

CITY OF ISLE OF PALMS, SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013



CITY OF ISLE OF PALMS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

	<u>Page Number</u>
Table of Contents	i
List of Elected and Appointed Officials	iii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	16
Statement of Activities	17
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position - Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	26
Statement of Cash Flows - Proprietary Fund	27
Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund	28
<i>Notes to the Financial Statements</i>	29

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
<u>Budgetary Comparison Schedules:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Municipal Accommodations Fee Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - State Accommodations Tax Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Hospitality Tax Fund	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Beach Restoration Fund	58
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	64
<u>General Fund</u>	
Schedule of Detailed Revenues and Expenditures - Budget and Actual	66
Schedule of Expenditures by Type - Actual	74
Schedule of Fines, Assessments, and Surcharges	76
<u>COMPLIANCE SECTION</u>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77

CITY OF ISLE OF PALMS, SOUTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
YEAR ENDED JUNE 30, 2013

MAYOR

Dick Cronin

CITY COUNCIL MEMBERS

Barbara Bergwerf

Marty Bettelli

Ryan Buckhannon

Jimmy Carroll

Michael Loftus

Sandy Stone

Doug Thomas

Jimmy Ward

APPOINTED OFFICIALS

City Administrator	Linda Lovvorn Tucker
Assistant to Administrator	Emily Dziuban
City Treasurer	Debbie Schimsa Suggs
City Clerk	Marie Copeland
Clerk of Court	Amy Lee
Building Official	William Seabrook
Director of Building, Planning, and Zoning	Douglas Kerr
Fire Chief	Ann M. Graham
Chief of Police	Thomas E. Buckhannon, III
Public Works Director	Donnie Pitts
Recreation Director	Norma Jean Page





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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, each major fund, and the aggregate remaining fund information of the City of Isle of Palms, South Carolina, as of June 30, 2013, 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 and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

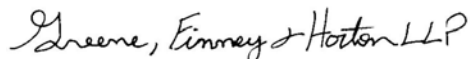
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 10, 2013

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

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, 2013. 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 \$24,175,800 (*net position*). Of this amount, approximately \$19,816,300 and \$4,359,500 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 \$6,955,500 for its governmental activities and approximately \$651,300 for its business-type activities.
- The City's total revenues of approximately \$13,337,000 exceeded total expenses of approximately \$10,897,000, resulting in an increase from the prior fiscal year of approximately \$2,440,000 in net position.
- At the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of approximately \$10,765,000, an increase of approximately \$134,000 over the prior year's fund balance. Approximately 23% of the total fund balance, or approximately \$2,474,000, is available for spending at the City's discretion (*unassigned fund balance*). This unassigned fund balance equates to approximately 30% of total General Fund expenditures for the year ended June 30, 2013.
- The City added capital assets of approximately \$2,103,000 during the current fiscal year. The capital asset additions related primarily to the purchase of Mayor Carmen R. Bunch Park at 1801 Palm Boulevard, the purchase and installation of lighting for the recreation baseball and softball fields, and the purchase of various vehicles and equipment. Capital asset additions were offset by depreciation expense of approximately \$1,321,000 and \$126,000 for governmental and business-type activities, respectively. As depreciation expense was less than the capital asset additions for the year, total capital assets increased by approximately \$655,000 (3%) from fiscal year 2012.
- The City's total debt (including capital leases) decreased by approximately \$1,732,000 (12%) during the current fiscal year due to normally scheduled debt service payments and the early payoff of all capital leases.
- The City continues to hold an "AA" rating from Standard & Poor's and an "Aa1" rating from Moody's.
- The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63" or "Statement") in 2013. This Statement establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, 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 comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements.

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 (if any) and liabilities and deferred inflows (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 eleven (11) 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 and Beach Restoration Fund – since they are considered major funds. Information from the other five (5) governmental funds is combined into aggregated presentations – non-major governmental funds. Individual fund data for each of these non-major governmental funds are provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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

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

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

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Budgetary comparison schedules have been provided for the General Fund and all of the major special revenue funds with legally adopted budgets to demonstrate compliance with their budgets. 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

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Figure A-1 Major Features of the City’s Government-Wide and Fund Financial Statements				
	Fund Financial Statements			
	<u>Government-Wide Financial Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
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, the 1% Volunteer Fire Department Fund.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses and Changes in Net Position. ▪ Statement of Cash Flows. 	<ul style="list-style-type: none"> ▪ 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 Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and liabilities, both financial and capital and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

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, 2013 compared to June 30, 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$ 12,125,039	12,076,411	761,407	866,106	12,886,446	\$ 12,942,517
Capital Assets, Net	19,743,686	18,971,475	5,859,754	5,976,595	25,603,440	24,948,070
Total Assets	31,868,725	31,047,886	6,621,161	6,842,701	38,489,886	37,890,587
Liabilities:						
Long-Term Obligations	10,643,490	11,957,779	2,195,000	2,585,000	12,838,490	14,542,779
Other Liabilities	1,408,891	1,533,115	66,698	78,963	1,475,589	1,612,078
Total Liabilities	12,052,381	13,490,894	2,261,698	2,663,963	14,314,079	16,154,857
Net Position:						
Net Investment in Capital Assets	9,698,686	7,880,481	3,708,151	3,444,203	13,406,837	11,324,684
Restricted	3,162,187	3,003,049	-	-	3,162,187	3,003,049
Unrestricted	6,955,471	6,673,462	651,312	734,535	7,606,783	7,407,997
Total Net Position	\$ 19,816,344	17,556,992	4,359,463	4,178,738	24,175,807	\$ 21,735,730

The City's total assets of approximately \$38,490,000 increased approximately \$599,000 from the prior year primarily due to capital asset additions which were partially offset by depreciation expense. Total liabilities as of June 30, 2013 decreased by approximately \$1,841,000 compared to the prior year. This decrease was primarily due to an approximately \$1,704,000 decrease in long-term obligations resulting from normally scheduled debt service payments and the early payoff of all capital leases.

The City's net position increased by approximately \$2,440,000 during the current fiscal year due to current year revenues exceeding current year expenses. Please see the discussion following the next table regarding this increase.

The City's assets exceeded liabilities by approximately \$24,176,000 as of June 30, 2013. Approximately 56% of total net position (\$13,407,000) reflects the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt and capital leases 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 13% of net position (\$3,162,000) 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 (31% or \$7,607,000) 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2013 compared to 2012:

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,184,103	3,052,573	379,251	404,693	3,563,354	\$ 3,457,266
Operating Grants and Contributions	40,000	-	-	-	40,000	-
Capital Grants and Contributions	1,373,650	675,318	-	-	1,373,650	675,318
General Revenues:						
Taxes	7,998,701	7,854,136	-	-	7,998,701	7,854,136
Other	359,437	381,776	1,591	3,073	361,028	384,849
Total Revenues	12,955,891	11,963,803	380,842	407,766	13,336,733	12,371,569
Expenses:						
General Government	1,566,367	1,449,627	-	-	1,566,367	1,449,627
Public Safety	5,343,896	5,092,285	-	-	5,343,896	5,092,285
Building, Planning and Engineering	340,510	365,412	-	-	340,510	365,412
Public Works	1,475,028	1,423,069	-	-	1,475,028	1,423,069
Recreation	1,094,636	987,260	-	-	1,094,636	987,260
Non-Departmental	264,500	621,125	-	-	264,500	621,125
Interest on Long-Term Obligations	438,771	486,436	-	-	438,771	486,436
Marina	-	-	372,948	976,242	372,948	976,242
Total Expenses	10,523,708	10,425,214	372,948	976,242	10,896,656	11,401,456
Change in Net Position Before Transfers	2,432,183	1,538,589	7,894	(568,476)	2,440,077	970,113
Transfers	(172,831)	(377,430)	172,831	377,430	-	-
Change in Net Position	2,259,352	1,161,159	180,725	(191,046)	2,440,077	970,113
Net Position - Beginning of Year	17,556,992	16,395,833	4,178,738	4,369,784	21,735,730	20,765,617
Net Position - End of Year	\$ 19,816,344	17,556,992	4,359,463	4,178,738	24,175,807	\$ 21,735,730

Governmental Activities: Governmental activities had a net increase in net position of approximately \$2,259,000.

Compared to the prior year, total governmental activities revenue increased by approximately \$992,000 or 8%. Key changes compared to the prior year were as follows:

- Revenues (charges for services) related to licenses and permits increased by approximately \$86,000 or 4% due primarily to increased building activity, reflecting overall improvement in the City's economy.
- General revenues resulting from tourism (accommodations and hospitality taxes combined) were up approximately \$80,000 or 3% due to continued strong tourism activity.
- Revenue from Grants and Contributions increased \$738,000 related primarily to funds received towards the City's acquisition of land for Mayor Carmen R. Bunch Park at 1801 Palm Boulevard. The property is valued at approximately \$1,350,000.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses related to total governmental activities increased by approximately \$98,000, or 1%, from the prior year. Key changes as compared to the prior year were as follows:

- Salary and fringe expense increased by approximately \$222,000, or 4%.
- Expenses related to beach renourishment decreased by approximately \$352,000 as the City completed a budgeted focused erosion project on the north end of the island in the prior year and did not have any similar projects during the current year.
- Interest on long-term obligations decreased approximately \$48,000 as the City paid down existing debt. No new debt was issued during fiscal year 2013.
- Non-capital tools expense increased \$73,000, primarily as a result of change in the capitalization threshold from \$1,000 to \$5,000.
- Professional services expense increased \$62,000 due to increases in legal expense and services related to parking management.
- Maintenance and repair expense for vehicles, equipment and facilities increased by \$58,000.

Business-Type Activities: Net position related to business-type activities (i.e., the marina) increased by approximately \$181,000. This increase was due in part to budgeted transfers in of \$173,000 from the State Accommodations Tax Fund to fund one-third of marina debt service payments.

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, 2013, the City's governmental funds reported a combined ending fund balance of approximately \$10,765,000, an increase of approximately \$134,000 or 1% over the prior year's combined fund balance.

Approximately 23% of the total governmental fund balance (\$2,474,000) 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 spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$2,848,000), (2) for recovery efforts on future disasters (\$2,103,000), (3) for beach maintenance (\$417,000), (4) for capital projects (\$2,192,000), (5) for debt service (\$199,000) and (6) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victims' services, narcotics programs, and inventories (\$532,000).

