550,000)
Issuance of Refunding General Obligation Bond	-	-	2,235,000	2,235,000
Total Other Financing Sources (Uses)	634,045	634,045	2,397,212	1,763,167
Net Changes In Fund Balances	-	-	192,861	192,861
Fund Balances, Beginning of Year	5,427,329	5,427,329	5,427,329	-
Fund Balances, End of Year	\$ 5,427,329	\$ 5,427,329	\$ 5,620,190	\$ 192,861

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodation Fee Revenue	\$ 929,000	\$ 929,000	\$ 967,728	\$ 38,728
County Accommodations Fee Revenue	464,000	464,000	485,093	21,093
Interest	1,450	1,450	5,638	4,188
Total Revenues	<u>1,394,450</u>	<u>1,394,450</u>	<u>1,458,459</u>	<u>64,009</u>
Expenditures				
Current:				
General Government	31,960	31,960	37,634	(5,674)
Public Safety	33,300	33,300	36,917	(3,617)
Public Works	68,500	68,500	76,089	(7,589)
Recreation:				
Recreation Department	9,000	9,000	8,963	37
Non-Departmental:				
Public Restrooms	306,268	306,268	241,994	64,274
Capital Outlay	446,475	446,475	367,942	78,533
Debt Service:				
Principal	62,000	62,000	62,000	-
Interest	10,080	10,080	10,080	-
Total Expenditures	<u>967,583</u>	<u>967,583</u>	<u>841,619</u>	<u>125,964</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>426,867</u>	<u>426,867</u>	<u>616,840</u>	<u>189,973</u>
Other Financing Sources (Uses)				
Transfer Out	(577,148)	(577,148)	(553,252)	23,896
Sale of Capital Assets	5,000	5,000	15,750	10,750
Total Other Financing Sources (Uses)	<u>(572,148)</u>	<u>(572,148)</u>	<u>(537,502)</u>	<u>34,646</u>
Net Changes In Fund Balances	(145,281)	(145,281)	79,338	224,619
Fund Balances, Beginning of Year	<u>1,516,153</u>	<u>1,516,153</u>	<u>1,516,153</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,370,872</u>	<u>\$ 1,370,872</u>	<u>\$ 1,595,491</u>	<u>\$ 224,619</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodations Tax Revenue	\$ 1,603,354	\$ 1,603,354	\$ 1,650,770	\$ 47,416
Interest	2,500	2,500	7,516	5,016
Other	2,000	2,000	6,249	4,249
Total Revenues	<u>1,607,854</u>	<u>1,607,854</u>	<u>1,664,535</u>	<u>56,681</u>
Expenditures				
Current:				
General Government	653,448	653,448	571,178	82,270
Public Safety	89,932	89,932	5,161	84,771
Public Works	11,000	11,000	5,790	5,210
Recreation:				
Recreation Department	48,000	48,000	42,469	5,531
Non-Departmental:				
Public Restrooms	170,874	170,874	160,018	10,856
Capital Outlay	69,000	69,000	112,557	(43,557)
Total Expenditures	<u>1,042,254</u>	<u>1,042,254</u>	<u>897,173</u>	<u>145,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>565,600</u>	<u>565,600</u>	<u>767,362</u>	<u>201,762</u>
Other Financing Sources (Uses)				
Transfer Out	(548,710)	(548,710)	(537,773)	10,937
