

CITY OF ISLE OF PALMS, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015



CITY OF ISLE OF PALMS, SOUTH CAROLINA

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CITY OF ISLE OF PALMS, SOUTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
YEAR ENDED JUNE 30, 2015

MAYOR

Dick Cronin

CITY COUNCIL MEMBERS

Barbara Bergwerf

Marty Bettelli

Ryan Buckhannon

Jimmy Carroll

Sandy Ferencz

Patrick Harrington

Michael Loftus

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note I.B to the financial statements, in 2015 the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” and Governmental Accounting Standards Board Statement No. 71 “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*”. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the budgetary comparison schedules, and the pension 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 1, 2015 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 1, 2015

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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, 2015 ("FY 2015" or "2015") compared to fiscal year ended June 30, 2014 ("FY 2014" or "2014"). 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 \$19,693,000 (*net position*). Of this amount, approximately \$14,823,000 and \$4,870,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the City's ongoing obligations to citizens and creditors) was approximately \$662,000 for its governmental activities and approximately \$522,000 for its business-type activities.
- The City's total revenues of approximately \$14,958,000 exceeded total expenses of approximately \$13,178,000, resulting in an increase from the prior fiscal year of approximately \$1,780,000 in net position.
- At the close of 2015, the City's governmental funds reported combined ending fund balances of approximately \$12,936,000, an increase of approximately \$1,687,000 over the prior year's fund balances. Approximately 19% of the total fund balance, or approximately \$2,520,000, is available for spending at the City's discretion (*unassigned fund balance*). This unassigned fund balance equates to approximately 23% of total General Fund expenditures for FY 2015.
- The City added capital assets of approximately \$555,000 during the current fiscal year. Capital asset additions included a Mack garbage truck, vehicles, equipment, and various other capital assets. Capital asset additions were offset by depreciation expense of approximately \$1,372,000 and \$149,000 for governmental and business-type activities, respectively. As depreciation expense was more than the capital asset additions for the year, total capital assets decreased by approximately \$966,000 (4%) from FY 2014.
- The City's total debt decreased by approximately \$1,075,000 (10%) during the current fiscal year due primarily to normally scheduled debt service payments. The City refinanced/refunded the General Obligation Bond (Series 2003) which saved approximately \$154,000 in interest expense over the remaining life of the bonds.
- Standard and Poor's increased the City's bond rating from "AA" to "AA+" in September 2014. The City continues to hold an "Aa1" rating from Moody's.
- The City implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") in 2015. These Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures.

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide financial statements as of July 1, 2014 was decreased by approximately \$7,244,000 reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the City's retirement plans.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS

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

Financial Statements

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

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government; public safety; building, planning and engineering; public works; recreation; and non-departmental services. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities are the City's marina operations. The government-wide financial statements can be found as listed in the table of contents.

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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. Pension schedules have been included to provide information regarding the City's participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. Required supplementary information can be found as listed in the table of contents.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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 Balance Sheet Information	All balance sheet elements - both financial and capital, and short-term and long-term.	All balance sheet elements that are primarily financial and short-term – no capital assets or long-term obligations included.	All balance sheet elements - both financial and capital and short-term and long-term.	All balance sheet elements - both short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during 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, 2015

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, 2015 compared to June 30, 2014:

	Governmental Activities		Business-Type Activities		Total	
	2015 ^	2014	2015	2014	2015 ^	2014
Assets:						
Current and Other Assets	\$ 13,982,561	12,870,108	559,181	568,953	14,541,742	\$ 13,439,061
Capital Assets, Net	18,378,017	19,195,572	5,688,131	5,836,750	24,066,148	25,032,322
Total Assets	32,360,578	32,065,680	6,247,312	6,405,703	38,607,890	38,471,383
Deferred Outflows of Resources:						
Deferred Pension Charges	765,998	-	-	-	765,998	-
Liabilities:						
Long-Term Obligations	9,164,972	9,807,231	1,340,000	1,770,000	10,504,972	11,577,231
Net Pension Liability	7,281,486	-	-	-	7,281,486	-
Other Liabilities	1,116,693	1,701,234	37,502	36,206	1,154,195	1,737,440
Total Liabilities	17,563,151	11,508,465	1,377,502	1,806,206	18,940,653	13,314,671
Deferred Inflows of Resources:						
Deferred Pension Credits	740,299	-	-	-	740,299	-
Net Position:						
Net Investment in Capital Assets	9,548,017	9,720,572	4,348,131	4,066,750	13,896,148	13,787,322
Restricted	4,612,942	3,571,119	-	-	4,612,942	3,571,119
Unrestricted	662,167	7,265,524	521,679	532,747	1,183,846	7,798,271
Total Net Position, Restated	\$ 14,823,126	20,557,215	4,869,810	4,599,497	19,692,936	\$ 25,156,712

^ The City implemented GASB #68/71 in FY 2015. See the Financial Highlights section for more details.

The City's total assets of approximately \$38,608,000 increased slightly from the prior year due to an increase in cash and other assets that was partially offset by a decrease in net capital assets. Total liabilities as of June 30, 2015 increased by approximately \$5,626,000 compared to the prior year due primarily to the implementation of GASB #68/71 (see Financial Highlights section for more details) which resulted in a net pension liability of approximately \$7,281,000, partially offset by a decrease in long-term obligations resulting from normally scheduled debt service payments.

The City's net position increased approximately \$1,780,000 during the current fiscal year as current year revenues exceeded current year expenses. Please see discussion following the next table regarding this increase.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$19,693,000 as of June 30, 2015. Approximately 71% of total net position (\$13,896,000) reflects the City's investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 23% of net position (\$4,613,000) 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 (6% or \$1,184,000) 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for 2015 compared to 2014:

	Governmental Activities		Business-Type Activities		Totals	
	2015 ^	2014	2015	2014	2015 ^	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,169,641	3,454,298	391,778	394,416	4,561,419	\$ 3,848,714
Operating Grants and Contributions	6,000	40,000	-	-	6,000	40,000
Capital Grants and Contributions	909,273	90,155	-	-	909,273	90,155
General Revenues:						
Taxes	9,191,011	8,415,522	-	-	9,191,011	8,415,522
Other	290,380	268,932	690	454	291,070	269,386
Total Revenues	14,566,305	12,268,907	392,468	394,870	14,958,773	12,663,777
Expenses:						
General Government	1,885,364	1,680,272	-	-	1,885,364	1,680,272
Public Safety	6,123,992	5,944,099	-	-	6,123,992	5,944,099
Building, Planning and Engineering	352,840	343,887	-	-	352,840	343,887
Public Works	1,604,025	1,513,349	-	-	1,604,025	1,513,349
Recreation	1,244,919	1,134,625	-	-	1,244,919	1,134,625
Non-Departmental	1,331,709	272,088	-	-	1,331,709	272,088
Interest on Long-Term Obligations	356,859	402,864	-	-	356,859	402,864
Marina	-	-	278,581	348,291	278,581	348,291
Total Expenses	12,899,708	11,291,184	278,581	348,291	13,178,289	11,639,475
Change in Net Position Before Transfers	1,666,597	977,723	113,887	46,579	1,780,484	1,024,302
Transfers In (Out)	(156,426)	(236,852)	156,426	236,852	-	-
Change in Net Position	1,510,171	740,871	270,313	283,431	1,780,484	1,024,302
Net Position - Beginning of Year,						
As Previously Reported	20,557,215	19,816,344	4,599,497	4,316,066	25,156,712	24,132,410
Cumulative Change in Accounting Principle ^	(7,244,260)	-	-	-	(7,244,260)	-
Net Position - Beginning of Year, Restated	13,312,955	19,816,344	4,599,497	4,316,066	17,912,452	24,132,410
Net Position - End of Year	\$ 14,823,126	20,557,215	4,869,810	4,599,497	19,692,936	\$ 25,156,712

^ The City implemented GASB #68/71 in FY 2015. See the Financial Highlights section for more details.