The General Fund is the primary operating fund of the City. At June 30, 2013, the total fund balance was approximately \$5,274,000. 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 (\$2,474,000) represents approximately 30% of total General Fund expenditures (\$8,236,000).

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 \$153,000 from the prior year. The most significant increases were in licenses and permits which were up \$86,000 due to increased building activity and strengthening economy.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

- 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 fiscal year 2013, \$541,000 of tourism-related revenue was transferred into the General Fund to help pay for public safety and public works efforts required for tourism.

Total General Fund expenditures were approximately \$303,000 or 4% greater than fiscal year 2012:

- Salary and fringe expense (the largest component of General Fund expenditures) increased by approximately \$222,000, or 4%. The increase was primarily attributable to performance-based merit increases.
- The remainder of the increase in general fund expenditures was spread among several expense categories including vehicle maintenance (up \$24,000), utilities (up \$26,000), insurance (up \$13,000) and professional services (up \$49,000).

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) decreased by approximately \$343,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$484,000 for the acquisition of Mayor Carmen R. Bunch Park, \$348,000 for the purchase and installation of lighting for the recreation baseball and softball fields, and \$175,000 for various capital purchases. The fund received a \$476,000 grant from the Charleston County Greenbelt Program and the General Fund transferred \$600,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$2,472,000.
- Accommodations-related revenues were consistent with prior year with an overall increase of \$72,000 or 3% over the prior year. Accommodations funds were expended for various tourism-related efforts, including construction of beach walkovers, a portion of lease payments on fire and public works vehicles, purchases of police and fire vehicles, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. At June 30, 2013, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,061,000 while the State Accommodations Tax Fund had a balance of approximately \$1,392,000.
- The fund balance for the Hospitality Tax Fund at June 30, 2013 was approximately \$395,000. Hospitality tax revenues (including interest) were approximately \$555,000 in 2013. In 2013, these funds were used to support capital and equipment purchases in Police, Fire and Recreation, to fund a portion of the debt service on Fire Station #2 GO bond, and to fund City-wide expenses related to landscaping and street sweeping.
- The Beach Restoration Fund's expenditures for 2013 were primarily related to the debt service payments on the 2008 bank loan used to finance the beach nourishment project. The debt service payments are offset 100% by a transfer from the Municipal Accommodations Fee Fund.

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 fiscal year 2013 amounted to approximately \$4,359,000. 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 \$77,000 at June 30, 2013.

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 fiscal year 2013.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2013 amounted to approximately \$25,603,000. Capital assets primarily include land, construction in progress, buildings, improvements, vehicles, equipment, and other infrastructure. The City's capital assets (net of depreciation) as of June 30, 2013 and 2012 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 *	2013	2012	2013	2012 *
Land	\$ 4,272,896	2,913,446	3,035,786	3,035,786	7,308,682	\$ 5,949,232
Construction in Progress	135,089	39,540	9,093	-	144,182	39,540
Land Improvements	2,203,366	1,977,041	2,261,613	2,328,074	4,464,979	4,305,115
Buildings and Improvements	11,254,146	11,787,209	342,501	379,266	11,596,647	12,166,475
Vehicles and Vehicle Equipment	1,289,160	1,475,046	-	-	1,289,160	1,475,046
Equipment	575,017	759,986	-	-	575,017	759,986
Furniture and Fixtures	14,012	19,207	-	-	14,012	19,207
Docks	-	-	210,761	233,469	210,761	233,469
Total	\$ 19,743,686	18,971,475	5,859,754	5,976,595	25,603,440	\$ 24,948,070

* Certain amounts in the prior year have been reclassified to agree to the current year presentation.

The total increase in the City's capital assets for fiscal year 2013 was approximately \$655,000 or 3%. Major capital asset events during fiscal year 2013 included the following:

- Capital asset additions of approximately \$2,103,000 consisted primarily of:
 - Purchase of Mayor Carmen R. Bunch Park – \$1,359,000 (the City received a capital contribution from the seller of \$876,000 as well as Greenbelt grant funds of \$476,000).
 - Purchase and installation of lighting for recreation baseball and softball fields - \$348,000
 - Purchase of police vehicles - \$137,000
 - Construction of beach walkovers - \$77,000
 - Purchase of two HVAC units - \$39,000
 - Purchase of other vehicles and equipment - \$140,000.
- Depreciation expense of approximately \$1,321,000 for governmental activities and \$126,000 for business-type activities.

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

Debt

As of June 30, 2013, the City had total outstanding debt of approximately \$12,546,000. Of this total, \$12,240,000 was general obligation debt backed by the full faith and credit of the City. The City's total debt and capital lease obligations as of June 30, 2013 and 2012 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 10,045,000	10,605,000	2,195,000	2,585,000	12,240,000	\$ 13,190,000
Bank Loan	305,818	602,268	-	-	305,818	602,268
Capital Lease Obligations	-	485,994	-	-	-	485,994
Total	\$ 10,350,818	11,693,262	2,195,000	2,585,000	12,545,818	\$ 14,278,262

CITY OF ISLE OF PALMS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

The total decrease in the City's debt and capital leases for fiscal year 2013 was approximately \$1,732,000 or 12%. Major events during fiscal year 2013 included the following:

- Retirement of all capital lease obligations of approximately \$486,000.
- Scheduled principal payments on general obligation bonds and a bank loan of approximately \$1,246,000.

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, 2013 was approximately \$16,680,000. The City had \$8,695,000 of bonded debt subject to the 8% limit and thus as of June 30, 2013 had an unused legal debt margin of approximately \$7,985,000.

The City continues to hold an "AA" rating from Standard & Poor's and an "Aa1" rating from Moody's.

Additional information regarding the City's long-term obligations can be found in Note III 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 2014 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:** The City's 2014 budget projects maintaining a millage rate of 22.9.
- **General Fund Revenues:** The fiscal year 2013 property tax budget was conservatively decreased by approximately \$200,000 to account for uncertainties related to reassessment. This decrease was reversed in fiscal year 2014 and property taxes are budgeted to approximate actual fiscal year 2012 and 2013 collections. Continued positive growth in economic conditions on the island allowed the City to also increase the budgets for licensing revenues by approximately \$86,000. The Local Option Sales Tax budget increased by \$31,000 based on recent collections. In addition, revenues from parking lots and meters were increased by \$46,000 based on a new parking lot lease agreement and additional utilization.
- **Transfers into the General Fund:** The City continues to offset tourism-related expenditures in the General Fund with transfers in from tourism-related funds. The fiscal year 2014 budget includes a total of approximately \$577,000 to offset public safety and public works expenses related to providing services to tourists.
- **Tourism-Related Revenues:** Total revenues from State Accommodations Tax, Municipal Accommodations Fee and Hospitality Tax are budgeted based on the most recent collections. The total fiscal year 2014 budget for these revenues is \$3,052,000, which is an 11% increase over the fiscal year 2013 budget.
- **Salaries and Wages:** The 2014 budget includes a 3% provision for merit-based salary and wage adjustments.
- **Consolidated Dispatch:** Beginning October 1, 2013, the City joined the Consolidated Dispatch operations of Charleston County. The fiscal year 2014 Police Department budget includes approximately \$292,000 in a personnel expense allocation for this transition. This expense is partially offset by a reduction in payroll expense related to the City's staff of telecommunicators.
- **Equipment Replacement Funds:** Beginning in fiscal year 2014, the City will begin 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 2014 budget includes approximately \$1,095,000 towards this effort.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- **Beach Restoration:** The 2014 budget includes \$600,000 for a potential restoration project on the north end of the island. The actual execution of this project will depend upon coastal engineers' recommendations and the physical conditions of the affected shoreline.
- **New Watersport Dock:** The budget includes approximately \$362,000 for the replacement of the watersports dock at the City's marina.

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.



Basic Financial Statements

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,384,414	642,399	\$ 8,026,813
Cash and Cash Equivalents - Restricted	3,197,323	-	3,197,323
Taxes Receivable, Net	139,004	-	139,004
Other Receivables, Net	1,182,696	75,611	1,258,307
Due from Other Governments	190,919	-	190,919
Inventory	30,683	-	30,683
Bond Issuance Costs, Net	-	43,397	43,397
Capital Assets:			
Non-Depreciable	4,407,985	3,044,879	7,452,864
Depreciable, Net	15,335,701	2,814,875	18,150,576
TOTAL ASSETS	31,868,725	6,621,161	38,489,886
LIABILITIES			
Accounts Payable	396,333	5,256	401,589
Other Accrued Liabilities	169,721	15,500	185,221
Court Assessments/Victims' Rights Liabilities	37,443	-	37,443
Accrued Interest	136,185	45,942	182,127
Unearned Revenue	669,209	-	669,209
Long-Term Obligations:			
Due Within One Year	1,119,586	425,000	1,544,586
Due in More Than One Year	9,523,904	1,770,000	11,293,904
TOTAL LIABILITIES	12,052,381	2,261,698	14,314,079
NET POSITION			
Net Investment in Capital Assets	9,698,686	3,708,151	13,406,837
Restricted For:			
Tourism Related Expenditures	2,847,788	-	2,847,788
Debt Service	198,876	-	198,876
Victims' Services	40,357	-	40,357
Narcotics Program	25,456	-	25,456
Beautification	49,710	-	49,710
Unrestricted	6,955,471	651,312	7,606,783
TOTAL NET POSITION	\$ 19,816,344	4,359,463	\$ 24,175,807

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,566,367	-	40,000	1,373,650	(152,717)	-	\$ (152,717)
Public Safety	5,343,896	102,810	-	-	(5,241,086)	-	(5,241,086)
Building, Planning, and Engineering	340,510	2,468,531	-	-	2,128,021	-	2,128,021
Public Works	1,475,028	-	-	-	(1,475,028)	-	(1,475,028)
Recreation	1,094,636	257,626	-	-	(837,010)	-	(837,010)
Non-Departmental	264,500	355,136	-	-	90,636	-	90,636
Interest on Long Term Obligations	438,771	-	-	-	(438,771)	-	(438,771)
Total Governmental Activities	10,523,708	3,184,103	40,000	1,373,650	(5,925,955)	-	(5,925,955)
Business-Type Activities:							
Marina	372,948	379,251	-	-	-	6,303	6,303
TOTAL PRIMARY GOVERNMENT	\$10,896,656	3,563,354	40,000	1,373,650	(5,925,955)	6,303	(5,919,652)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,626,146	-	3,626,146
Property Taxes Levied for Debt Service Purposes					647,333	-	647,333
Local Option Sales Taxes					544,635	-	544,635
Hospitality Taxes					554,590	-	554,590
Accommodations Taxes					2,625,998	-	2,625,998
Intergovernmental					168,833	-	168,833
Interest Income					18,347	1,591	19,938
Gain on Disposal of Capital Assets					24,156	-	24,156
Miscellaneous					148,100	-	148,100
Transfers In (Out)					(172,831)	172,831	-
Total General Revenues and Transfers					8,185,307	174,422	8,359,729
CHANGE IN NET POSITION					2,259,352	180,725	2,440,077
NET POSITION, Beginning of Year					17,556,992	4,178,738	21,735,730
NET POSITION, End of Year					19,816,344	4,359,463	\$24,175,807