Sale of Capital Assets	2,000	2,000	19,108	17,108
Total Other Financing Sources (Uses)	<u>(546,710)</u>	<u>(546,710)</u>	<u>(518,665)</u>	<u>28,045</u>
Net Changes In Fund Balances	18,890	18,890	248,697	229,807
Fund Balances, Beginning of Year	<u>1,850,319</u>	<u>1,850,319</u>	<u>1,850,319</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,869,209</u>	<u>\$ 1,869,209</u>	<u>\$ 2,099,016</u>	<u>\$ 229,807</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hospitality Taxes	\$ 658,000	\$ 658,000	\$ 694,205	\$ 36,205
Interest	425	425	965	540
Total Revenues	<u>658,425</u>	<u>658,425</u>	<u>695,170</u>	<u>36,745</u>
Expenditures				
Current:				
Public Safety	84,050	84,050	32,064	51,986
Building, Planning, and Engineering	1,150	1,150	396	754
Public Works	71,600	71,600	74,443	(2,843)
Capital Outlay	95,000	95,000	41,590	53,410
Debt Service:				
Principal	102,000	102,000	102,000	-
Interest	57,576	57,576	57,576	-
Total Expenditures	<u>411,376</u>	<u>411,376</u>	<u>308,069</u>	<u>103,307</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>247,049</u>	<u>247,049</u>	<u>387,101</u>	<u>140,052</u>
Other Financing Sources (Uses)				
Transfer Out	(302,807)	(302,807)	(280,629)	22,178
Sale of Capital Assets	-	-	8,403	8,403
Total Other Financing Sources (Uses)	<u>(302,807)</u>	<u>(302,807)</u>	<u>(272,226)</u>	<u>30,581</u>
Net Changes In Fund Balances	(55,758)	(55,758)	114,875	170,633
Fund Balances, Beginning of Year	<u>513,334</u>	<u>513,334</u>	<u>513,334</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 457,576</u></u>	<u><u>\$ 457,576</u></u>	<u><u>\$ 628,209</u></u>	<u><u>\$ 170,633</u></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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions	\$ 1,104,280	\$ 1,104,280	\$ 126,434	\$ (977,846)
Interest	78	78	23	(55)
Total Revenues	<u>1,104,358</u>	<u>1,104,358</u>	<u>126,457</u>	<u>(977,901)</u>
Expenditures				
Current:				
General Government	1,104,358	1,104,358	126,457	977,901
Total Expenditures	<u>1,104,358</u>	<u>1,104,358</u>	<u>126,457</u>	<u>977,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes In Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	Year Ended June 30,	
	2016	2015
City of Isle of Palms' proportion of the net pension liability	0.018636%	0.018910%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 3,534,218</u>	<u>\$ 3,255,503</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 1,747,268</u>	<u>\$ 1,718,609</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.27%	189.43%
Plan fiduciary net position as a percentage of the total pension liability	57.00%	59.92%