Governmental Activities: Governmental activities had a net increase in net position (before restatement for GASB #68/71) of approximately \$1,510,000 in 2015.

Compared to the prior year, total governmental activities revenue increased by approximately \$2,297,000 or 19%. Key changes compared to the prior year were as follows:

- Revenues (charges for services) related to licenses and permits increased by approximately \$720,000, or 27% due to an increase in the SCE&G franchise fee from 3% to 5%, an increase in business license rates charged to off-island businesses, increasing construction activity, increasing tourism activity and continued economic improvement.
- Revenues from grants and contributions increased approximately \$819,000 due primarily to cash contributions from affected property owners to the beach restoration shoal management project completed in early 2015.
- Tax revenues resulting from tourism (accommodations and hospitality taxes combined) were up approximately \$790,000 or 22%. Approximately \$425,000 of this increase is due to the new 1% tax on accommodations for beach preservation. The remainder of the increase is the result of increased tourism activity and higher lodging rates.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses related to total governmental activities increased by approximately \$1,609,000, or 14%, from the prior year. Key changes as compared to the prior year were as follows:

- Salary and fringe expense increased by approximately \$447,000, or 7%. Of this total, approximately \$287,000 or 5% relates to increases in employee pay, primarily resulting from the addition of three firefighters and merit increases. The remaining 2% results from increases in fringe expense, including FICA, retirement and health insurance.
- A beach related shoal management project was completed during the fiscal year. The cost was approximately \$1,016,000 and was the main reason for the increase in non-departmental expenses.
- Professional services expense increased \$97,000 due primarily to increases in legal expense as well as increases in professional fees related to parking management and software modifications for online parking ticket payment.
- Maintenance and Service Contracts expense increased \$158,000, primarily in the Recreation Department, which completed a renovation of the ballfields for approximately \$100,000 and a resurfacing of tennis and basketball courts for approximately \$20,000.

Business-Type Activities: Net position related to business-type activities (i.e., the marina) increased by approximately \$270,000. This increase was due to budgeted transfers in of \$156,000 from the State Accommodations Tax Fund which were used to fund costs related to debt service. The Marina also generated revenue (lease income) in excess of expenses (primarily interest on debt, depreciation and dock insurance) equal to approximately \$114,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At June 30, 2015, the City's governmental funds reported a combined ending fund balance of approximately \$12,936,000, an increase of approximately \$1,687,000, or 15%, over the prior year's combined fund balance.

Approximately 19% of the total governmental fund balance (\$2,520,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new discretionary spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$3,880,000), (2) for recovery efforts on future disasters (\$2,231,000), (3) for beach maintenance (\$396,000), (4) for capital projects (\$2,390,000), (5) for debt service (\$205,000), (6) for beach preservation (\$425,000) and (7) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victims' services, narcotics programs, and inventories (\$889,000).

The General Fund is the primary operating fund of the City. At June 30, 2015, the total fund balance was approximately \$5,427,000. 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 (\$2,520,000) represents approximately 23% of total General Fund expenditures (\$10,799,000).

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 \$617,000 from the prior year. The most significant increases were:
 - License and permit revenues were up \$720,000 due to an increase in the SCE&G franchise fee from 3% to 5%, an increase in business license rates charged to off-island businesses, increasing construction activity, increasing tourism activity and continued economic improvement.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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 FY 2015, \$999,000 of tourism-related revenue including the accommodations and hospitality tax funds was transferred into the General Fund to help pay for public safety and public works efforts required for tourism. This is an increase of \$304,000 over FY 2014.

Total General Fund expenditures of \$10,799,000 increased by \$1,847,000, or 21%, over FY 2014:

- \$1,500,000, or 17% of the total increase, is directly attributable to the payoff/refunding of the 2003 General Obligation Bonds (which were used to finance the expansion of the recreation center) which was refinanced at a lower interest rate. The prior interest rate was 3.55% and the new rate is 1.68%. The interest savings over the remaining life of the bond is approximately \$154,000. The offsetting \$1,500,000 proceeds from the new bond are listed under "Other Financing Sources" in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.
- Salary and fringe expense increased by approximately \$447,000, or 7%. Of this total, approximately \$287,000, or 5%, relates to increases in employee pay, primarily resulting from the addition of three firefighters and merit increases. The remaining 2% results from increases in fringe expense, including FICA, retirement and health insurance.
- Property and Liability Insurance premiums were approximately \$107,000 less in FY 2015 due to a one-time adjustment in the City's timing of recording insurance expense.

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) increased by approximately \$1,685,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$177,000 during the fiscal year for the purchase of vehicles, equipment and various other capital assets including 41 new streetlights in the Front Beach Area. In addition, the Capital Projects Fund expended \$159,000 on drainage system maintenance and improvements and approximately \$91,000 in tools and other maintenance. The General Fund transferred approximately \$1,005,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$3,078,000.
- Accommodations-related revenues improved significantly over the prior year with an overall increase of approximately \$720,000, or 26%, over FY 2014 revenues. More than half of this increase (\$425,000) relates to the additional 1% Beach Preservation Fee enacted effective January 1, 2015. The Beach Preservation Fee is restricted to uses that maintain and protect the City's beaches and public access to the beaches. The remainder of the increase (\$295,000 or 10%) results from a general increase in tourism activity and lodging rates. Accommodations funds were expended for various tourism-related efforts, including beach maintenance, operation of the public restrooms, parking management, purchases of police, fire and public works vehicles, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. The Municipal Accommodations Fee Fund and the State Accommodations Tax Fund together also transferred approximately \$769,000 to the General Fund to offset personnel and other costs in the Police, Fire and Public Works Departments. At June 30, 2015, the Municipal Accommodations Fee Fund had a fund balance of approximately \$1,516,000 while the State Accommodations Tax Fund had a fund balance of approximately \$1,850,000 and the new Beach Preservation Fee Fund had a fund balance of approximately \$425,000.
- The fund balance for the Hospitality Tax Fund at June 30, 2015 was approximately \$513,000. Hospitality tax revenues (including interest) were approximately \$687,000 in 2015, up 11% over 2014. In 2015, these funds were used to support personnel expenses in the General Fund, Public Safety equipment purchases, debt service on the Fire Station #2 GO bond, parking management and City-wide expenses related to landscaping and street sweeping.
- The Beach Restoration Fund's expenditures for 2015 of approximately \$1,047,000 were related to the shoal management project completed in early 2015.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Marina Enterprise Fund at the end of FY 2015 amounted to approximately \$4,870,000. Please see "Business-Type Activities" discussion in the previous section for details.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)

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 \$184,000 at June 30, 2015.

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City did not make any budget amendments during FY 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s capital assets as of June 30, 2015 amounted to approximately \$24,066,000. Capital assets primarily include land, construction in progress, buildings, improvements, vehicles, furniture, equipment, and other infrastructure. The City’s capital assets (net of depreciation) as of June 30, 2015 and 2014 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,272,896	4,272,896	3,035,786	3,035,786	7,308,682	\$ 7,308,682
Construction in Progress	159,535	136,321	-	-	159,535	136,321
Land Improvements	1,979,458	2,127,250	2,128,691	2,195,152	4,108,149	4,322,402
Buildings and Improvements	10,222,717	10,767,162	276,966	309,300	10,499,683	11,076,462
Vehicles and Vehicle Equipment	1,301,352	1,337,376	-	-	1,301,352	1,337,376
Equipment	438,437	545,750	10,617	14,156	449,054	559,906
Furniture and Fixtures	3,622	8,817	-	-	3,622	8,817
Docks	-	-	236,071	282,356	236,071	282,356
Total	\$ 18,378,017	19,195,572	5,688,131	5,836,750	24,066,148	\$ 25,032,322

The total decrease in the City’s capital assets for FY 2015 was approximately \$966,000 or 4%. The decrease resulted because depreciation expense for the year was higher than capital asset additions for the year. Major capital asset events during FY 2015 included the following:

- Capital asset additions of approximately \$555,000 consisted primarily of:
 - Mack garbage packer - \$194,000
 - Police and fire vehicles - \$165,000
 - Front Beach banner arm light poles and meter pedestals - \$68,000
 - Garbage compactor - \$30,000
 - Radio repeaters - \$23,000
 - Construction in progress: drainage project \$9,000, design Front Beach restroom \$14,000
 - Other equipment, improvements - \$52,000

- Depreciation expense of approximately \$1,372,000 for governmental activities and \$149,000 for business-type activities.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2015, the City had total outstanding debt of approximately \$10,170,000. All of this debt consisted of general obligation bonds (“GOB”) which are backed by the full faith and credit of the City. The City’s total debt as of June 30, 2015 and 2014 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 8,830,000	9,475,000	1,340,000	1,770,000	10,170,000	\$ 11,245,000
Total	\$ 8,830,000	9,475,000	1,340,000	1,770,000	10,170,000	\$ 11,245,000

The total decrease in the City’s debt for FY 2015 was approximately \$1,075,000 or 10%. Major events during fiscal year 2015 included the following:

- Refinanced/refunded the Series 2003 GOB (which was used to finance the expansion of the recreation center). Improved interest rate from 3.55% to 1.68%. Principal payments and maturity date were not changed.
- Scheduled principal payments on general obligation bonds of approximately \$1,040,000. The City also made an advance payment of \$35,000 prior to refinancing/refunding the 2003 GOB.

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, 2015 was approximately \$15,922,000. The City had \$7,495,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2015 had an unused legal debt margin of approximately \$8,427,000.

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

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City’s elected officials and staff considered many factors when setting the fiscal year 2016 (“FY 2016” or “2016”) budget. The state of the economy, tourism activity, anticipated building activity, future capital needs and the best interests of the City’s residents were all taken into account.

- **Millage and Property Tax Revenues:** The City’s 2016 budget projects property tax revenue approximately equal to actual FY 2015 collections. Charleston County completed a real property reassessment in FY 2016 that resulted in a 6% decline in assessed values on the Isle of Palms. In order to maintain the budgeted amount of property tax revenue, and in accordance with State law, City Council approved an increase to the millage rate from 22.9 to 24.7 mills in September 2015.
- **Business Licenses and Building Permits:** Based on 2015 actual results, continued strong construction activity and a full year impact of the increase in some business license rates, the City increased the budget for business licenses and building permit revenues by approximately \$281,000.
- **Public Utility Fees:** The increase in the SCE&G franchise fee from 3% to 5% resulted in an increase in budgeted revenue of \$262,000.
- **Local Option Sales Tax:** The budget for Local Option Sales Tax increased by \$52,000 due to strong collections and anticipated continued increases in economic activity and tourism.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- **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 FY 2016 budget includes transfers in of approximately \$1,135,000 to offset public safety and public works expenses related to providing services to tourists. This is an increase over the prior year of approximately \$104,000.
- **Tourism-Related Revenues:** Total revenues from State Accommodations Tax, Municipal Accommodations Fee, Hospitality Tax and the new Beach Preservation Fee are budgeted based on the most recent collections. The total FY 2016 budget for these revenues is \$4,583,000, which is a 37% increase over the FY 2015 budget. The impact of the new Beach Preservation Fee alone is \$929,000 or 28% of the total increase.
- **Salaries and Wages:** The 2016 budget includes a 5% provision for cost of living and merit-based salary and wage adjustments.
- **Drainage and Stormwater Compliance:** The 2016 budget includes \$354,000 for construction of drainage improvements in the area of 46th – 52nd Avenues and \$304,000 for stormwater compliance and reconfiguration of the Public Works site.
- **Equipment Replacement Funds:** Beginning in FY 2014, the City began a policy of setting aside funds to cover the purchase of large fire and garbage vehicles and public safety radios to avoid the interest expense associated with municipal lease financing. The 2016 budget includes approximately \$675,000 towards this effort.
- **Fire Rescue Vehicle:** The 2016 budget includes \$353,000 for the purchase of a new rescue truck in the Fire Department. The funds for this purchase have been set aside as part of the equipment replacement fund discussed above.
- **Parking Management:** The 2016 budget includes approximately \$194,000 in additional personnel, equipment and sign expense related to the new parking management plan.
- **Beach Restoration:** The 2016 budget includes \$1,323,000 for a shoal management project on the northeast end of the island. Depending on conditions, the execution of this project may begin in the fall/winter of 2015 with completion prior to the 2016 spring season. Additionally, the 2016 budget includes approximately \$403,000 for the design and permitting of another large offshore project similar to the project completed in 2008.

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, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,089,774	490,016	\$ 8,579,790
Cash and Cash Equivalents - Restricted	3,738,072	-	3,738,072
Taxes Receivable, Net	102,734	-	102,734
Other Receivables, Net	1,832,528	69,165	1,901,693
Due from Other Governments	204,987	-	204,987
Inventory	14,466	-	14,466
Capital Assets:			
Non-Depreciable	4,432,431	3,035,786	7,468,217
Depreciable, Net	13,945,586	2,652,345	16,597,931
TOTAL ASSETS	32,360,578	6,247,312	38,607,890
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	765,998	-	765,998
LIABILITIES			
Accounts Payable	357,423	11,069	368,492
Other Accrued Liabilities	324,660	15,500	340,160
Court Assessments/Victims' Rights Liabilities	66,804	-	66,804
Accrued Interest	118,045	10,933	128,978
Unearned Revenue	249,761	-	249,761
Net Pension Liabilities	7,281,486	-	7,281,486
Long-Term Obligations:			
Due Within One Year	793,965	440,000	1,233,965
Due in More Than One Year	8,371,007	900,000	9,271,007
TOTAL LIABILITIES	17,563,151	1,377,502	18,940,653
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	740,299	-	740,299
NET POSITION			
Net Investment in Capital Assets	9,548,017	4,348,131	13,896,148
Restricted For:			
Tourism Related Expenditures	3,879,806	-	3,879,806
Beach Preservation	425,227	-	425,227
Debt Service	204,770	-	204,770
Victims' Services	15,225	-	15,225
Narcotics Program	26,422	-	26,422
Beautification	61,492	-	61,492
Unrestricted	662,167	521,679	1,183,846
TOTAL NET POSITION	\$ 14,823,126	4,869,810	\$ 19,692,936

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, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,885,364	-	6,000	909,273	(970,091)	-	\$ (970,091)
Public Safety	6,123,992	132,128	-	-	(5,991,864)	-	(5,991,864)
Building, Planning, and Engineering	352,840	3,341,946	-	-	2,989,106	-	2,989,106
Public Works	1,604,025	-	-	-	(1,604,025)	-	(1,604,025)
Recreation	1,244,919	248,961	-	-	(995,958)	-	(995,958)
Non-Departmental	1,331,709	446,606	-	-	(885,103)	-	(885,103)
Interest on Long Term Obligations	356,859	-	-	-	(356,859)	-	(356,859)
Total Governmental Activities	12,899,708	4,169,641	6,000	909,273	(7,814,794)	-	(7,814,794)
Business-Type Activities:							
Marina	278,581	391,778	-	-	-	113,197	113,197
TOTAL PRIMARY GOVERNMENT	\$ 13,178,289	4,561,419	6,000	909,273	(7,814,794)	113,197	(7,701,597)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,532,783	-	3,532,783
Property Taxes Levied for Debt Service Purposes					645,618	-	645,618
Local Option Sales Taxes					675,906	-	675,906
Hospitality Taxes					686,537	-	686,537
Accommodations Taxes					3,650,167	-	3,650,167
Intergovernmental					178,838	-	178,838
Interest Income					19,527	690	20,217
Gain on Disposal of Capital Assets					18,674	-	18,674
Miscellaneous					73,341	-	73,341
Transfers In (Out)					(156,426)	156,426	-
Total General Revenues and Transfers					9,324,965	157,116	9,482,081
CHANGE IN NET POSITION					1,510,171	270,313	1,780,484
NET POSITION, Beginning of Year - As Previously Reported					20,557,215	4,599,497	25,156,712
Cumulative Change in Accounting Principle - GASB #68/71					(7,244,260)	-	(7,244,260)
NET POSITION, Beginning of Year - As Restated					13,312,955	4,599,497	17,912,452
NET POSITION, End of Year					14,823,126	4,869,810	\$ 19,692,936