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND
ASSETS		
Cash and Cash Equivalents	\$ 5,477,821	1,886,160
Cash and Cash Equivalents - Restricted	239,223	-
Taxes Receivable	139,004	-
Accounts Receivable	307,257	-
Due From:		
Other Governments	190,919	-
Other Funds	-	600,000
Inventory	30,683	-
TOTAL ASSETS	\$ 6,384,907	2,486,160
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 215,275	14,641
Other Accrued Liabilities	169,721	-
Court Assessments/Victims' Rights Liabilities	37,443	-
Due To:		
Other Funds	600,661	-
Deferred Revenue, Property Taxes	87,400	-
Deferred/Unearned Revenue, Other	-	-
TOTAL LIABILITIES	1,110,500	14,641
FUND BALANCES		
Nonspendable:		
Inventory	30,683	-
Restricted:		
Victims' Services	-	-
Narcotics Program	-	-
Debt Service	198,876	-
Tourism Related Expenditures	-	-
Beautification	49,710	-
Committed:		
Recovery Effort on Future Disasters	2,103,371	-
Assigned:		
Drainage Improvements	-	279,751
Beach Maintenance	417,404	-
Recreation Center	-	-
Capital Projects	-	2,191,768
Other	-	-
Unassigned	2,474,363	-
TOTAL FUND BALANCES	5,274,407	2,471,519
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,384,907	2,486,160

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

MUNICIPAL ACCOM- MODATIONS FEE FUND	STATE ACCOM- MODATIONS TAX FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	20,433	\$ 7,384,414
699,462	1,111,159	327,663	670,287	149,529	3,197,323
-	-	-	-	-	139,004
383,990	415,731	75,718	-	-	1,182,696
-	-	-	-	-	190,919
1,239	11,366	-	-	3,661	616,266
-	-	-	-	-	30,683
1,084,691	1,538,256	403,381	670,287	173,623	\$ 12,741,305
12,255	143,333	7,347	1,078	2,404	\$ 396,333
-	-	-	-	-	169,721
-	-	-	-	-	37,443
11,366	3,000	1,239	-	-	616,266
-	-	-	-	-	87,400
-	-	-	669,209	-	669,209
23,621	146,333	8,586	670,287	2,404	1,976,372
-	-	-	-	-	30,683
-	-	-	-	40,357	40,357
-	-	-	-	25,456	25,456
-	-	-	-	-	198,876
1,061,070	1,391,923	394,795	-	-	2,847,788
-	-	-	-	-	49,710
-	-	-	-	-	2,103,371
-	-	-	-	-	279,751
-	-	-	-	-	417,404
-	-	-	-	84,973	84,973
-	-	-	-	-	2,191,768
-	-	-	-	20,433	20,433
-	-	-	-	-	2,474,363
1,061,070	1,391,923	394,795	-	171,219	10,764,933
1,084,691	1,538,256	403,381	670,287	173,623	\$ 12,741,305

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,764,933
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	87,400
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 \$29,433,803 and the accumulated depreciation was \$9,690,117.	19,743,686
Accrued interest payable was 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.	(136,185)
Long-term obligations, including bonds payable and capital leases, are not due or payable in the current period and, therefore, are not reported in the governmental funds.	
Debt	(10,350,818)
Compensated Absences	(292,672)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 19,816,344</u>

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



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND
REVENUES		
Property Taxes	\$ 4,257,812	-
Local Option Sales Tax	544,635	-
Hospitality Taxes	-	-
Intergovernmental	266,851	475,623
Licenses and Permits	2,468,531	-
Fines and Forfeitures	95,422	-
Grant Revenue	40,000	-
Contributions of Cash	-	-
Revenues from Use of Property	355,136	-
Interest	9,180	3,789
Other	388,612	-
TOTAL REVENUES ALL SOURCES	8,426,179	479,412
EXPENDITURES		
Current:		
General Government	833,608	34,131
Public Safety	4,446,333	31,774
Building, Planning, and Engineering	314,822	1,674
Public Works	1,024,484	97,300
Recreation	824,688	13,286
Non-Departmental	49,328	-
Capital Outlay	-	1,007,330
Debt Service:		
Principal	416,000	224,594
Interest	326,612	8,930
TOTAL EXPENDITURES	8,235,875	1,419,019
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	190,304	(939,607)
OTHER FINANCING SOURCES (USES)		
Transfers In	876,333	600,000
Transfers Out	(600,000)	(155,073)
Sale of Capital Assets	10,603	-
TOTAL OTHER FINANCING SOURCES (USES)	286,936	444,927
NET CHANGES IN FUND BALANCES	477,240	(494,680)
FUND BALANCES, Beginning of Year	4,797,167	2,966,199
FUND BALANCES, End of Year	\$ 5,274,407	2,471,519

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

MUNICIPAL ACCOM- MODATIONS FEE FUND	STATE ACCOM- MODATIONS TAX FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 4,257,812
-	-	-	-	-	544,635
-	-	554,590	-	-	554,590
1,140,657	1,387,323	-	-	-	3,270,454
-	-	-	-	-	2,468,531
-	-	-	-	7,388	102,810
-	-	-	-	-	40,000
-	-	-	22,332	-	22,332
-	-	-	-	-	355,136
1,712	2,377	673	520	96	18,347
-	-	-	-	17,114	405,726
1,142,369	1,389,700	555,263	22,852	24,598	12,040,373
62,021	515,037	-	169	442	1,445,408
13,002	5,840	46,755	-	7,676	4,551,380
-	-	307	-	-	316,803
59,957	19,422	66,704	-	-	1,267,867
12,805	24,800	-	-	13,834	889,413
55,854	136,635	-	22,683	-	264,500
17,653	138,275	54,669	-	-	1,217,927
184,700	130,700	90,000	296,450	-	1,342,444
32,925	5,164	68,828	19,032	-	461,491
438,917	975,873	327,263	338,334	21,952	11,757,233
703,452	413,827	228,000	(315,482)	2,646	283,140
-	-	-	315,482	3,000	1,794,815
(688,290)	(285,095)	(208,928)	-	(30,260)	(1,967,646)
9,438	4,115	-	-	-	24,156
(678,852)	(280,980)	(208,928)	315,482	(27,260)	(148,675)
24,600	132,847	19,072	-	(24,614)	134,465
1,036,470	1,259,076	375,723	-	195,833	10,630,468
1,061,070	1,391,923	394,795	-	171,219	\$ 10,764,933

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 134,465

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

Property taxes and other revenues that will be collected in the future, but are not available soon
enough to pay for the current period's expenditures are, therefore, deferred in the funds. 15,667

Bond principal payments and capital lease payments are expenditures in the governmental funds, but
the repayment reduces long-term obligations in the Statement of Net Position. 1,342,444

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. 22,720

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. (28,155)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the
cost of those assets that are considered capital asset additions are allocated over their estimated
useful lives as depreciation expense. This is the amount by which capital asset additions (\$2,093,622)
exceeded depreciaiton expense (\$1,321,411) in the current period. 772,211

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,259,352

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2013

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>JUNE 30, 2013</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 642,399
Accounts Receivable	75,611
Total Current Assets	<u>718,010</u>
Noncurrent Assets:	
Bond Issuance Costs, Net	43,397
Capital Assets:	
Land	3,035,786
Construction in Progress	9,093
Land Improvements	2,655,808
Buildings and Improvements	846,998
Docks	556,982
Equipment	262,228
Less: Accumulated Depreciation	(1,507,141)
Total Noncurrent Assets	<u>5,903,151</u>
TOTAL ASSETS	<u>6,621,161</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	5,256
Accrued Interest	45,942
Security Deposits	15,500
Bond Payable, Current Portion	425,000
Total Current Liabilities	<u>491,698</u>
Noncurrent Liabilities:	
Bond Payable, Net of Current Portion	1,770,000
TOTAL LIABILITIES	<u>2,261,698</u>
NET POSITION	
Net Investment in Capital Assets	3,708,151
Unrestricted	651,312
TOTAL NET POSITION	<u><u>\$ 4,359,463</u></u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2013

	<u>MARINA</u> <u>ENTERPRISE FUND</u> <u>2013</u>
OPERATING REVENUES	
Lease Income	\$ 379,251
TOTAL OPERATING REVENUES	<u>379,251</u>
OPERATING EXPENSES	
Depreciation	125,934
Insurance	87,629
Professional Services	4,456
Contracted Services	4,833
Utilities	660
Maintenance and Service Contracts	11,921
Advertising	5,000
Miscellaneous	177
TOTAL OPERATING EXPENSES	<u>240,610</u>
OPERATING INCOME (LOSS)	<u>138,641</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	1,591
Amortization of Bond Issue Costs	(9,211)
Interest Expense	(123,127)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(130,747)</u>
INCOME (LOSS) BEFORE TRANSFERS	7,894
Transfers In	<u>172,831</u>
CHANGE IN NET POSITION	180,725
NET POSITION, Beginning of Year	<u>4,178,738</u>
NET POSITION, End of Year	<u><u>\$ 4,359,463</u></u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2013

	MARINA ENTERPRISE FUND 2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 356,165
Cash Payments to Suppliers for Goods and Services	(121,576)
NET CASH PROVIDED BY OPERATING ACTIVITIES	234,589
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	172,831
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	172,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bonds	(390,000)
Interest Paid on Bonds	(128,492)
Capital asset additions	(9,093)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(527,585)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	1,591
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,591
NET DECREASE IN CASH AND CASH EQUIVALENTS	(118,574)
CASH AND CASH EQUIVALENTS, Beginning of Year	760,973
CASH AND CASH EQUIVALENTS, End of Year	\$ 642,399
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:	
Operating Income	\$ 138,641
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Depreciation Expense	125,934
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	(23,086)
Change Due to Increase (Decrease) in Operating Liabilities:	
Other Payables	(6,900)
Net Cash Provided by Operating Activities	\$ 234,589
SUPPLEMENTAL INFORMATION FOR NON-CASH ACTIVITIES:	
Depreciation Expense	\$ 125,934
Amortization Expense	\$ 9,211

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

JUNE 30, 2013

	<u>VOLUNTEER FIRE</u>
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 77,512
TOTAL ASSETS	<u>\$ 77,512</u>
LIABILITIES	
Accounts Payable	\$ 325
Due To Volunteer Fire Department	77,187
TOTAL LIABILITIES	<u>\$ 77,512</u>

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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, 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, non-departmental 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

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63") in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*." In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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 were restricted for the nourishment, monitoring, and regulatory compliance related to the 2008 beach restoration project.
- v) The **special revenue funds, non-major funds**, are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. Most of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

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

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

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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 ("Pool") to be cash equivalents. Securities with original maturities of more than three months when initially purchased are reported as investments.