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Contributions
South Carolina Retirement System
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 204,079	\$ 190,452	\$ 181,973
Contributions in relation to the contractually required contribution	<u>(204,079)</u>	<u>(190,452)</u>	<u>(181,973)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 1,845,203</u>	<u>\$ 1,747,268</u>	<u>\$ 1,718,609</u>
Contributions as a percentage of covered-employee payroll	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, 2016

	Year Ended June 30,	
	2016	2015
City of Isle of Palms' proportion of the net pension liability	0.226240%	0.210300%
City of Isle of Palms' proportionate share of the net pension liability	\$ 4,931,002	\$ 4,025,983
City of Isle of Palms' covered payroll during measurement period	\$ 2,802,857	\$ 2,526,375
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.93%	159.36%
Plan fiduciary net position as a percentage of the total pension liability	64.60%	67.55%

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Contributions
South Carolina Police Officers Retirement System
Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 403,373	\$ 375,863	\$ 324,766
Contributions in relation to the contractually required contribution	<u>(403,373)</u>	<u>(375,863)</u>	<u>(324,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 2,935,754</u>	<u>\$ 2,802,857</u>	<u>\$ 2,526,375</u>
Contributions as a percentage of covered-employee payroll	13.74%	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, 2016

	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	\$ -	\$ -	\$ -	\$ 21,888	\$ -	\$ 21,888
Cash and Cash Equivalents - Restricted	6,861	7,863	17,991	-	72,284	104,999
Due from other funds	-	-	1,807	-	-	1,807
Total Assets	\$ 6,861	\$ 7,863	\$ 19,798	\$ 21,888	\$ 72,284	\$ 128,694
Liabilities						
Accounts Payable	\$ 419	\$ -	\$ 41	\$ -	\$ 485	\$ 945
Total Liabilities	419	-	41	-	485	945
Fund Balances						
Restricted	6,442	7,863	19,757	-	-	34,062
Assigned	-	-	-	21,888	71,799	93,687
Total Fund Balances	6,442	7,863	19,757	21,888	71,799	127,749
Total Liabilities and Fund Balances	\$ 6,861	\$ 7,863	\$ 19,798	\$ 21,888	\$ 72,284	\$ 128,694

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, 2016

	Federal Narcotics Fund	State Narcotics Fund	Victims' Assistance Fund	Aisle of Palms Fund	Recreation Building Fund	Total Non- Major Funds
Revenues						
Fines and Forfeitures	\$ -	\$ -	\$ 19,598	\$ -	\$ -	\$ 19,598
Interest	2	1	3	-	5	11
Other	-	-	-	2,851	14,506	17,357
Total Revenues	<u>2</u>	<u>1</u>	<u>19,601</u>	<u>2,851</u>	<u>14,511</u>	<u>36,966</u>
Expenditures						
Current:						
General Government	-	-	-	2,099	-	2,099
Public Safety	2,412	9,708	1,069	-	-	13,189
Recreation	-	-	-	-	8,950	8,950
Total Expenditures	<u>2,412</u>	<u>9,708</u>	<u>1,069</u>	<u>2,099</u>	<u>8,950</u>	<u>24,238</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,410)</u>	<u>(9,707)</u>	<u>18,532</u>	<u>752</u>	<u>5,561</u>	<u>12,728</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	(2,410)	(9,707)	4,532	752	8,561	1,728
Fund Balances, Beginning of Year	<u>8,852</u>	<u>17,570</u>	<u>15,225</u>	<u>21,136</u>	<u>63,238</u>	<u>126,021</u>
Fund Balances, End of Year	<u>\$ 6,442</u>	<u>\$ 7,863</u>	<u>\$ 19,757</u>	<u>\$ 21,888</u>	<u>\$ 71,799</u>	<u>\$ 127,749</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 4,190,000	\$ 4,239,550	\$ 49,550
Local Option Sales Tax	652,000	698,077	46,077
Intergovernmental			
State Aid to Subdivisions	89,000	90,470	1,470
State Accommodations Tax Administrative Fee	109,000	111,883	2,883
State Shared Funds - Alcohol	48,000	42,450	(5,550)
Grants	-	16,906	16,906
Intergovernmental Transfers	44,773	43,968	(805)
Total Intergovernmental	290,773	305,677	14,904
Licenses and Permits			
Business Licenses	1,064,000	1,100,391	36,391
Residential Rental Licenses	509,000	524,281	15,281
Insurance Licenses	644,000	635,441	(8,559)
Public Utilities	746,000	821,834	75,834
Building Permits	232,000	238,153	6,153
Telecommunication Licenses	22,000	23,788	1,788
Transportation	-	3,115	3,115
Alarm Permits	1,000	1,560	560
Animal Licenses	2,000	1,791	(209)
Total Licenses and Permits	3,220,000	3,350,354	130,354
Fines and Forfeitures	100,000	238,272	138,272
Revenue From Use of Properties			
Parking Lot Revenue	185,000	260,228	75,228
Parking Meter Revenue	268,000	297,135	29,135
Residential Guest Parking Revenue	-	2,115	2,115
Total Revenue From Use of Properties	453,000	559,478	106,478
Interest			
Interest Income	2,700	23,259	20,559
Total Interest	2,700	23,259	20,559
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

Other Revenues

Recreation Program Income	104,000	108,614	4,614
Recreation Instructors Income	152,000	153,315	1,315
Sales of Assets	4,000	7,257	3,257
Miscellaneous	8,104	8,042	(62)
Cart Purchase Revenue	3,500	4,125	625
Boat Ramp Fees	1,400	2,300	900
Kennel Fees	100	147	47
Total Other Revenues	273,104	283,800	10,696
Total Revenues	9,181,577	9,698,467	516,890