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
ASSETS			
Cash and Cash Equivalents	\$ 5,791,988	2,276,710	-
Cash and Cash Equivalents - Restricted	315,007	-	1,040,756
Taxes Receivable, Net	102,734	-	-
Accounts Receivable	334,042	62,270	505,118
Due From:			
Other Governments	204,987	-	-
Other Funds	10,706	825,000	-
Inventory	14,466	-	-
TOTAL ASSETS	\$ 6,773,930	3,163,980	1,545,874
LIABILITIES			
Accounts Payable	\$ 65,201	86,425	16,159
Other Accrued Liabilities	324,660	-	-
Court Assessments/Victims' Rights Liabilities	66,804	-	-
Due To:			
Other Funds	832,324	-	13,562
Unearned Revenue	9,637	-	-
TOTAL LIABILITIES	1,298,626	86,425	29,721
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	47,976	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	47,976	-	-
FUND BALANCES			
Nonspendable:			
Inventory	14,466	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	204,770	-	-
Tourism Related Expenditures	-	-	1,516,153
Beach Preservation	-	-	-
Beautification	61,492	-	-
Committed:			
Recovery Effort on Future Disasters	2,231,487	-	-
Assigned:			
Drainage Improvements	-	687,080	-
Beach Maintenance	395,556	-	-
Recreation Center	-	-	-
Capital Projects	-	2,390,475	-
Other	-	-	-
Unassigned	2,519,557	-	-
TOTAL FUND BALANCES	5,427,328	3,077,555	1,516,153
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,773,930	3,163,980	1,545,874

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

STATE ACCOM- MODATIONS TAX FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	BEACH PRESERVATION FEE FUND	TOTAL NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	21,076	\$ 8,089,774
1,486,212	393,100	240,124	160,968	101,905	3,738,072
-	-	-	-	-	102,734
540,734	126,105	-	264,259	-	1,832,528
-	-	-	-	-	204,987
7,140	-	-	-	3,040	845,886
-	-	-	-	-	14,466
2,034,086	519,205	240,124	425,227	126,021	\$ 14,828,447
183,767	5,871	-	-	-	\$ 357,423
-	-	-	-	-	324,660
-	-	-	-	-	66,804
-	-	-	-	-	845,886
-	-	240,124	-	-	249,761
183,767	5,871	240,124	-	-	1,844,534
-	-	-	-	-	47,976
-	-	-	-	-	47,976
-	-	-	-	-	14,466
-	-	-	-	15,225	15,225
-	-	-	-	26,422	26,422
-	-	-	-	-	204,770
1,850,319	513,334	-	-	-	3,879,806
-	-	-	425,227	-	425,227
-	-	-	-	-	61,492
-	-	-	-	-	2,231,487
-	-	-	-	-	687,080
-	-	-	-	-	395,556
-	-	-	-	63,238	63,238
-	-	-	-	-	2,390,475
-	-	-	-	21,136	21,136
-	-	-	-	-	2,519,557
1,850,319	513,334	-	425,227	126,021	12,935,937
2,034,086	519,205	240,124	425,227	126,021	\$ 14,828,447

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 12,935,937
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes that will be collected in the future but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	47,976
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets was \$30,229,000 and the accumulated depreciation was \$11,850,983.	18,378,017
The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(7,255,787)
Accrued interest payable is recognized for governmental activities but was not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(118,045)
Long-term obligations (which includes debt and compensated absences) are not due or payable in the current period and, therefore, are not reported in the governmental funds.	
Debt	(8,830,000)
Compensated Absences	(334,972)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 14,823,126

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	MUNICIPAL ACCOM- MODATIONS FEE FUND
REVENUES			
Property Taxes	\$ 4,178,401	-	-
Local Option Sales Tax	675,906	-	-
Hospitality Taxes	-	-	-
Intergovernmental	289,300	62,270	1,490,695
Licenses and Permits	3,341,947	-	-
Fines and Forfeitures	118,338	-	-
Grant Revenue	-	-	6,000
Contributions of Cash	-	-	-
Revenues from Use of Property	446,606	-	-
Interest	9,306	5,097	1,612
Other	269,717	34,447	-
TOTAL REVENUES	9,329,521	101,814	1,498,307
EXPENDITURES			
Current:			
General Government	1,016,470	2,148	83,866
Public Safety	5,224,128	10,140	26,689
Building, Planning, and Engineering	330,702	972	-
Public Works	1,072,152	163,635	65,103
Recreation	846,604	73,359	28,423
Non-Departmental	48,432	-	110,370
Capital Outlay	-	176,609	187,395
Debt Service:			
Principal	474,000	-	72,000
Payment to Refunded Bond Escrow Agent	1,500,000	-	-
Interest	286,314	-	19,321
TOTAL EXPENDITURES	10,798,802	426,863	593,167
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,469,281)	(325,049)	905,140
OTHER FINANCING SOURCES (USES)			
Transfers In	1,166,769	1,005,244	4,024
Transfers Out	(1,205,244)	(8,048)	(533,431)
Issuance of Refunding General Obligation Bond	1,500,000	-	-
Sale of Capital Assets	9,183	-	2,108
TOTAL OTHER FINANCING SOURCES (USES)	1,470,708	997,196	(527,299)
NET CHANGES IN FUND BALANCES	1,427	672,147	377,841
FUND BALANCES, Beginning of Year	5,425,901	2,405,408	1,138,312
FUND BALANCES, End of Year	\$ 5,427,328	3,077,555	1,516,153

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

STATE ACCOM- MODATIONS TAX FUND	HOSPITALITY TAX FUND	BEACH RESTORATION FUND	BEACH PRESERVATION FEE FUND	TOTAL NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 4,178,401
-	-	-	-	-	675,906
-	686,537	-	-	-	686,537
1,623,784	-	-	425,226	-	3,891,275
-	-	-	-	-	3,341,947
-	-	-	-	13,790	132,128
-	-	-	-	-	6,000
-	-	847,004	-	-	847,004
-	-	-	-	-	446,606
2,980	456	63	1	12	19,527
1,600	-	-	-	16,536	322,300
1,628,364	686,993	847,067	425,227	30,338	14,547,631
610,573	-	31,250	-	460	1,744,767
5,712	65,678	-	-	1,016	5,333,363
-	349	-	-	-	332,023
5,798	73,830	-	-	-	1,380,518
33,586	-	-	-	51,359	1,033,331
157,090	-	1,015,817	-	-	1,331,709
125,611	65,700	-	-	-	555,315
-	99,000	-	-	-	645,000
-	-	-	-	-	1,500,000
-	61,526	-	-	-	367,161
938,370	366,083	1,047,067	-	52,835	14,223,187
689,994	320,910	(200,000)	425,227	(22,497)	324,444
4,024	-	200,000	-	3,000	2,383,061
(549,328)	(229,436)	-	-	(14,000)	(2,539,487)
-	-	-	-	-	1,500,000
7,383	-	-	-	-	18,674
(537,921)	(229,436)	200,000	-	(11,000)	1,362,248
152,073	91,474	-	425,227	(33,497)	1,686,692
1,698,246	421,860	-	-	159,518	11,249,245
1,850,319	513,334	-	425,227	126,021	\$ 12,935,937

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, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,686,692
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Bond principal payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	645,000
Payments to the refunded bond escrow agent are expenditures in the governmental funds, but the payment reduces long-term obligations in the Statement of Net Position.	1,500,000
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position.	(1,500,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This adjustment relates to the change in accrued interest from the prior year.	10,302
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources in the State pension plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(11,527)
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.	(2,741)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$1,372,870 exceeded capital asset additions of \$555,315 in the current period.	(817,555)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,510,171</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 NET POSITION - PROPRIETARY FUND