Investments

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of Deposit ("CD's") where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the Certificates of Deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

Investments (Continued)

- (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:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- 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.

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 amounts or payables have been recorded. All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Inventories and Prepaids

Prepaid items and inventories (consisting of fuel and expendable supplies) 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These 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 Funds 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 GASB #34, 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 for all capital assets.

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 Funds 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

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

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, as well as bond issuance costs, 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 and deferred advance refunding amounts. Bond issuance costs are included in other assets.

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. *Fund Balance*

In accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB #54”), 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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Fund Balance (Continued)

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

City Council approved by resolution on June 26, 2012 a financial goal to have sufficient fund balance in the General Fund (operating fund) with sufficient working capital and a margin of safety to address cyclical fluctuations in revenues and expenditures. The City shall generally strive to maintain a fund balance in the General Fund at fiscal year-end in which the total fund balance is 30% of total General Fund expenditures and unassigned fund balance is 20% of total General Fund expenditures.

8. Net Position

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

9. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

10. 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.

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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2013, none of the City's bank balances of approximately \$3,521,000 (with a carrying value of approximately \$3,416,000) were exposed to custodial credit risk.

Investments

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 7,885,728	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, 2013 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

YEAR ENDED JUNE 30, 2013

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

A. Deposits and Investments (Continued)

Investments (Continued)

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	\$ 8,026,813
Cash and Cash Equivalents - Restricted	3,197,323
<u>Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund</u>	
Cash and Cash Equivalents	77,512
Total Cash and Investments per Financial Statements	\$ 11,301,648
<u>Notes</u>	
Carrying Value of Deposits	\$ 3,415,920
Investments	7,885,728
Total Cash and Investments per Notes to the Financial Statements	\$ 11,301,648

B. Receivables and Deferred/Unearned Revenue

Property Taxes and Other Receivables

The City's 2012 property taxes were levied on September 30, 2012 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$208,000,000 as of January 1, 2012. Property taxes were considered late on January 17, 2013. 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 17 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 2012 property tax year was 22.9 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

YEAR ENDED JUNE 30, 2013

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

B. Receivables and Deferred/Unearned Revenue (Continued)

Property Taxes and Other Receivables (Continued)

The City's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2013:

Description	General Fund	Municipal	State	Hospitality Tax Fund	Marina Enterprise Fund	Totals
		Accommodations Fee Fund	Tax Fund			
Property taxes	\$ 145,183	-	-	-	-	\$ 145,183
Allowance for Uncollectible	(6,179)	-	-	-	-	(6,179)
Local Option Sales Tax	190,919	-	-	-	-	190,919
Accommodations Taxes	28,130	383,990	415,731	-	-	827,851
Hospitality Taxes	-	-	-	75,718	-	75,718
Marina Operations	-	-	-	-	75,611	75,611
MASC Brokers Tax	184,846	-	-	-	-	184,846
Franchise Fees	49,063	-	-	-	-	49,063
State Aid to Subdivisions	19,145	-	-	-	-	19,145
Other	26,073	-	-	-	-	26,073
Net Receivables	\$ 637,180	383,990	415,731	75,718	75,611	\$ 1,588,230

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.

Deferred/Unearned Revenue

Governmental funds report deferred revenue 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, 2013, the various components of deferred/unearned revenue were as follows:

Description	Fund	Deferred	Unearned	Total
Property Taxes Receivable	General	\$ 87,400	-	\$ 87,400
Cash Contributions	Beach Restoration	-	669,209	669,209
Total Deferred/Unearned Revenue		\$ 87,400	669,209	\$ 756,609

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2013, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ -	\$ (600,661)
Capital Projects Fund	600,000	-
Municipal Accommodations Fee Fund	1,239	(11,366)
State Accommodations Tax Fund	11,366	(3,000)
Hospitality Tax Fund	-	(1,239)
Victims' Assistance Fund	661	-
Recreation Building Fund	3,000	-
Totals	<u>\$ 616,266</u>	<u>\$ (616,266)</u>

The Capital Projects receivable of \$600,000 from the General Fund relates to an assignment of funds for future capital projects. The Municipal Accommodations Fee Fund payable and the State Accommodations Tax Fund receivable relate to a correction discovered after the end of the fiscal year. All interfund balances are expected to be paid back within one year.

Interfund Transfers

Transfers between funds for the year ended June 30, 2013, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 876,333	\$ 600,000
Capital Projects Fund	600,000	155,073
Municipal Accommodations Fee Fund	-	688,290
State Accommodations Tax Fund	-	285,095
Hospitality Tax Fund	-	208,928
Beach Restoration Fund	315,482	-
Victims' Assistance Fund	-	30,260
Recreation Building Fund	3,000	-
<u>Proprietary Fund:</u>		
Marina Enterprise Fund	172,831	-
Totals	<u>\$ 1,967,646</u>	<u>\$ 1,967,646</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

YEAR ENDED JUNE 30, 2013

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

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2013, was as follows:

	Beginning Balance*	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,913,446	1,359,450	-	-	\$ 4,272,896
Construction In Progress	39,540	96,956	-	(1,407)	135,089
Total Capital Assets, Non-Depreciable	<u>2,952,986</u>	<u>1,456,406</u>	<u>-</u>	<u>(1,407)</u>	<u>4,407,985</u>
Capital Assets, Depreciable:					
Land Improvements	3,143,932	424,827	94,912	1,407	3,475,254
Buildings and Improvements	15,130,822	39,303	90,906	-	15,079,219
Vehicles and Vehicle Equipment	4,155,750	146,650	146,800	-	4,155,600
Equipment	2,356,859	26,436	140,440	-	2,242,855
Furniture and Fixtures	74,490	-	1,600	-	72,890
Total Capital Assets, Depreciable	<u>24,861,853</u>	<u>637,216</u>	<u>474,658</u>	<u>1,407</u>	<u>25,025,818</u>
Less: Accumulated Depreciation for:					
Land Improvements	1,166,891	199,909	94,912	-	1,271,888
Buildings and Improvements	3,343,613	572,366	90,906	-	3,825,073
Vehicles and Vehicle Equipment	2,680,704	332,536	146,800	-	2,866,440
Equipment	1,596,873	211,405	140,440	-	1,667,838
Furniture and Fixtures	55,283	5,195	1,600	-	58,878
Total Accumulated Depreciation	<u>8,843,364</u>	<u>1,321,411</u>	<u>474,658</u>	<u>-</u>	<u>9,690,117</u>
Total Capital Assets, Depreciable, Net	<u>16,018,489</u>	<u>(684,195)</u>	<u>-</u>	<u>1,407</u>	<u>15,335,701</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,971,475</u>	<u>772,211</u>	<u>-</u>	<u>-</u>	<u>\$ 19,743,686</u>

*Certain amounts have been reclassified to agree to the current year presentation.

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	\$ 1,368,856	\$ 120,959
Public Safety	154,359	764,361
Building, Planning, and Engineering	9,321	23,707
Public Works	174,283	207,161
Recreation	386,803	205,223
Total - Governmental Activities	<u>\$ 2,093,622</u>	<u>\$ 1,321,411</u>

In 2013, the City received approximately \$876,000 in donated land and approximately \$476,000 in Greenbelt funds for the purchase of the land for the Mayor Carmen R. Bunch Park.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

D. Capital Assets (Continued)

Capital asset activity for the City’s business-type activities for the year ended June 30, 2013, 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	-	9,093	-	-	9,093
Total Capital Assets, Non-Depreciable	<u>3,035,786</u>	<u>9,093</u>	<u>-</u>	<u>-</u>	<u>3,044,879</u>
Capital Assets, Depreciable					
Land Improvements	2,655,808	-	-	-	2,655,808
Buildings and Improvements	846,998	-	-	-	846,998
Docks	556,982	-	-	-	556,982
Equipment	262,228	-	-	-	262,228
Total Capital Assets, Depreciable	<u>4,322,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,322,016</u>
Less: Accumulated Depreciation for:					
Land Improvements	327,734	66,461	-	-	394,195
Buildings and Improvements	467,732	36,765	-	-	504,497
Docks	323,513	22,708	-	-	346,221
Equipment	262,228	-	-	-	262,228
Total Accumulated Depreciation	<u>1,381,207</u>	<u>125,934</u>	<u>-</u>	<u>-</u>	<u>1,507,141</u>
Total Capital Assets, Depreciable, Net	<u>2,940,809</u>	<u>(125,934)</u>	<u>-</u>	<u>-</u>	<u>2,814,875</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,976,595</u>	<u>(116,841)</u>	<u>-</u>	<u>-</u>	<u>\$ 5,859,754</u>

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. The City’s Bank Loan (“BL”) is an obligation of the City that is secured by revenue from a specific source. Capital Lease (“CL”) obligations are special obligations of the City payable from the general revenues of the City. All capital leases were fully retired in fiscal year 2013. The full faith, credit and taxing powers of the City are not pledged for the payment of the bank loan or capital lease obligations nor the interest thereon.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

E. Long-Term Obligations (Continued)

Details on the City's debt and capital leases as of June 30, 2013 are as follows:

	<u>Principal Outstanding at Year End</u>
<p><u>General Obligation Bonds and Bank Loan</u></p> <p>\$2,900,000 General Obligation Bonds Series 2003 ("Series 2003") issued in July 2003 to finance the expansion of the recreation center and was approved through voter referendum and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 3.55%, semi-annually. Annual debt service requirements range from approximately \$171,000 to \$243,000 through June, 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.</p>	\$ 1,820,000
<p>\$3,650,000 General Obligation Bonds Series 2006 ("Series 2006") issued in August 2006 to defray the cost of constructing and equipping Fire Station 2 and making certain other expenditures related thereto. Principal is payable annually and interest, at 3.99%, semi-annually. Annual debt service requirements range from approximately \$176,000 to \$286,000 through July, 2026. Debt service payments were first paid from the prior year residual bond proceeds and then were paid 60% by the Hospitality Tax Fund and 40% by the General Fund.</p>	2,725,000
<p>\$2,925,000 General Obligation Bond ("Series 2008A") issued in April 2008 to refinance the remaining balance on 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 5.15%, semi-annually. Annual debt service requirements range from approximately \$308,000 to \$371,000 through February, 2019 and are being paid by the Marina Enterprise Fund.</p>	1,725,000
<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>	5,500,000
<p>\$1,000,000 General Obligation Bond ("Series 2009") issued in April 2009 to defray the cost to construct a new marina bulkhead and renovate certain related municipal facilities. Principal is payable annually and interest, at 4.39%, semi-annually. Annual debt service requirements range from approximately \$125,000 to \$165,000 through March, 2016 and are being paid by the Marina Enterprise Fund and the State Accommodations Tax Fund.</p>	470,000
<p>\$1,700,000 Bank Loan ("Bank Loan – 06/08") obtained in June 2008 to finance a portion of the beach nourishment project. Annual payments of \$315,482, including interest at 3.16% are due each June 10th through 2014. The Municipal Accommodations Fee Fund transfers funds to the Beach Restoration annually to cover 100% of the principal and interest payments.</p>	<u>305,818</u>
<p>Total General Obligation Bonds and Bank Loan</p>	<u>\$12,545,818</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<u>Capital Leases</u>	
The City entered into a \$693,483 capital lease on September 4, 2003 (“CL – 09/03”) to finance the purchase of a ladder fire truck. Annual payments of \$82,113, including interest at 3.97%, are due each September 4 th , through 2013. Paid off in October 2012.	\$ -
The City entered into a \$471,000 capital lease on May 5, 2004 (“CL – 05/04”) to finance the purchase of a mini pumper/ladder fire truck. Annual payments of \$55,210, including interest at 3.72%, are due each May 5 th , through 2013. Paid off in October 2012.	-
The City entered into an \$112,271 capital lease on July 29, 2005 (“CL – 07/05”) to finance the purchase of a Mack sanitation truck. Annual payments of \$15,720, including interest at 3.38%, are due each July 29 th , through 2013. Paid off in October 2012.	-
The City entered into an \$115,000 capital lease on August 30, 2006 (“CL – 08/06”) to finance the purchase of a Caterpillar wheel loader. Annual payments of \$16,559, including interest at 4.26%, are due each August 30 th , through 2013. Paid off in October 2012.	-
The City entered into a \$162,200 capital lease on November 1, 2007 (“CL – 11/07”) to finance the purchase of a Mack sanitation truck. Annual payments of \$22,996, including interest at 3.77%, are due each November 1 st , through 2014. Paid off in October 2012.	-
The City entered into a \$342,155 capital lease on August 26, 2009 (“CL – 08/09”) to finance the purchase of a pumper fire truck. Annual payments of \$40,383, including interest at 3.89%, are due each August 1 st , through 2018. Paid off in October 2012.	-

Total Capital Lease Obligations	\$ _____

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

Lease payments for all of the capital leases were generally paid with a combination of monies from the Capital Projects Fund (using general government reserves), the Municipal Accommodations Fee Fund, and the State Accommodations Tax Fund (using tourism-restricted funds). The leases were secured by the property being financed.

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, 2013.

The City incurred interest expense of approximately \$439,000 and \$123,000 for its governmental and business-type activities debt, respectively.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2013, 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 2003	\$ 1,955,000	-	135,000	1,820,000	\$ 140,000
GOB - Series 2006	2,875,000	-	150,000	2,725,000	155,000
GOB - Series 2008B	5,775,000	-	275,000	5,500,000	275,000
Total GOB Debt	10,605,000	-	560,000	10,045,000	570,000
Bank Loan - 06/08	602,268	-	296,450	305,818	305,818
Total GOB Debt and Bank Loan	11,207,268	-	856,450	10,350,818	875,818
Capital Leases:					
CL - 09/03	78,977	-	78,977	-	-
CL - 05/04	53,230	-	53,230	-	-
CL - 07/05	15,205	-	15,205	-	-
CL - 08/06	31,116	-	31,116	-	-
CL - 11/07	64,096	-	64,096	-	-
CL - 08/09	243,370	-	243,370	-	-
Total Capital Leases	485,994	-	485,994	-	-
Accrued Compensated Absences	264,517	220,318	192,163	292,672	243,768
Total Governmental Activities	\$ 11,957,779	220,318	1,534,607	10,643,490	\$ 1,119,586
Business-Type Activities:					
GOB Debt:					
GOB - Series 2008A	\$ 1,975,000	-	250,000	1,725,000	\$ 275,000
GOB - Series 2009	610,000	-	140,000	470,000	150,000
Total GOB Debt	\$ 2,585,000	-	390,000	2,195,000	\$ 425,000

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 and capital lease obligations. 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 liquated through the General Fund.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or 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, 2013, the City had \$8,695,000 of bonded debt subject to the 8% limit of approximately \$16,680,000 available, resulting in an unused legal debt margin of approximately \$7,985,000.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

E. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

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

Year Ending June 30,	GOB and Bank Loan		Totals
	Principal	Interest	
<u>Governmental Activities</u>			
2014	\$ 875,818	410,701	\$ 1,286,519
2015	610,000	378,498	988,498
2016	650,000	354,347	1,004,347
2017	690,000	328,606	1,018,606
2018	705,000	301,255	1,006,255
2019-2023	3,955,000	1,066,827	5,021,827
2024-2028	2,865,000	331,070	3,196,070
Totals	\$ 10,350,818	3,171,304	\$ 13,522,122
<u>Business-Type Activities</u>			
2014	\$ 425,000	109,470	\$ 534,470
2015	430,000	88,723	518,723
2016	440,000	67,757	507,757
2017	300,000	46,350	346,350
2018	300,000	30,900	330,900
2019	300,000	15,450	315,450
Totals	\$ 2,195,000	358,650	\$ 2,553,650

F. Marina Revenue

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

- The City dock lease – annual income of approximately \$161,000. The lease is through September 20, 2014. The lease can be extended for two additional five year terms.
- Marina store lease – annual income of approximately \$71,000. The lease was renewed through January 31, 2015.
- Marina restaurant lease – annual income of approximately \$82,000. Additional lease income of approximately \$45,000 was also earned. The lease has been renewed through October 31, 2014. There are two additional three year renewal options that could extend the lease term until October 31, 2020.
- Water sports dock lease – annual income of approximately \$20,000. The lease has been renewed through September 30, 2015.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2013 are as follows:

Year Ending June 30,	Amount
2014	\$ 335,416
2015	204,010
2016	\$ 5,040

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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, 2013, the City’s premium costs totaled approximately \$220,000. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2012, totaled approximately \$29,180,000.

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, 2013, the City made premium payments totaling approximately \$73,000. 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, 2012, totaled approximately \$49,467,000.

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.

B. Pension Disclosures

South Carolina Retirement and Police Officers’ Retirement System

Full-time employees of the City are covered under two different retirement plans. City employees, except for fire and police department sworn service personnel, are required to participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City sworn police officers and firefighting personnel are required to participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan.

The SCRS was established by the South Carolina state legislature SCPORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans’ provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and SCPORS to the newly created South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960.

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 earnings.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (Continued)

South Carolina Retirement and Police Officers' Retirement System (Continued)

	SCRS Rates			SCPORS Rates		
	2011	2012	2013	2011	2012	2013
<u>Employer Rate</u>						
Retirement	9.24%	9.39%	10.45%	11.13%	11.36%	11.90%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	0.20%	0.20%	0.20%
Total	<u>9.39%</u>	<u>9.54%</u>	<u>10.60%</u>	<u>11.53%</u>	<u>11.76%</u>	<u>12.30%</u>
Employee Rate	<u>6.50%</u>	<u>6.50%</u>	<u>7.00%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>7.00%</u>

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

Year Ending June 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2013	\$ 184,263	100%	10.60%	\$ 287,209	100%	12.30%
2012	162,789	100%	9.54%	262,426	100%	11.76%
2011	\$ 157,268	100%	9.39%	\$ 268,823	100%	11.53%

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* ("Statement"). This Statement 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 Statement No. 45 in fiscal year 2010. No liability or expenditure is recorded as of June 30, 2013 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.

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. 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 existed.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

D. Beach Restoration (Continued)

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). During 2013, the City incurred expenditures and recognized revenue of approximately \$22,000 resulting in a deferred/unearned liability in the financial statements at June 30, 2013 of approximately \$669,000 related to private contributions. 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. The monitoring phase, as required by the permitting agencies OCRM and the United States Army Corp of Engineers, was completed during 2012.

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, 2013.

In July 2010, the City entered into a five year contract with a vendor for drainage ditch maintenance on the island for approximately \$438,000.

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.

G. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" ("Statement"), was issued by the Governmental Accounting Standards Board ("GASB") in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

In particular, the City will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the City's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City's unrestricted net position. This Statement is required to be implemented by the City no later than the fiscal year ending June 30, 2015.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

H. Subsequent Events

In October 2013, the City issued a \$1,450,000 General Obligation Refunding Bond, Series 2013 with an interest rate of 1.74%. Principal and interest payments are due annually beginning February 2015 through February 2019. The proceeds from the issuance of the bonds were used to refund the General Obligations Bonds Series 2008A, which carried an interest rate of 5.15%.

Beginning October 1, 2013, the City joined the Consolidated Dispatch operations of Charleston County. The fiscal year 2014 Police Department budget includes approximately \$292,000 in a personnel expense allocation for this transition. This expense is partially offset by a reduction in payroll expense related to the City's staff of telecommunicators.