Expenditures

General Government

Mayor and Council:

Salaries	17,000	17,000	-
Payroll Taxes	1,301	1,301	-
Retirement	1,383	1,383	-
Group Health Insurance	49,792	45,562	4,230
Workers Compensation	410	654	(244)
Membership and Dues	50	50	-
Print and Office Supplies	500	666	(166)
Meetings and Seminars	5,000	9,681	(4,681)
Vehicle, Fuel, and Oil	250	-	250
Telephone	1,000	1,152	(152)
Insurance	2,138	2,003	135
Miscellaneous and Contingency	4,500	5,612	(1,112)
Citizens and Employee Services	2,500	1,415	1,085
Total Mayor and Council	85,824	86,479	(655)

Administration:

Salaries	360,296	369,643	(9,347)
Salaries - Overtime	10,741	9,396	1,345
Payroll Taxes	28,384	27,568	816
Retirement	41,037	42,243	(1,206)
Group Health Insurance	30,501	31,016	(515)
Workers Compensation	4,089	4,509	(420)
Print and Office Supplies	10,800	10,773	27
Membership and Dues	4,965	5,134	(169)

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

Meetings and Seminars	5,000	5,737	(737)
Vehicle, Fuel, and Oil	2,700	1,467	1,233
Electric and Gas	5,000	3,864	1,136
Telephone and Cable	9,956	8,097	1,859
Water and Sewer	2,120	1,819	301
Noncapital Tools and Equipment	1,250	1,244	6
Maintenance and Service Contracts	35,235	21,310	13,925
Machine and Equipment Repair	1,000	184	816
Cleaning and Sanitary Supplies	2,000	1,712	288
Storm Preparation & Cleanup	-	8,601	(8,601)
Medical and Lab	800	843	(43)
Insurance	20,243	18,382	1,861
Rent and Leases	8,550	10,425	(1,875)
Advertising	5,500	7,551	(2,051)
Employee Training	10,000	8,839	1,161
Professional Services	33,080	40,659	(7,579)
Miscellaneous and Contingency	22,350	13,659	8,691
Election Expense	3,500	609	2,891
Bank Service Charges	5,000	5,531	(531)
Total Administration	664,097	660,815	3,282

Judicial and Legal:

Salaries - Full-time	59,391	61,045	(1,654)
Salaries - Over-time	1,369	5,910	(4,541)
Salaries - Part-time	18,000	17,082	918
Payroll Taxes	6,025	6,433	(408)
Retirement	8,711	9,328	(617)
Group Health Insurance	6,005	6,006	(1)
Workers Compensation	324	269	55
Print and Office Supplies	4,000	4,409	(409)
Membership and Dues	200	110	90
Meetings and Seminars	800	386	414
Telephone and Cable	3,540	3,076	464
Noncapital Tools and Equipment	800	810	(10)
Maintenance and Service Contracts	3,800	2,855	945
Insurance	712	548	164

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

Employee Training	2,000	720	1,280
Professional Services	181,000	176,555	4,445
Miscellaneous and Contingency	600	592	8
Total Judicial and Legal	297,277	296,134	1,143
Total General Government	1,047,198	1,043,428	3,770

Public Safety

Police Department:

Salaries	1,299,204	1,265,156	34,048
Salaries - Over-time	105,020	97,897	7,123
Payroll Taxes	107,423	101,809	5,614
Retirement	185,260	181,865	3,395
Group Health Insurance	200,423	183,445	16,978
Workers Compensation	54,756	57,188	(2,432)
Print and Office Supplies	14,000	14,770	(770)
Membership and Dues	2,500	1,635	865
Meetings and Seminars	2,500	1,035	1,465
Vehicle, Fuel, and Oil	120,082	69,307	50,775
Vehicle Maintenance	42,000	37,642	4,358
Electric and Gas	31,000	30,690	310
Telephone and Cable	46,836	45,839	997
Water and Sewer	5,300	5,134	166
Noncapital Tools and Equipment	1,500	2,547	(1,047)
Maintenance and Service Contracts	58,131	48,514	9,617
Machine and Equipment Repair	8,500	8,818	(318)
Uniforms	18,715	17,688	1,027
Cleaning and Sanitary Supplies	1,750	1,373	377
Medical and Lab	4,000	2,883	1,117
Insurance	57,500	52,005	5,495
Rent and Leases	2,400	2,419	(19)
Employee Training	8,980	8,669	311
Professional Services	5,500	5,620	(120)
Contracted Services	52,549	52,549	-
Miscellaneous and Contingency	3,250	1,669	1,581
Canine Kennel Expenses	1,000	889	111
Total Police Department	2,440,079	2,299,055	141,024