JUNE 30, 2015

	<u>MARINA</u> <u>ENTERPRISE FUND</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 490,016
Accounts Receivable	69,165
Total Current Assets	<u>559,181</u>
Noncurrent Assets:	
Capital Assets:	
Land	3,035,786
Land Improvements	2,655,808
Buildings and Improvements	846,998
Docks	674,862
Equipment	279,923
Less: Accumulated Depreciation	(1,805,246)
Total Noncurrent Assets	<u>5,688,131</u>
TOTAL ASSETS	<u>6,247,312</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	11,069
Accrued Interest	10,933
Security Deposits	15,500
Bond Payable, Current Portion	440,000
Total Current Liabilities	<u>477,502</u>
Noncurrent Liabilities:	
Bond Payable, Net of Current Portion	900,000
TOTAL LIABILITIES	<u>1,377,502</u>
NET POSITION	
Net Investment in Capital Assets	4,348,131
Unrestricted	521,679
TOTAL NET POSITION	<u>\$ 4,869,810</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, 2015

	<u>MARINA</u> <u>ENTERPRISE FUND</u>
OPERATING REVENUES	
Lease Income	\$ 391,778
TOTAL OPERATING REVENUES	<u>391,778</u>
OPERATING EXPENSES	
Depreciation	148,619
Insurance	71,524
Professional Services	13,655
Utilities	660
Maintenance and Service Contracts	6,896
Advertising	2,120
Miscellaneous	91
TOTAL OPERATING EXPENSES	<u>243,565</u>
OPERATING INCOME (LOSS)	<u>148,213</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	690
Interest Expense	(35,016)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(34,326)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>113,887</u>
Transfers In	<u>156,426</u>
CHANGE IN NET POSITION	<u>270,313</u>
NET POSITION, Beginning of Year	<u>4,599,497</u>
NET POSITION, End of Year	<u>\$ 4,869,810</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, 2015

	MARINA ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 387,163
Cash Payments to Suppliers for Goods and Services	(89,388)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>297,775</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	156,426
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>156,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bonds	(430,000)
Interest Paid on Bonds	(39,278)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(469,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	690
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>690</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,387)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>504,403</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 490,016</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 148,213
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	148,619
Change Due to (Increase) Decrease in Operating Assets:	
Other Receivable	(4,615)
Change Due to Increase (Decrease) in Operating Liabilities:	
Other Payables	5,558
Net Cash Provided by Operating Activities	<u>\$ 297,775</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 ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

JUNE 30, 2015

	VOLUNTEER FIRE DEPARTMENT
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 184,118
TOTAL ASSETS	\$ 184,118
LIABILITIES	
Accounts Payable	\$ 3,221
Due To Volunteer Fire Department	180,897
TOTAL LIABILITIES	\$ 184,118

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, 2015

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, 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, 2015

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.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are collected within sixty (60) days of the end of the current fiscal period. A 60-day availability period is used for revenue recognition for all other governmental fund revenue with the exception of certain expenditure driven grants for which a one-year availability period is generally used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- i) The *Municipal Accommodations Fee Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the fee imposed on the rental of some accommodations within the City and the allocation of Charleston County Accommodations Fees received. These funds are restricted and thus can only be spent for tourism related expenditures.
- ii) The *State Accommodations Tax Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the accommodations taxes levied by the State of South Carolina and remitted to the City. These funds are restricted and thus can only be spent for advertising, promotion, and tourism related expenditures.
- iii) The *Hospitality Tax Fund, a major fund* and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism related expenditures.
- iv) The *Beach Restoration Fund, a major fund* and a budgeted fund, is used to account for the accumulation of resources from the City, state/local grants, and private contributions (from affected homeowners) all of which are restricted for the nourishment, monitoring, and regulatory compliance related to beach restoration.
- v) The *Beach Preservation Fee Fund, a major fund* and an unbudgeted fund for fiscal year 2015, is used to account for the accumulation of resources from a 1% accommodations fee imposed on rental property effective January 1, 2015. These funds are restricted and can be used only to support beach restoration and maintenance, as well as maintenance of public beach access.
- vi) The **Special Revenue Funds, non-major funds**, are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. Most of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

Federal Narcotics
Aisle of Palms

State Narcotics
Recreation Building

Victims' Assistance

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Significant New Accounting Standards Adopted – Change in Accounting Principle

The City implemented GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") in 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements 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, these Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans") cost-sharing multiple-employer defined benefit pension plans, 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant New Accounting Standards Adopted – Change in Accounting Principle (Continued)

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("PEBA") who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide and financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide financial statements as of July 1, 2014 was decreased by approximately \$7,244,000 reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the City's retirement plans.

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

Investments

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

- South Carolina Local Government Investment Pool (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Financial statements for the Pool may be obtained by writing the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

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

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

3. Inventories and Prepaids

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. As allowed by GAAP, the City has elected to prospectively report public domain (“infrastructure”) general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2000 have not been recorded. Public domain capital assets consist of roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems and similar assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. The City maintains a minimum capitalization threshold of \$5,000 and capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

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

5. Compensated Absences

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

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

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

7. *Deferred Outflows and Inflows of Resources*

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

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

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

8. *Fund Balance*

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

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance (Continued)*

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

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The City reserves the right to assign fund balance by a simple majority vote of Council. Council by an approved resolution in its June 26, 2012 meeting also formally granted the Mayor and City Administrator the right to assign fund balance (when deemed appropriate).

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

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

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.

9. *Net Position*

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

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

11. Encumbrances

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

12. Accounting Estimates

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

13. 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, 2015

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, 2015, none of the City's bank balances of approximately \$3,941,000 (with a carrying value of approximately \$3,604,000) were exposed to custodial credit risk.

Investments

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 8,898,152	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, 2015 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, 2015

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	\$ 8,579,790
Cash and Cash Equivalents - Restricted	3,738,072
<u>Statement of Assets and Liabilities - Fiduciary Fund - Agency Fund</u>	
Cash and Cash Equivalents	184,118
Total Cash and Investments per Financial Statements	\$ 12,501,980
<u>Notes</u>	
Carrying Value of Deposits	\$ 3,603,828
Investments	8,898,152
Total Deposits and Investments per Notes to the Financial Statements	\$ 12,501,980

B. Receivables and Unavailable/Unearned Revenue

Property Taxes and Other Receivables

The City's 2014 property taxes were levied on September 30, 2014 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$199,000,000 as of January 1, 2014. Property taxes were considered late on January 16, 2015. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

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

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The City's total tax rate for the 2014 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, 2015

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

B. Receivables and Unavailable/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, 2015:

Description	General Fund	Capital Projects Fund	Accommodations		Beach Preservation Fee Fund	Hospitality Tax Fund	Marina Enterprise Fund	Totals
			Municipal Fee Fund	State Tax Fund				
Property taxes	\$ 106,839	-	-	-	-	-	-	\$ 106,839
Allowance for Uncollectibles	(4,105)	-	-	-	-	-	-	(4,105)
Local Option Sales Tax	204,987	-	-	-	-	-	-	204,987
Accommodations Taxes	34,710	-	505,118	540,734	264,259	-	-	1,344,821
Hospitality Taxes	-	-	-	-	-	126,105	-	126,105
Marina Operations	-	-	-	-	-	-	69,165	69,165
MASC Brokers Tax	194,940	-	-	-	-	-	-	194,940
Franchise Fees	54,841	-	-	-	-	-	-	54,841
State Aid to Subdivisions	20,979	-	-	-	-	-	-	20,979
Other	28,572	62,270	-	-	-	-	-	90,842
Net Receivables	\$ 641,763	62,270	505,118	540,734	264,259	126,105	69,165	\$ 2,209,414

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

Unavailable/Unearned Revenue

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

At June 30, 2015, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 47,976	-	\$ 47,976
Other	General	-	9,637	9,637
Cash Contributions	Beach Restoration	-	240,124	240,124
Total Unavailable/Unearned Revenue		\$ 47,976	249,761	\$ 297,737

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2015, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 10,706	\$ (832,324)
Capital Projects Fund	825,000	-
Municipal Accommodations Fee Fund	-	(13,562)
State Accommodations Tax Fund	7,140	-
Non-major Funds	3,040	-
Totals	<u>\$ 845,886</u>	<u>\$ (845,886)</u>

The Capital Projects receivable of approximately \$825,000 from the General Fund relates to an assignment of funds for future capital projects. The General Fund payable, a portion of the Municipal Accommodations Fee Fund payable, and the State Accommodations Tax Fund receivable relate to the General Obligations Bond Series 2015 debt service payment. The General Fund receivable and the Municipal Accommodations Fee Fund payable relate primarily to a portion of the Public Works costs. All interfund balances are expected to be paid back within one year.