Required Supplementary Information

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 financial statements. Such information includes:

- Budgetary Comparison Schedules
 - General Fund
 - Municipal Accommodations Fee Fund
 - State Accommodations Tax Fund
 - Hospitality Tax Fund
 - Beach Restoration Fund

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 3,929,446	3,929,446	4,257,812	\$ 328,366
Local Option Sales Tax	584,498	584,498	544,635	(39,863)
Intergovernmental	244,964	244,964	306,851	61,887
Licenses and Permits	2,341,300	2,341,300	2,468,531	127,231
Fines	120,000	120,000	95,422	(24,578)
Interest	13,084	13,084	9,180	(3,904)
Revenues From Use of Properties (Marina excluded)	328,000	328,000	355,136	27,136
Other Revenues	302,500	302,500	399,215	96,715
TOTAL REVENUES ALL SOURCES	7,863,792	7,863,792	8,436,782	572,990
EXPENDITURES				
General Government:				
Mayor and Council	76,796	76,796	67,916	(8,880)
Administration	688,507	688,507	600,687	(87,820)
Judicial and Legal	154,149	154,149	165,005	10,856
Public Safety:				
Police Department	2,237,318	2,237,318	2,118,229	(119,089)
Fire Department	2,359,985	2,359,985	2,328,104	(31,881)
Building, Planning, and Engineering	327,435	327,435	314,822	(12,613)
Public Works	1,103,055	1,103,055	1,024,484	(78,571)
Recreation:				
Recreation Department	710,766	710,766	735,190	24,424
Recreation Programs	89,750	89,750	89,498	(252)
Non-Departmental:				
Parking Meters	46,619	46,619	49,328	2,709
Debt Service:				
Principal	416,000	416,000	416,000	-
Interest	326,612	326,612	326,612	-
TOTAL EXPENDITURES	8,536,992	8,536,992	8,235,875	(301,117)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(673,200)	(673,200)	200,907	874,107
OTHER FINANCING SOURCES (USES)				
Transfers In	778,001	778,001	876,333	98,332
Transfers Out	-	-	(600,000)	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	778,001	778,001	276,333	(501,668)
NET CHANGES IN FUND BALANCES	104,801	104,801	477,240	372,439
FUND BALANCE, Beginning of Year	4,797,167	4,797,167	4,797,167	-
FUND BALANCES, End of Year	\$ 4,901,968	4,901,968	5,274,407	\$ 372,439

Note: The City's original and final budget for 2013 reflected an expected surplus of \$104,801.

Note: The above schedule reflects the sale of capital assets of \$10,603 in other revenues, but is reflected as an other financing source in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
MUNICIPAL ACCOMMODATIONS FEE FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Fee Revenue	\$ 730,000	730,000	813,244	\$ 83,244
County Accommodations Fee Revenue	290,000	290,000	327,413	37,413
Interest	2,445	2,445	1,712	(733)
TOTAL REVENUES	1,022,445	1,022,445	1,142,369	119,924
EXPENDITURES				
Current:				
General Government	64,260	64,260	62,021	(2,239)
Public Safety	14,700	14,700	13,002	(1,698)
Public Works	62,000	62,000	59,957	(2,043)
Recreation:				
Recreation Department	-	-	12,805	12,805
Non-Departmental:				
Public Restrooms	70,470	70,470	55,854	(14,616)
Capital Outlay	75,000	75,000	17,653	(57,347)
Debt Service:				
Principal	111,787	111,787	184,700	72,913
Interest	32,825	32,825	32,925	100
TOTAL EXPENDITURES	431,042	431,042	438,917	7,875
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	591,403	591,403	703,452	112,049
OTHER FINANCING SOURCES (USES)				
Transfers Out	(713,639)	(713,639)	(688,290)	25,349
Sale of Capital Assets	4,000	4,000	9,438	5,438
TOTAL OTHER FINANCING SOURCES (USES)	(709,639)	(709,639)	(678,852)	30,787
NET CHANGES IN FUND BALANCES	(118,236)	(118,236)	24,600	142,836
FUND BALANCES, Beginning of Year	1,036,470	1,036,470	1,036,470	-
FUND BALANCES, End of Year	\$ 918,234	918,234	1,061,070	\$ 142,836

Note: The City's original and final budget reflected the use of fund balance of \$118,236 for 2013.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
STATE ACCOMMODATIONS TAX FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax Revenue	\$ 1,229,000	1,229,000	1,387,323	\$ 158,323
Interest	2,816	2,816	2,377	(439)
TOTAL REVENUES	1,231,816	1,231,816	1,389,700	157,884
EXPENDITURES				
Current:				
General Government	513,850	513,850	515,037	1,187
Public Safety	2,500	2,500	5,840	3,340
Public Works	11,500	11,500	19,422	7,922
Recreation:				
Recreation Department	47,700	47,700	24,800	(22,900)
Non-Departmental:				
Public Restrooms	160,297	160,297	136,635	(23,662)
Capital Outlay	173,290	173,290	138,275	(35,015)
Debt Service:				
Principal	57,787	57,787	130,700	72,913
Interest	5,065	5,065	5,164	99
TOTAL EXPENDITURES	971,989	971,989	975,873	3,884
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	259,827	259,827	413,827	154,000
OTHER FINANCING SOURCES (USES)				
Transfers Out	(293,722)	(293,722)	(285,095)	8,627
Sale of Capital Assets	4,200	4,200	4,115	(85)
TOTAL OTHER FINANCING SOURCES (USES)	(289,522)	(289,522)	(280,980)	8,542
NET CHANGES IN FUND BALANCES	(29,695)	(29,695)	132,847	162,542
FUND BALANCES, Beginning of Year	1,259,076	1,259,076	1,259,076	-
FUND BALANCES, End of Year	\$ 1,229,381	1,229,381	1,391,923	\$ 162,542

Note: The City's original and final budget reflected the use of fund balance of \$29,695 for 2013.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
HOSPITALITY TAX FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Hospitality Taxes	\$ 508,000	508,000	554,590	\$ 46,590
Interest	1,225	1,225	673	(552)
TOTAL REVENUES	509,225	509,225	555,263	46,038
EXPENDITURES				
Current:				
Public Safety	65,520	65,520	46,755	(18,765)
Building, Planning, and Engineering	1,150	1,150	307	(843)
Public Works	69,000	69,000	66,704	(2,296)
Capital Outlay	62,500	62,500	54,669	(7,831)
Debt Service:				
Principal	90,000	90,000	90,000	-
Interest	68,828	68,828	68,828	-
TOTAL EXPENDITURES	356,998	356,998	327,263	(29,735)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	152,227	152,227	228,000	75,773
OTHER FINANCING SOURCES (USES)				
Transfers Out	(228,663)	(228,663)	(208,928)	19,735
TOTAL OTHER FINANCING SOURCES (USES)	(228,663)	(228,663)	(208,928)	19,735
NET CHANGES IN FUND BALANCES	(76,436)	(76,436)	19,072	95,508
FUND BALANCES, Beginning of Year	375,723	375,723	375,723	-
FUND BALANCES, End of Year	\$ 299,287	299,287	394,795	\$ 95,508

Note: The City's original and final budget for 2013 reflected the use of fund balance of \$76,436.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
BEACH RESTORATION FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ 400,000	400,000	22,332	\$ (377,668)
Interest	2,221	2,221	520	(1,701)
TOTAL REVENUES	402,221	402,221	22,852	(379,369)
EXPENDITURES				
Current:				
General Government	22,550	22,550	169	(22,381)
Non-Departmental	600,000	600,000	22,683	(577,317)
Debt Service:				
Principal	296,450	296,450	296,450	-
Interest	19,032	19,032	19,032	-
TOTAL EXPENDITURES	938,032	938,032	338,334	(599,698)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(535,811)	(535,811)	(315,482)	220,329
OTHER FINANCING SOURCES (USES)				
Transfers In	315,482	315,482	315,482	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	315,482	315,482	315,482	-
NET CHANGES IN FUND BALANCES	(220,329)	(220,329)	-	220,329
FUND BALANCES, Beginning of Year	-	-	-	-
FUND BALANCES, End of Year	\$ (220,329)	(220,329)	-	\$ 220,329

Note: The City's original and final budget for 2013 reflected expenditures in excess of revenues of \$220,329.

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

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 designated 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.

AISLE 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, 2013

	FEDERAL NARCOTICS FUND
ASSETS	
Cash and Cash Equivalents	\$ -
Cash and Cash Equivalents - Restricted	9,040
Due from other funds	-
TOTAL ASSETS	<u>\$ 9,040</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ -
TOTAL LIABILITIES	<u>-</u>
FUND BALANCES	
Restricted	9,040
Assigned	-
TOTAL FUND BALANCES	<u>9,040</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,040</u>

STATE NARCOTICS FUND	VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
-	-	20,433	-	\$ 20,433
16,416	40,020	-	84,053	149,529
-	661	-	3,000	3,661
16,416	40,681	20,433	87,053	\$ 173,623
-	324	-	2,080	\$ 2,404
-	324	-	2,080	2,404
16,416	40,357	-	-	65,813
-	-	20,433	84,973	105,406
16,416	40,357	20,433	84,973	171,219
16,416	40,681	20,433	87,053	\$ 173,623

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, 2013

	FEDERAL NARCOTICS FUND
REVENUES	
Fines and Forfeits	\$ -
Interest	8
Other	-
TOTAL REVENUES	8
EXPENDITURES	
Current:	
General Government	-
Public Safety	4,691
Recreation	-
TOTAL EXPENDITURES	4,691
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(4,683)
OTHER FINANCING SOURCES (USES)	
Transfers In	-
Transfers (Out)	-
TOTAL OTHER FINANCING SOURCES (USES)	-
NET CHANGE IN FUND BALANCES	(4,683)
FUND BALANCES, Beginning of Year	13,723
FUND BALANCES, End of Year	\$ 9,040

STATE NARCOTICS FUND	VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
-	7,388	-	-	\$ 7,388
12	43	5	28	96
-	-	450	16,664	17,114
12	7,431	455	16,692	24,598
-	-	442	-	442
12	2,973	-	-	7,676
-	-	-	13,834	13,834
12	2,973	442	13,834	21,952
-	4,458	13	2,858	2,646
-	-	-	3,000	3,000
-	(30,260)	-	-	(30,260)
-	(30,260)	-	3,000	(27,260)
-	(25,802)	13	5,858	(24,614)
16,416	66,159	20,420	79,115	195,833
16,416	40,357	20,433	84,973	\$ 171,219