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Fire Department:</u>			
Salaries - Full-time	1,565,306	1,604,846	(39,540)
Salaries - Over-time	263,730	274,152	(10,422)
Salaries - Part-time	20,000	6,309	13,691
Payroll Taxes	141,451	142,115	(664)
Retirement	253,251	262,621	(9,370)
Group Health Insurance	254,420	243,964	10,456
Workers Compensation	70,232	71,340	(1,108)
Print and Office Supplies	6,500	6,067	433
Membership and Dues	2,500	2,564	(64)
Vehicle, Fuel, and Oil	26,943	16,196	10,747
Vehicle Maintenance	50,000	61,282	(11,282)
Electric and Gas	44,500	44,698	(198)
Telephone and Cable	52,080	49,442	2,638
Water and Sewer	10,600	10,240	360
Noncapital Tools and Equipment	4,700	7,636	(2,936)
Maintenance and Service Contracts	48,044	57,292	(9,248)
Machine and Equipment Repair	10,000	11,999	(1,999)
Uniforms	22,500	17,933	4,567
Cleaning and Sanitary Supplies	4,000	3,642	358
Medical and Lab	15,000	15,508	(508)
Insurance	95,119	85,169	9,950
Rent and Leases	3,500	1,729	1,771
Employee Training	15,000	6,508	8,492
Professional Services	4,000	5,196	(1,196)
Miscellaneous and Contingency	5,500	6,284	(784)
Volunteer Point Allocation	2,000	965	1,035
	<u>2,990,876</u>	<u>3,015,697</u>	<u>(24,821)</u>
Total Fire Department	2,990,876	3,015,697	(24,821)
Total Public Safety	5,430,955	5,314,752	116,203
<u>Building, Planning, and Engineering</u>			
Salaries - Full-time	229,108	232,713	(3,605)
Salaries - Over-time	1,291	91	1,200
Payroll Taxes	17,626	17,139	487
Retirement	25,482	25,837	(355)
Group Health Insurance	32,962	33,024	(62)
Workers Compensation	2,441	2,237	204
Print and Office Supplies	12,500	10,324	2,176
Membership and Dues	1,000	740	260
Meetings and Seminars	1,000	419	581
Vehicle, Fuel, and Oil	4,968	3,231	1,737

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

Vehicle Maintenance	1,000	576	424
Electric and Gas	5,000	3,864	1,136
Telephone and Cable	5,100	4,149	951
Water and Sewer	1,600	1,639	(39)
Noncapital Tools and Equipment	300	108	192
Maintenance and Service Contracts	7,500	7,188	312
Machine and Equipment Repair	500	93	407
Uniforms	500	396	104
Cleaning and Sanitary Supplies	500	496	4
Medical and Lab	100	56	44
Insurance	8,714	7,678	1,036
Rent and Leases	1,500	626	874
Employee Training	1,300	771	529
Professional Services	10,500	6,578	3,922
Miscellaneous and Contingency	500	335	165
Total Building, Planning, and Engineering	372,992	360,308	12,684