Interfund Transfers

Transfers between funds for the year ended June 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 1,166,769	\$ 1,205,244
Capital Projects Fund	1,005,244	8,048
Municipal Accommodations Fee Fund	4,024	533,431
State Accommodations Tax Fund	4,024	549,328
Hospitality Tax Fund	-	229,436
Beach Restoration Fund	200,000	-
Non-major Funds	3,000	14,000
<u>Proprietary Fund:</u>		
Marina Enterprise Fund	156,426	-
Totals	<u>\$ 2,539,487</u>	<u>\$ 2,539,487</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, 2015

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, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 4,272,896	-	-	-	\$ 4,272,896
Construction In Progress	136,321	23,214	-	-	159,535
Total Capital Assets, Non-Depreciable	<u>4,409,217</u>	<u>23,214</u>	<u>-</u>	<u>-</u>	<u>4,432,431</u>
Capital Assets, Depreciable:					
Land Improvements	3,597,352	73,350	-	-	3,670,702
Buildings and Improvements	15,151,384	16,935	-	-	15,168,319
Vehicles and Vehicle Equipment	4,289,215	359,465	137,724	-	4,510,956
Equipment	2,340,652	82,351	49,301	-	2,373,702
Furniture and Fixtures	72,890	-	-	-	72,890
Total Capital Assets, Depreciable	<u>25,451,493</u>	<u>532,101</u>	<u>187,025</u>	<u>-</u>	<u>25,796,569</u>
Less: Accumulated Depreciation for:					
Land Improvements	1,470,102	221,142	-	-	1,691,244
Buildings and Improvements	4,384,222	561,380	-	-	4,945,602
Vehicles and Vehicle Equipment	2,951,839	395,489	137,724	-	3,209,604
Equipment	1,794,902	189,664	49,301	-	1,935,265
Furniture and Fixtures	64,073	5,195	-	-	69,268
Total Accumulated Depreciation	<u>10,665,138</u>	<u>1,372,870</u>	<u>187,025</u>	<u>-</u>	<u>11,850,983</u>
Total Capital Assets, Depreciable, Net	<u>14,786,355</u>	<u>(840,769)</u>	<u>-</u>	<u>-</u>	<u>13,945,586</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,195,572</u>	<u>(817,555)</u>	<u>-</u>	<u>-</u>	<u>\$ 18,378,017</u>

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	\$ 102,985	\$ 134,017
Public Safety	198,500	785,402
Building, Planning, and Engineering	-	18,503
Public Works	239,418	224,005
Recreation	14,412	210,943
Total - Governmental Activities	<u>\$ 555,315</u>	<u>\$ 1,372,870</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable					
Land	\$ 3,035,786	-	-	-	\$ 3,035,786
Construction in Progress	-	-	-	-	-
Total Capital Assets, Non-Depreciable	<u>3,035,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035,786</u>
Capital Assets, Depreciable					
Land Improvements	2,655,808	-	-	-	2,655,808
Buildings and Improvements	846,998	-	-	-	846,998
Docks	674,862	-	-	-	674,862
Equipment	279,923	-	-	-	279,923
Total Capital Assets, Depreciable	<u>4,457,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,457,591</u>
Less: Accumulated Depreciation for:					
Land Improvements	460,656	66,461	-	-	527,117
Buildings and Improvements	537,698	32,334	-	-	570,032
Docks	392,506	46,285	-	-	438,791
Equipment	265,767	3,539	-	-	269,306
Total Accumulated Depreciation	<u>1,656,627</u>	<u>148,619</u>	<u>-</u>	<u>-</u>	<u>1,805,246</u>
Total Capital Assets, Depreciable, Net	<u>2,800,964</u>	<u>(148,619)</u>	<u>-</u>	<u>-</u>	<u>2,652,345</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,836,750</u>	<u>(148,619)</u>	<u>-</u>	<u>-</u>	<u>\$ 5,688,131</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.

Details on the City’s debt outstanding as of June 30, 2015 are as follows:

<u>General Obligation Bonds</u>	<u>Principal Outstanding at Year End</u>
\$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.	\$ 2,405,000

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<u>General Obligation Bonds (Continued)</u>	
<p>\$6,700,000 General Obligation Bonds Series 2008 (“Series 2008B”) issued in August 2008 to defray the cost of constructing and equipping a new public safety building and renovating certain municipal facilities. Principal is payable annually and interest, at 4.14%, semi-annually. Annual debt service requirements range from approximately \$343,000 to \$540,000 through March 2028 and are being paid 100% by the General Fund.</p>	\$ 4,925,000
<p>\$1,000,000 General Obligation Bond Series 2009 (“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>	165,000
<p>\$1,450,000 General Obligation Refunding Bond Series 2013 (“Series 2013”) issued in October 2013 to refund the remaining balance on the \$2,925,000 General Obligation Bond (“Series 2008A”) issued in April 2008, which refunded the \$4,250,000 General Obligation Bond (“Series 1999”) issued in January 1999 which originally purchased the Marina, was approved through voter referendum, and thus is not subject to the 8% debt limit. Principal is payable annually and interest, at 1.74%, semi-annually. Annual debt service requirements range from approximately \$285,000 to \$308,000 through February 2019 and are being paid by the Marina Enterprise Fund</p>	1,175,000
<p>\$1,500,000 General Obligation Refunding Bond Series 2015 (“Series 2015”) issued in February 2015 to refund the remaining balance on the \$2,900,000 General Obligation Bond (“Series 2003”) issued in July 2003 which originally financed the expansion of the recreation center (which was approved through voter referendum and thus is not subject to the 8% debt limit). Principal is payable annually and interest, at 1.68%, semi-annually. Annual debt service requirements range from approximately \$180,000 to \$221,000 through June 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.</p>	<u>1,500,000</u>
Total General Obligation Bonds	<u>\$10,170,000</u>

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

Interest paid on the debt currently issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities (via the Pool), especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2015.

In February 2015, the City issued a \$1,500,000 General Obligation Refunding Bond (Series 2015) to current refund the remaining balance on the \$2,900,000 General Obligation Bonds (Series 2003) issued in July 2003 which lowered the average interest rate to 1.68%. The refunding resulted in approximately \$154,000 in debt service savings over the remaining eight years and an economic gain of approximately \$145,000. The deferred loss on refunding was not significant and thus has not been recorded in the City’s financial statements.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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, 2015, 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	\$ 1,680,000	-	1,680,000	-	\$ -
GOB - Series 2006	2,570,000	-	165,000	2,405,000	170,000
GOB - Series 2008B	5,225,000	-	300,000	4,925,000	325,000
GOB - Series 2015	-	1,500,000	-	1,500,000	155,000
Total GOB Debt	9,475,000	1,500,000	2,145,000	8,830,000	650,000
Accrued Compensated Absences	332,231	142,787	140,046	334,972	143,965
Total Governmental Activities	\$ 9,807,231	1,642,787	2,285,046	9,164,972	\$ 793,965
Business-Type Activities:					
GOB Debt:					
GOB - Series 2009	\$ 320,000	-	155,000	165,000	\$ 165,000
GOB - Series 2013	1,450,000	-	275,000	1,175,000	275,000
Total GOB Debt	\$ 1,770,000	-	430,000	1,340,000	\$ 440,000

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 liquidated 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, 2015, the City had \$7,495,000 of bonded debt subject to the 8% limit of approximately \$15,922,000 available, resulting in an unused legal debt margin of approximately \$8,427,000.