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
PROPERTY TAXES	\$ 3,929,446	4,257,812	\$ 328,366
LOCAL OPTION SALES TAX	584,498	544,635	(39,863)
INTERGOVERNMENTAL			
State Aid to Subdivisions	75,000	89,170	14,170
State Accommodations Tax Administrative Fee	93,000	98,017	5,017
State Shared Funds - Alcohol	36,000	38,700	2,700
Intergovernmental Transfers	40,964	40,964	-
Grants	-	40,000	40,000
Total Intergovernmental	244,964	306,851	61,887
LICENSES AND PERMITS			
Business Licenses	640,000	698,791	58,791
Residential Rental Licenses	477,000	502,136	25,136
Insurance Licenses	614,000	612,427	(1,573)
Public Utilities	461,000	464,624	3,624
Building Permits	110,000	154,807	44,807
Telecommunication Licenses	35,000	32,066	(2,934)
Alarm Permits	1,300	1,405	105
Animal Licenses	3,000	2,275	(725)
Total Licenses and Permits	2,341,300	2,468,531	127,231
FINES AND FORFEITS	120,000	95,422	(24,578)
INTEREST			
Interest Income	12,897	9,142	(3,755)
Court Generated Interest	187	38	(149)
Total Interest	13,084	9,180	(3,904)
REVENUES FROM USE OF PROPERTIES			
Parking Lot Revenue	110,000	145,694	35,694
Parking Meter Revenue	218,000	209,442	(8,558)
Total Revenues From Use of Properties	328,000	355,136	27,136
OTHER REVENUES			
Recreation Program Income	117,000	104,190	(12,810)
Recreation Instructors Income	\$ 135,000	153,436	\$ 18,436

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
OTHER REVENUES (CONTINUED)			
Sales of Assets	\$ 7,500	10,603	\$ 3,103
Miscellaneous	37,750	127,321	89,571
Cart Purchase Revenue	3,750	2,550	(1,200)
Boat Ramp Fees	700	500	(200)
Recycling Revenue	700	504	(196)
Kennel Fees	100	111	11
Total Other Revenues	<u>302,500</u>	<u>399,215</u>	<u>96,715</u>
TOTAL REVENUES	<u>\$ 7,863,792</u>	<u>8,436,782</u>	<u>\$ 572,990</u>
EXPENDITURES			
GENERAL GOVERNMENT			
<u>Mayor and Council:</u>			
Salaries	\$ 17,000	17,000	\$ -
Payroll Taxes	1,301	1,301	-
Retirement	37,010	36,335	(675)
Workers Compensation	319	204	(115)
Membership and Dues	50	30	(20)
Print and Office Supplies	100	183	83
Meetings and Seminars	9,000	4,674	(4,326)
Vehicle, Fuel, and Oil	500	555	55
Telephone	1,100	1,075	(25)
Insurance	2,116	2,026	(90)
Miscellaneous and Contingency	4,500	3,173	(1,327)
Citizens and Employee Services	3,800	1,360	(2,440)
Total Mayor and Council	<u>76,796</u>	<u>67,916</u>	<u>(8,880)</u>
<u>Administration:</u>			
Salaries - Supervisors	315,279	322,887	7,608
Salaries - Employees	9,239	5,985	(3,254)
Payroll Taxes	24,826	23,963	(863)
Retirement	34,399	34,724	325
Group Health Insurance	27,342	27,161	(181)
Workers Compensation	3,991	2,588	(1,403)
Print and Office Supplies	10,800	9,669	(1,131)
Bank Service Charges	35,000	2,785	(32,215)
Membership and Dues	4,380	4,074	(306)
Membership and Seminars	4,000	3,922	(78)
Vehicle, Fuel, and Oil	\$ 3,200	2,068	\$ (1,132)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
GENERAL GOVERNMENT (CONTINUED)			
<u>Administration (continued):</u>			
Electric and Gas	\$ 4,200	3,661	\$ (539)
Telephone and Cable	8,619	8,016	(603)
Water and Sewer	2,500	1,281	(1,219)
Noncapital Tools and Equipment	1,250	823	(427)
Maintenance and Service Contracts	31,985	15,307	(16,678)
Machine and Equipment Repair	1,000	433	(567)
Cleaning and Sanitary Supplies	2,000	1,614	(386)
Medical and Lab	800	422	(378)
Advertising	7,500	4,733	(2,767)
Insurance	18,657	18,099	(558)
Rent and Leases	9,370	7,548	(1,822)
Employee Training	14,200	4,913	(9,287)
Professional Services	92,620	74,960	(17,660)
Miscellaneous	21,350	19,051	(2,299)
Total Administration	688,507	600,687	(87,820)
<u>Judicial and Legal:</u>			
Salaries - Full-time	51,841	52,812	971
Salaries - Overtime	1,184	846	(338)
Salaries - Part-time	18,000	15,041	(2,959)
Payroll Taxes	5,433	5,256	(177)
Retirement	7,529	7,309	(220)
Group Health Insurance	5,377	5,343	(34)
Workers Compensation	592	296	(296)
Print and Office Supplies	4,000	3,381	(619)
Bank Service Charges	-	48	48
Membership and Dues	200	70	(130)
Membership and Seminars	1,000	460	(540)
Telephone and Cable	3,600	3,018	(582)
Maintenance and Service Contracts	4,000	2,611	(1,389)
Machine and Equipment Repair	-	186	186
Insurance	593	580	(13)
Employee Training	2,000	422	(1,578)
Professional Services	48,000	66,921	18,921
Non-capital Tools & Equipment	200	192	(8)
Miscellaneous and Contingency	600	213	(387)
Total Judicial and Legal	154,149	165,005	10,856
TOTAL GENERAL GOVERNMENT	\$ 919,452	833,608	\$ (85,844)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
<u>Police Department:</u>			
Salaries - Supervisors	\$ 1,232,781	1,177,432	\$ (55,349)
Salaries - Employees	97,148	96,237	(911)
Payroll Taxes	101,740	94,518	(7,222)
Retirement	157,041	152,748	(4,293)
Group Health Insurance	204,993	196,752	(8,241)
Workers Compensation	40,066	22,647	(17,419)
Print and Office Supplies	15,420	13,394	(2,026)
Membership and Dues	1,500	1,261	(239)
Membership and Seminars	1,500	103	(1,397)
Vehicle, Fuel, and Oil	123,250	99,528	(23,722)
Vehicle Maintenance	27,000	33,188	6,188
Electric and Gas	28,000	29,252	1,252
Telephone and Cable	42,804	37,653	(5,151)
Water and Sewer	4,500	4,084	(416)
Noncapital Tools and Equipment	1,500	1,283	(217)
Maintenance and Service Contracts	47,521	48,714	1,193
Machine and Equipment Repair	6,000	6,926	926
Uniforms	16,515	16,225	(290)
Cleaning and Sanitary Supplies	1,750	1,359	(391)
Medical and Lab	4,500	2,758	(1,742)
Insurance	60,159	59,627	(532)
Rent and Leases	2,400	2,062	(338)
Employee Training	8,980	8,726	(254)
Professional Services	5,500	4,331	(1,169)
Contracted Services	-	4,005	4,005
Miscellaneous and Contingency	3,750	2,625	(1,125)
Canine Kennel Expenses	1,000	791	(209)
Total Police Department	<u>2,237,318</u>	<u>2,118,229</u>	<u>(119,089)</u>
<u>Fire Department:</u>			
Salaries - Supervisors	1,202,061	1,214,426	12,365
Salaries - Employees	196,566	228,541	31,975
Salaries - Part Time	45,803	18,396	(27,407)
Payroll Taxes	110,499	108,951	(1,548)
Retirement	177,249	180,532	3,283
Group Health Insurance	196,407	190,250	(6,157)
Workers Compensation	45,093	28,527	(16,566)
Unemployment Compensation	\$ -	146	\$ 146