Public Works

Salaries - Full-time	486,855	494,318	(7,463)
Salaries - Over-time	3,167	7,134	(3,967)
Payroll Taxes	37,487	37,821	(334)
Retirement	54,196	55,656	(1,460)
Group Health Insurance	65,480	65,488	(8)
Workers Compensation	28,781	28,984	(203)
Print and Office Supplies	1,000	647	353
Membership and Dues	500	445	55
Meetings and Seminars	250	-	250
Vehicle, Fuel, and Oil	85,804	49,037	36,767
Vehicle Maintenance	85,000	93,521	(8,521)
Electric and Gas	79,000	69,378	9,622
Telephone and Cable	10,344	10,381	(37)
Water and Sewer	1,700	789	911
Noncapital Tools and Equipment	2,500	1,347	1,153
Maintenance and Service Contracts	4,200	3,058	1,142
Machine and Equipment Repair	4,000	4,079	(79)
Uniforms	6,000	5,902	98
Cleaning and Sanitary Supplies	3,500	2,663	837
Medical and Lab	3,500	3,600	(100)
Street Signs	4,000	2,142	1,858
Insurance	28,448	25,154	3,294
Rent and Leases	150	152	(2)

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

Employee Training	300	-	300
Professional Services	1,500	1,630	(130)
Temporary Labor	171,785	167,108	4,677
Contracted Services	1,000	300	700
Miscellaneous and Contingency	1,000	1,016	(16)
Garbage Cart - Procurement	7,800	7,590	210
Total Public Works	1,179,247	1,139,340	39,907

Recreation

Recreation Department:

Salaries - Full-time	333,903	329,700	4,203
Salaries - Over-time	7,673	11,880	(4,207)
Salaries - Part-time	193,105	188,326	4,779
Payroll Taxes	40,903	39,121	1,782
Retirement	40,543	38,901	1,642
Group Health Insurance	48,435	54,291	(5,856)
Workers Compensation	10,871	10,804	67
Unemployment Compensation	-	2,129	(2,129)
Print and Office Supplies	9,500	9,601	(101)
Membership and Dues	1,600	1,270	330
Meetings and Seminars	2,000	788	1,212
Vehicle, Fuel, and Oil	4,993	3,122	1,871
Vehicle Maintenance	2,000	961	1,039
Electric and Gas	37,000	36,153	847
Telephone and Cable	13,740	11,663	2,077
Water and Sewer	4,240	3,752	488
Noncapital Tools and Equipment	2,600	2,651	(51)
Maintenance and Service Contracts	32,585	37,709	(5,124)
Machine and Equipment Repair	2,500	1,847	653
Uniforms	1,950	1,610	340
Cleaning and Sanitary Supplies	4,750	4,108	642
Medical and Lab	800	760	40
Insurance	39,796	34,517	5,279
Rent and Leases	3,700	3,003	697
Employee Training	2,300	874	1,426
Professional Services	115	105	10
Miscellaneous and Contingency	3,500	3,140	360
Total Recreation Department	845,102	832,786	12,316

Final Budget

Actual

Variance

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2016

<u>Recreation Programs:</u>			
Five Year Old & Under Play Group	750	511	239
Gymnastics	2,500	2,379	121
Special Activities	20,500	17,877	2,623
Summer Camp	14,000	14,173	(173)
Themed Activities	2,000	1,969	31
Middle School Dance	5,500	4,309	1,191
Adult Sports	14,000	12,837	1,163
Youth Sports	30,000	37,901	(7,901)
Keenagers	3,000	3,312	(312)
	<u>92,250</u>	<u>95,268</u>	<u>(3,018)</u>
Total Recreation Programs			
Total Recreation	<u>937,352</u>	<u>928,054</u>	<u>9,298</u>
 Non-Departmental			
Parking Meters			
Salaries - Over-time	-	7,278	(7,278)
Salaries - Part-time	92,560	92,144	416
Payroll Taxes	7,081	7,534	(453)
Retirement	-	686	(686)
Workers Compensation	4,838	2,161	2,677
	<u>104,479</u>	<u>109,803</u>	<u>(5,324)</u>
Total Parking Meters			
Total Non-Departmental	<u>104,479</u>	<u>109,803</u>	<u>(5,324)</u>
 Debt Service			
Principal	486,000	486,000	-
Payment to Refunded Bond Escrow Agent	-	2,235,000	(2,235,000)
Interest	257,399	286,133	(28,734)
	<u>743,399</u>	<u>3,007,133</u>	<u>(2,263,734)</u>
Total Debt Service			
Total General Fund Expenditures	<u>\$ 9,815,622</u>	<u>\$ 11,902,818</u>	<u>\$ (2,087,196)</u>