The City incurred interest expense of approximately \$357,000 and \$35,000 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, 2015

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 Ended June 30,	GOB		Totals
	Principal	Interest	
<u>Governmental Activities</u>			
2016	\$ 650,000	325,055	\$ 975,055
2017	690,000	302,212	992,212
2018	705,000	277,853	982,853
2019	725,000	253,125	978,125
2020	760,000	227,830	987,830
2021-2025	3,700,000	731,210	4,431,210
2026-2029	1,600,000	121,718	1,721,718
Totals	<u>\$ 8,830,000</u>	<u>2,239,003</u>	<u>\$ 11,069,003</u>
<u>Business-Type Activities</u>			
2016	\$ 440,000	27,689	\$ 467,689
2017	300,000	15,660	315,660
2018	300,000	10,440	310,440
2019	300,000	5,220	305,220
Totals	<u>\$ 1,340,000</u>	<u>59,009</u>	<u>\$ 1,399,009</u>

F. Marina Revenue

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

- The City dock lease (marine operations) – rent income of approximately \$167,000 for the year ended June 30, 2015. The lease was renewed through January 31, 2045.
- Marina store lease – rent income of approximately \$74,000 for the year ended June 30, 2015. The lease was renewed through January 31, 2045.
- Marina restaurant lease – rent income of approximately \$128,000 for the year ended June 30, 2015 (which includes regular rent income of approximately \$79,000 plus additional rent of \$49,000 for gross income over target amount). The lease has been renewed through October 31, 2017. There is one additional three year renewal option that could extend the lease term until October 31, 2020.
- Water sports dock lease – rent income of approximately \$23,000 for the year ended June 30, 2015. The lease has been renewed through September 30, 2020.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

F. Marina Revenue (Continued)

Estimated future annual lease income for the long-term leases in effect as of June 30, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 344,660
2017	344,660
2018	301,116
2019	259,800
2020	259,800
2021-2025	1,196,685
2026-2030	1,191,300
2031-2035	1,191,300
2036-2040	1,191,300
2041-2045	\$ 1,100,275

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, 2015, the City’s premium costs totaled approximately \$238,000. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2014, totaled approximately \$21,590,000.

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, 2015, the City made premium payments totaling approximately \$158,000. 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, 2014, totaled approximately \$52,879,000.

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

Health Insurance

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the PEBA, which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

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

Plan Membership

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits

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

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

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

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

Plan Contributions

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

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

	SCRS Rates			PORS Rates		
	2013	2014	2015	2013	2014	2015
<u>Employer Rate</u>						
Retirement	10.45%	10.45%	10.75%	11.90%	12.44%	13.01%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	N/A	N/A	N/A	0.20%	0.20%	0.20%
Total	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>12.30%</u>	<u>12.84%</u>	<u>13.41%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>7.00%</u>	<u>7.84%</u>	<u>8.41%</u>

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2015	\$ 190,452	100%	\$ 375,863	100%
2014	181,973	100%	324,766	100%
2013	\$ 184,263	100%	\$ 287,209	100%

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2015	\$ 1,747,268	2,802,857	\$ 4,550,125
2014	1,718,609	2,526,375	4,244,984
2013	\$ 1,738,330	2,335,036	\$ 4,073,366

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA’s consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 42,955,205,796	25,738,521,026	\$ 17,216,684,770	59.92%
PORS	\$ 5,899,529,434	3,985,101,996	\$ 1,914,427,438	67.55%

At June 30, 2015, the City reported liabilities of approximately \$3,255,500 and \$4,026,000 for its proportionate share of the net pension liabilities for the SCRS and PORS (“Plans”), respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2013 that was projected forward to the measurement date. The City’s proportion of the net pension liabilities were based on a projection of the City’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2014, the City’s SCRS proportion was .01891 percent, which was unchanged from the prior year. At June 30, 2014, the City’s PORS proportion was .21030 percent, which was unchanged from the prior year.

For the year ended June 30, 2015, the City recognized pension expense of approximately \$228,000 and \$352,000 for the SCRS and PORS, respectively. At June 30, 2015, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS:		
Differences Between Expected and Actual Experience	\$ 92,247	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	274,463
City's Contributions Subsequent to the Measurement Date	190,452	-
Total SCRS	<u>282,699</u>	<u>274,463</u>
PORS:		
Differences Between Expected and Actual Experience	107,436	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	465,836
City's Contributions Subsequent to the Measurement Date	375,863	-
Total PORS	<u>483,299</u>	<u>465,836</u>
Total SCRS and PORS	<u>\$ 765,998</u>	<u>\$ 740,299</u>

Approximately \$190,000 and \$376,000 that were reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

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

Year Ended June 30,	SCRS	PORS	Total
2016	\$ (40,083)	(88,597)	\$ (128,680)
2017	(40,083)	(88,597)	(128,680)
2018	(40,083)	(88,597)	(128,680)
2019	(61,967)	(92,609)	(154,576)
Total	\$ (182,216)	(358,400)	\$ (540,616)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.80%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation	10%	5.10%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	100%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the City’s proportionate share of the net pension liability of the Plans as of June 30, 2014 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability of the SCRS	\$ 4,212,822	3,255,503	\$ 2,456,824
City's proportionate share of the net pension liability of the PORS	\$ 5,626,207	4,025,983	\$ 2,701,931

Plans’ Fiduciary Net Position

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

Payable to Plans

The City reported payables of approximately \$62,000 and \$115,000 to the PEBA as of June 30, 2015, representing required employer and employee contributions for the months of May and June 2015 for the SCRS and PORS, respectively. These amounts are included in Other Accrued Liabilities on the financial statements and were paid in July and August 2015.

C. Other Postemployment Benefits

Upon retirement from the City, employees who meet certain eligibility requirements have the option to retain health insurance through the Health Plan paying the applicable retiree rate. The Health Plan and the City’s Personnel Manual establish the requirements for post employment healthcare benefits. Presently there are no retired participants.

In 2004, GASB issued Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (“GASB #45”). GASB #45 establishes standards for the measurement, recognition and display of Other Post Employment Benefits (“OPEB”) expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City adopted GASB #45 in fiscal year 2010. No liability or expenditures are recorded as of June 30, 2015 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.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

D. Beach Restoration

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

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

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

In August and September of 2014, the City collected new signed agreements and approximately \$423,000 in new contributions from identified stakeholders towards the execution of a second land-based Shoal Management Project which took place in November 2014. The restricted cash account established for the 2008 project had a balance of approximately \$664,000 as of June 30, 2014, and City Council allocated an additional \$200,000 from its Beach Maintenance Fund. The City incurred project costs of approximately \$1,047,000 for the year ended June 30, 2015. Thus, the remaining unearned liability in the financial statements as of June 30, 2015 was approximately \$240,000 which is related to the remaining private contributions received that are restricted for future beach restoration projects.

E. Commitments and Contingencies

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2015.

In February 2015, the City entered into a contract to purchase a custom made rescue truck for approximately \$353,000.