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY (CONTINUED)			
<u>Fire Department: (Continued)</u>			
Print and Office Supplies	\$ 6,500	3,370	\$ (3,130)
Membership and Dues	2,000	2,162	162
Membership and Seminars	1,000	378	(622)
Vehicle, Fuel, and Oil	34,000	25,181	(8,819)
Vehicle Maintenance	45,000	49,557	4,557
Electric and gas	42,000	43,909	1,909
Telephone and Cable	39,996	41,880	1,884
Water and Sewer	8,500	8,756	256
Noncapital Tools and Equipment	6,500	5,663	(837)
Maintenance and Service Contracts	42,046	42,475	429
Machine and Service Repairs	10,000	4,799	(5,201)
Uniforms	22,800	18,030	(4,770)
Cleaning and Sanitary Supplies	3,000	3,664	664
Medical and Lab	15,000	12,391	(2,609)
Insurance	78,965	71,321	(7,644)
Rent and Leases	3,500	2,056	(1,444)
Employee Training	12,500	11,394	(1,106)
Professional Services	3,000	3,749	749
Miscellaneous and Contingency	6,000	4,627	(1,373)
Volunteer Point Allocation	4,000	2,973	(1,027)
Total Fire Department	<u>2,359,985</u>	<u>2,328,104</u>	<u>(31,881)</u>
TOTAL PUBLIC SAFETY	<u>4,597,303</u>	<u>4,446,333</u>	<u>(150,970)</u>
BUILDING, PLANNING, AND ENGINEERING			
Salaries - Supervisors	198,646	199,181	535
Salaries - Employees	1,915	820	(1,095)
Payroll Taxes	15,343	14,442	(901)
Retirement	21,259	21,201	(58)
Group Health Insurance	28,613	28,284	(329)
Workers Compensation	2,423	1,356	(1,067)
Print and Office Supplies	10,500	9,686	(814)
Membership and Dues	1,500	661	(839)
Membership and Seminars	750	754	4
Vehicle, Fuel, and Oil	5,675	4,131	(1,544)
Vehicle Maintenance	1,000	103	(897)
Electric and Gas	4,200	3,661	(539)
Telephone and Cable	\$ 5,040	4,787	\$ (253)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING, PLANNING, AND ENGINEERING (CONTINUED)			
Water and Sewer	\$ 2,500	1,101	\$ (1,399)
Non-Capital Tools & Equipment	300	102	(198)
Maintenance and Service Contracts	6,406	6,934	528
Machine and Equipment Repair	500	161	(339)
Uniforms	500	318	(182)
Cleaning and Sanitary Supplies	500	403	(97)
Medical and Lab	100	40	(60)
Insurance	8,035	7,659	(376)
Rent and Leases	2,680	1,972	(708)
Employee Training	1,300	1,121	(179)
Professional Services	7,000	5,757	(1,243)
Miscellaneous and Contingency	750	187	(563)
TOTAL BUILDING, PLANNING AND ENGINEERING	327,435	314,822	(12,613)
PUBLIC WORKS			
Salaries - Supervisors	422,188	420,807	(1,381)
Salaries - Employees	5,437	2,577	(2,860)
Payroll Taxes	32,713	31,794	(919)
Retirement	45,328	45,019	(309)
Group Health Insurance	58,488	57,648	(840)
Workers Compensation	19,494	11,994	(7,500)
Print and Office Supplies	1,000	797	(203)
Bank Service Charges	-	27	27
Membership and Dues	450	446	(4)
Meetings and Seminars	500	-	(500)
Vehicle, Fuel, and Oil	97,750	86,752	(10,998)
Vehicle Maintenance	85,000	66,831	(18,169)
Electric and Gas	73,000	76,084	3,084
Telephone and Cable	8,881	8,100	(781)
Water and Sewer	2,500	1,727	(773)
Noncapital Tools and Equipment	1,500	1,382	(118)
Maintenance and Service Contracts	3,000	1,302	(1,698)
Machine and Equipment Repair	5,000	4,839	(161)
Uniforms	7,425	5,908	(1,517)
Cleaning and Sanitary Supplies	2,000	2,072	72
Storm Preparation & Cleanup	3,000	-	(3,000)
Medical and Lab	3,250	2,341	(909)
Street Signs	4,000	1,404	(2,596)
Insurance	\$ 28,716	24,927	\$ (3,789)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Employee Training	\$ 500	-	\$ (500)
Professional Services	1,000	1,200	200
Temporary Labor	169,335	167,846	(1,489)
Contracted Services	12,750	-	(12,750)
Miscellaneous and Contingency	1,250	660	(590)
Garbage Cart - Procurement	7,600	-	(7,600)
TOTAL PUBLIC WORKS	1,103,055	1,024,484	(78,571)
RECREATION			
<u>Recreation Department:</u>			
Salaries - Supervisors	286,648	292,276	5,628
Salaries - Employees	9,740	2,901	(6,839)
Salaries - Part Time	143,464	181,199	37,735
Payroll Taxes	33,649	36,431	2,782
Retirement	33,007	32,735	(272)
Group Health Insurance	37,824	37,550	(274)
Workers Compensation	6,938	4,835	(2,103)
Print and Office Supplies	9,500	9,406	(94)
Membership and Dues	1,600	1,344	(256)
Membership and Seminars	2,000	1,313	(687)
Vehicle, Fuel, and Oil	6,715	4,387	(2,328)
Vehicle Maintenance	2,000	2,019	19
Electric and Gas	36,000	33,016	(2,984)
Telephone and Cable	11,526	11,303	(223)
Water and Sewer	4,300	3,710	(590)
Noncapital Tools and Equipment	1,500	1,515	15
Maintenance and Service Contracts	29,000	29,132	132
Machine and Equipment Repair	2,500	2,373	(127)
Uniforms	1,950	1,847	(103)
Cleaning and Sanitary Supplies	4,250	3,797	(453)
Medical and Lab	1,000	484	(516)
Insurance	34,855	33,406	(1,449)
Rent and Leases	3,500	3,948	448
Employee Training	3,300	1,854	(1,446)
Professional Services	-	115	115
Temporary Labor	-	450	450
Miscellaneous and Contingency	4,000	1,844	(2,156)
Total Recreation Department	\$ 710,766	735,190	\$ 24,424

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF DETAILED REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE
RECREATION (CONTINUED)			
<u>Recreation Programs:</u>			
Four Year Old Play Group	\$ 750	667	\$ (83)
Gymnastics	2,500	2,422	(78)
Special Activities	20,500	19,089	(1,411)
Day Camp	14,000	14,509	509
Karate	2,000	1,947	(53)
Aerobics	6,000	4,818	(1,182)
Adult Sports	14,000	11,382	(2,618)
Youth Sports	27,000	31,639	4,639
Keenagers	3,000	3,025	25
Total Recreation Programs	<u>89,750</u>	<u>89,498</u>	<u>(252)</u>
TOTAL RECREATION	<u>800,516</u>	<u>824,688</u>	<u>24,172</u>
NON-DEPARTMENTAL			
<u>Parking Meters</u>			
Salaries - Overtime	-	411	411
Salaries - Part Time	42,750	44,949	2,199
Payroll Taxes	3,270	3,470	200
Retirement	-	118	118
Workers Compensation	599	380	(219)
Total Parking Meters	<u>46,619</u>	<u>49,328</u>	<u>2,709</u>
TOTAL NON-DEPARTMENTAL	<u>46,619</u>	<u>49,328</u>	<u>2,709</u>
DEBT SERVICE			
Principal	416,000	416,000	-
Interest	326,612	326,612	-
TOTAL DEBT SERVICE	<u>742,612</u>	<u>742,612</u>	<u>-</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 8,536,992</u>	<u>8,235,875</u>	<u>\$ (301,117)</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	GENERAL GOVERNMENT		
	MAYOR AND COUNCIL	ADMIN- ISTRATION	JUDICIAL AND LEGAL
Salaries - Full-time	\$ 17,000	322,887	52,812
Salaries - Overtime	-	5,985	846
Salaries - Part Time	-	-	15,041
Payroll Taxes	1,301	23,963	5,256
Retirement	36,335	34,724	7,309
Group Health Insurance	-	27,161	5,343
Workers Compensation	204	2,588	296
Unemployment Compensation	-	-	-
Print and Office Supplies	183	9,669	3,381
Membership and Dues	30	4,074	70
Meeting and Seminars	4,674	3,922	460
Vehicle, Fuel, and Oil	555	2,068	-
Vehicle Maintenance	-	-	-
Electric and gas	-	3,661	-
Telephone and Cable	1,075	8,016	3,018
Water and Sewer	-	1,281	-
Noncapital Tools and Equipment	-	823	192
Maintenance and Service Contract	-	15,307	2,611
Machine and Equipment Repair	-	433	186
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,614	-
Medical and Lab	-	422	-
Advertising	-	4,733	-
Street Signs	-	-	-
Insurance	2,026	18,099	580
Advertising	-	7,548	-
Employee Training	-	4,913	422
Professional Services	-	74,960	66,921
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	3,173	19,051	213
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	1,360	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Bank Service Charges	-	2,785	48
TOTAL DEPARTMENTAL EXPENDITURES	\$ 67,916	600,687	165,005

PUBLIC SAFETY		BUILDING,	PUBLIC	NON DEPART-		2013
POLICE	FIRE	PLANNING AND	WORKS	RECREATION	PARKING	TOTAL
DEPARTMENT	DEPARTMENT	ENGINEERING	DEPARTMENT		METERS	
1,177,432	1,214,426	199,181	420,807	292,276	-	\$ 3,696,821
96,237	228,541	820	2,577	2,901	411	338,318
-	18,396	-	-	181,199	44,949	259,585
94,518	108,951	14,442	31,794	36,431	3,470	320,126
152,748	180,532	21,201	45,019	32,735	118	510,721
196,752	190,250	28,284	57,648	37,550	-	542,988
22,647	28,527	1,356	11,994	4,835	380	72,827
-	146	-	-	-	-	146
13,394	3,370	9,686	797	9,406	-	49,886
1,261	2,162	661	446	1,344	-	10,048
103	378	754	-	1,313	-	11,604
99,528	25,181	4,131	86,752	4,387	-	222,602
33,188	49,557	103	66,831	2,019	-	151,698
29,252	43,909	3,661	76,084	33,016	-	189,583
37,653	41,880	4,787	8,100	11,303	-	115,832
4,084	8,756	1,101	1,727	3,710	-	20,659
1,283	5,663	102	1,382	1,515	-	10,960
48,714	42,475	6,934	1,302	29,132	-	146,475
6,926	4,799	161	4,839	2,373	-	19,717
16,225	18,030	318	5,908	1,847	-	42,328
1,359	3,664	403	2,072	3,797	-	12,909
2,758	12,391	40	2,341	484	-	18,436
-	-	-	-	-	-	4,733
-	-	-	1,404	-	-	1,404
59,627	71,321	7,659	24,927	33,406	-	217,645
2,062	2,056	1,972	-	3,948	-	17,586
8,726	11,394	1,121	-	1,854	-	28,430
4,331	3,749	5,757	1,200	115	-	157,033
-	-	-	167,846	450	-	168,296
4,005	-	-	-	-	-	4,005
2,625	4,627	187	660	1,844	-	32,380
-	2,973	-	-	-	-	2,973
-	-	-	-	-	-	1,360
791	-	-	-	-	-	791
-	-	-	-	89,498	-	89,498
-	-	-	27	-	-	2,860
<u>2,118,229</u>	<u>2,328,104</u>	<u>314,822</u>	<u>1,024,484</u>	<u>824,688</u>	<u>49,328</u>	<u>7,493,263</u>
					Debt Service	742,612
						<u>\$ 8,235,875</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2013

Court Fines

Court Fines Collected	\$ 95,422
Court Fines Retained by the City	(95,422)
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

Court Assessments

Court Assessments Collected	\$ 36,076
Total Court Assessments Remitted to the State Treasurer	<u><u>\$ 36,076</u></u>

Court Surcharges

Court Surcharges Collected	\$ 20,499
Total Court Surcharges Remitted to the State Treasurer	<u><u>\$ 20,499</u></u>

Court Pullouts

Court Pullouts Collected	\$ 300
Total Court Pullouts Remitted to the State Treasurer	<u><u>\$ 300</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$ 66,159
Court Assessments and Surcharges Allocated to Victim Assistance Fund	7,388
Interest Earned	43
Victims' Assistance Fund Expenditures	(2,973)
Victims' Assistance Transfers Out	(30,260)
Funds Available for Carryforward, End of Year	<u><u>\$ 40,357</u></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***

INDEPENDENT AUDITOR'S 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2013.

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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 10, 2013