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2016

	General Government		
	Mayor and Council	Administration	Judicial and Legal
Salaries - Full-time	\$ 17,000	\$ 369,643	\$ 61,045
Salaries - Over-time	-	9,396	5,910
Salaries - Part-time	-	-	17,082
Payroll Taxes	1,301	27,568	6,433
Retirement	1,383	42,243	9,328
Group Health Insurance	45,562	31,016	6,006
Workers Compensation	654	4,509	269
Unemployment Compensation	-	-	-
Print and Office Supplies	666	10,773	4,409
Membership and Dues	50	5,134	110
Membership and Seminars	9,681	5,737	386
Vehicle, Fuel, and Oil	-	1,467	-
Vehicle Maintenance	-	-	-
Electric and Gas	-	3,864	-
Telephone and Cable	1,152	8,097	3,076
Water and Sewer	-	1,819	-
Noncapital Tools and Equipment	-	1,244	810
Maintenance and Service Contracts	-	21,310	2,855
Machine and Equipment Repair	-	184	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,712	-
Storm Preparation & Cleanup	-	8,601	-
Medical and Lab	-	843	-
Street Signs	-	-	-
Insurance	2,003	18,382	548
Rent and Leases	-	10,425	-
Advertising	-	7,551	-
Employee Training	-	8,839	720
Professional Services	-	40,659	176,555
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	5,612	13,659	592
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	1,415	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Election Expenses	-	609	-
Bank Service Charges	-	5,531	-
Total Departmental Expenditures	\$ 86,479	\$ 660,815	\$ 296,134

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2016

	<u>Public Safety</u>		<u>Building,</u>	<u>Public Works</u>
	<u>Police</u>	<u>Fire Department</u>	<u>Planning, and</u> <u>Engineering</u>	
Salaries - Full-time	\$ 1,265,156	\$ 1,604,846	\$ 232,713	\$ 494,318
Salaries - Over-time	97,897	274,152	91	7,134
Salaries - Part-time	-	6,309	-	-
Payroll Taxes	101,809	142,115	17,139	37,821
Retirement	181,865	262,621	25,837	55,656
Group Health Insurance	183,445	243,964	33,024	65,488
Workers Compensation	57,188	71,340	2,237	28,984
Unemployment Compensation	-	-	-	-
Print and Office Supplies	14,770	6,067	10,324	647
Membership and Dues	1,635	2,564	740	445
Membership and Seminars	1,035	-	419	-
Vehicle, Fuel, and Oil	69,307	16,196	3,231	49,037
Vehicle Maintenance	37,642	61,282	576	93,521
Electric and Gas	30,690	44,698	3,864	69,378
Telephone and Cable	45,839	49,442	4,149	10,381
Water and Sewer	5,134	10,240	1,639	789
Noncapital Tools and Equipment	2,547	7,636	108	1,347
Maintenance and Service Contracts	48,514	57,292	7,188	3,058
Machine and Equipment Repair	8,818	11,999	93	4,079
Uniforms	17,688	17,933	396	5,902
Cleaning and Sanitary Supplies	1,373	3,642	496	2,663
Storm Preparation & Cleanup	-	-	-	-
Medical and Lab	2,883	15,508	56	3,600
Street Signs	-	-	-	2,142
Insurance	52,005	85,169	7,678	25,154
Rent and Leases	2,419	1,729	626	152
Advertising	-	-	-	-
Employee Training	8,669	6,508	771	-
Professional Services	5,620	5,196	6,578	1,630
Temporary Labor	-	-	-	167,108
Contracted Services	52,549	-	-	300
Miscellaneous and Contingency	1,669	6,284	335	1,016
Volunteer Point Allocation	-	965	-	-
Citizens and Employee Services	-	-	-	-
Canine Kennel Expenses	889	-	-	-
Recreation Instruction Expense	-	-	-	-
Garbage Cart - Procurement	-	-	-	7,590
Election Expenses	-	-	-	-
Bank Service Charges	-	-	-	-
Total Departmental Expenditures	\$ 2,299,055	\$ 3,015,697	\$ 360,308	\$ 1,139,340

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type - Actual
Year Ended June 30, 2016

	<u>Recreation</u>	<u>Non-Departmental Parking Meters</u>	<u>Total</u>
Salaries - Full-time	\$ 329,700	\$ -	\$ 4,374,421
Salaries - Over-time	11,880	7,278	413,738
Salaries - Part-time	188,326	92,144	303,861
Payroll Taxes	39,121	7,534	380,841
Retirement	38,901	686	618,520
Group Health Insurance	54,291	-	662,796
Workers Compensation	10,804	2,161	178,146
Unemployment Compensation	2,129	-	2,129
Print and Office Supplies	9,601	-	57,257
Membership and Dues	1,270	-	11,948
Membership and Seminars	788	-	18,046
Vehicle, Fuel, and Oil	3,122	-	142,360
Vehicle Maintenance	961	-	193,982
Electric and Gas	36,153	-	188,647
Telephone and Cable	11,663	-	133,799
Water and Sewer	3,752	-	23,373
Noncapital Tools and Equipment	2,651	-	16,343
Maintenance and Service Contracts	37,709	-	177,926
Machine and Equipment Repair	1,847	-	27,020
Uniforms	1,610	-	43,529
Cleaning and Sanitary Supplies	4,108	-	13,994
Storm Preparation & Cleanup	-	-	8,601
Medical and Lab	760	-	23,650
Street Signs	-	-	2,142
Insurance	34,517	-	225,456
Rent and Leases	3,003	-	18,354
Advertising	-	-	7,551
Employee Training	874	-	26,381
Professional Services	105	-	236,343
Temporary Labor	-	-	167,108
Contracted Services	-	-	52,849
Miscellaneous and Contingency	3,140	-	32,307
Volunteer Point Allocation	-	-	965
Citizens and Employee Services	-	-	1,415
Canine Kennel Expenses	-	-	889
Recreation Instruction Expense	95,268	-	95,268
Garbage Cart - Procurement	-	-	7,590
Election Expenses	-	-	609
Bank Service Charges	-	-	5,531
Total Departmental Expenditures	\$ 928,054	\$ 109,803	8,895,685
		Debt Service	3,007,133
			\$ 11,902,818

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2016

Court Fines	
Court Fines Collected	\$ 238,272
Court Fines Retained by the City	<u>(238,272)</u>
Total Court Fines Remitted to the State Treasurer	<u>\$ -</u>
Court Assessments	
Court Assessments Collected	<u>\$ 69,921</u>
Total Court Assessments Remitted to State Treasurer	<u>\$ 69,921</u>
Court Surcharges	
Court Surcharges Collected	<u>\$ 39,758</u>
Total Court Surcharges Remitted to the State Treasurer	<u>\$ 39,758</u>
Court Pullouts	
Court Pullouts Collected	<u>\$ 2,590</u>
Total Court Pullouts Remitted to the State Treasurer	<u>\$ 2,590</u>
Victims' Assistance Fund	
Funds Available for Carryforward, Beginning of Year	\$ 15,225
Court Assessments and Surcharges Allocated to Victims' Assistance Fund	19,598
Interest Earned	3
Victims' Assistance Fund Expenditures	(1,069)
Victims' Assistance Transfers Out	<u>(14,000)</u>
Funds Available for Carryforward, End of Year	<u>\$ 19,757</u>

**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, 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 of Isle of Palms, South Carolina (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2016.

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 charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

December 6, 2016