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

F. Litigation

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



Required Supplementary Information

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

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

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 4,180,187	4,180,187	4,178,401	\$ (1,786)
Local Option Sales Tax	600,000	600,000	675,906	75,906
Intergovernmental	273,060	273,060	289,300	16,240
Licenses and Permits	2,625,400	2,625,400	3,341,947	716,547
Fines and Forfeitures	108,000	108,000	118,338	10,338
Interest	6,724	6,724	9,306	2,582
Revenues From Use of Properties (Marina excluded)	406,000	406,000	446,606	40,606
Other Revenues	290,300	290,300	278,900	(11,400)
TOTAL REVENUES	8,489,671	8,489,671	9,338,704	849,033
EXPENDITURES				
General Government:				
Mayor and Council	85,238	85,238	85,721	483
Administration	713,148	713,148	659,755	(53,393)
Judicial and Legal	234,070	234,070	270,994	36,924
Public Safety:				
Police Department	2,461,496	2,461,496	2,375,238	(86,258)
Fire Department	2,763,511	2,763,511	2,848,890	85,379
Building, Planning, and Engineering	355,055	355,055	330,702	(24,353)
Public Works	1,125,642	1,125,642	1,072,152	(53,490)
Recreation:				
Recreation Department	794,378	794,378	764,465	(29,913)
Recreation Programs	92,750	92,750	82,139	(10,611)
Non-Departmental:				
Parking Meters	65,295	65,295	48,432	(16,863)
Debt Service:				
Principal	453,000	453,000	474,000	21,000
Payment to Refunded Bond Escrow Agent	-	-	1,500,000	1,500,000
Interest	293,116	293,116	286,314	(6,802)
TOTAL EXPENDITURES	9,436,699	9,436,699	10,798,802	1,362,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(947,028)	(947,028)	(1,460,098)	(513,070)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,203,566	1,203,566	1,166,769	(36,797)
Transfers Out	(380,244)	(380,244)	(1,205,244)	(825,000)
Issuance of Refunding General Obligation Bond	-	-	1,500,000	1,500,000
TOTAL OTHER FINANCING SOURCES (USES)	823,322	823,322	1,461,525	638,203
NET CHANGES IN FUND BALANCES	(123,706)	(123,706)	1,427	125,133
FUND BALANCES, Beginning of Year	5,425,901	5,425,901	5,425,901	-
FUND BALANCES, End of Year	\$ 5,302,195	5,302,195	5,427,328	\$ 125,133

Note: The City's original and final budget for 2015 reflected the use of fund balance of \$123,706.

Note: The above schedule reflects the sale of capital assets of \$9,183 in revenues, but is reflected as an other financing source in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.

Note: The City issued a \$1,500,000 General Obligation Refunding Bond in 2015 to refund the City's 2003 General Obligation Bonds. The City did not reflect this expected issuance in their 2015 budget since the proceeds from the new bond less the amounts paid to refund the old bonds would net to zero. These amounts have been reflected gross for financial reporting purposes.

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, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Fee Revenue	\$ 858,000	858,000	1,010,882	\$ 152,882
County Accommodations Fee Revenue	430,925	430,925	479,813	48,888
Grant Income	-	-	6,000	6,000
Interest	1,560	1,560	1,612	52
TOTAL REVENUES	1,290,485	1,290,485	1,498,307	207,822
EXPENDITURES				
Current:				
General Government	80,030	80,030	83,866	3,836
Public Safety	67,033	67,033	26,689	(40,344)
Public Works	70,000	70,000	65,103	(4,897)
Recreation:				
Recreation Department	23,500	23,500	28,423	4,923
Non-Departmental:				
Public Restrooms	113,817	113,817	110,370	(3,447)
Capital Outlay	382,203	382,203	187,395	(194,808)
Debt Service:				
Principal	58,000	58,000	72,000	14,000
Interest	23,856	23,856	19,321	(4,535)
TOTAL EXPENDITURES	818,439	818,439	593,167	(225,272)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	472,046	472,046	905,140	433,094
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	4,024	4,024
Transfers Out	(565,343)	(565,343)	(533,431)	31,912
Sale of Capital Assets	13,000	13,000	2,108	(10,892)
TOTAL OTHER FINANCING SOURCES (USES)	(552,343)	(552,343)	(527,299)	25,044
NET CHANGES IN FUND BALANCES	(80,297)	(80,297)	377,841	458,138
FUND BALANCES, Beginning of Year	1,138,312	1,138,312	1,138,312	-
FUND BALANCES, End of Year	\$ 1,058,015	1,058,015	1,516,153	\$ 458,138

Note: The City's original and final budget for 2015 reflected the use of fund balance of \$80,297.

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, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Accommodations Tax Revenue	\$ 1,462,000	1,462,000	1,623,784	\$ 161,784
Interest	2,100	2,100	2,980	880
Other	5,000	5,000	1,600	(3,400)
TOTAL REVENUES	1,469,100	1,469,100	1,628,364	159,264
EXPENDITURES				
Current:				
General Government	617,950	617,950	610,573	(7,377)
Public Safety	39,634	39,634	5,712	(33,922)
Public Works	11,000	11,000	5,798	(5,202)
Recreation:				
Recreation Department	48,000	48,000	33,586	(14,414)
Non-Departmental:				
Public Restrooms	156,404	156,404	157,090	686
Capital Outlay	207,003	207,003	125,611	(81,392)
TOTAL EXPENDITURES	1,079,991	1,079,991	938,370	(141,621)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	389,109	389,109	689,994	300,885
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	4,024	4,024
Transfers Out	(554,213)	(554,213)	(549,328)	4,885
Sale of Capital Assets	23,500	23,500	7,383	(16,117)
TOTAL OTHER FINANCING SOURCES (USES)	(530,713)	(530,713)	(537,921)	(7,208)
NET CHANGES IN FUND BALANCES	(141,604)	(141,604)	152,073	293,677
FUND BALANCES, Beginning of Year	1,698,246	1,698,246	1,698,246	-
FUND BALANCES, End of Year	\$ 1,556,642	1,556,642	1,850,319	\$ 293,677

Note: The City's original and final budget for 2015 reflected the use of fund balance of \$141,604.

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, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Hospitality Taxes	\$ 600,000	600,000	686,537	\$ 86,537
Interest	500	500	456	(44)
TOTAL REVENUES	600,500	600,500	686,993	86,493
EXPENDITURES				
Current:				
Public Safety	115,933	115,933	65,678	(50,255)
Building, Planning, and Engineering	1,150	1,150	349	(801)
Public Works	69,000	69,000	73,830	4,830
Capital Outlay	154,000	154,000	65,700	(88,300)
Debt Service:				
Principal	99,000	99,000	99,000	-
Interest	61,526	61,526	61,526	-
TOTAL EXPENDITURES	500,609	500,609	366,083	(134,526)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	99,891	99,891	320,910	221,019
OTHER FINANCING SOURCES (USES)				
Transfers Out	(356,936)	(356,936)	(229,436)	127,500
TOTAL OTHER FINANCING SOURCES (USES)	(356,936)	(356,936)	(229,436)	127,500
NET CHANGES IN FUND BALANCES	(257,045)	(257,045)	91,474	348,519
FUND BALANCES, Beginning of Year	421,860	421,860	421,860	-
FUND BALANCES, End of Year	\$ 164,815	164,815	513,334	\$ 348,519

Note: The City's original and final budget for 2015 reflected the use of fund balance of \$257,045.

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, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ 664,316	664,316	847,004	\$ 182,688
Interest	255	255	63	(192)
TOTAL REVENUES	664,571	664,571	847,067	182,496
EXPENDITURES				
Current:				
General Government	17,650	17,650	31,250	13,600
Non-Departmental	1,265,000	1,265,000	1,015,817	(249,183)
TOTAL EXPENDITURES	1,282,650	1,282,650	1,047,067	(235,583)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(618,079)	(618,079)	(200,000)	418,079
OTHER FINANCING SOURCES (USES)				
Transfers In	200,000	200,000	200,000	-
TOTAL OTHER FINANCING SOURCES (USES)	200,000	200,000	200,000	-
NET CHANGES IN FUND BALANCES	(418,079)	(418,079)	-	418,079
FUND BALANCES, Beginning of Year	-	-	-	-
FUND BALANCES, End of Year	\$ (418,079)	(418,079)	-	\$ 418,079

Note: The City's original and final budget for 2015 reflected expenditures in excess of revenues of \$418,079.

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
SCHEDULE OF THE CITY OF ISLE OF PALMS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
City of Isle of Palms' Proportion of the Net Pension Liability	0.01891%	0.01891%
City of Isle of Palms' Proportionate Share of the Net Pension Liability	\$ 3,255,503	\$ 3,391,600
City of Isle of Palms' Covered-Employee Payroll	\$ 1,718,609	\$ 1,738,330
City of Isle of Palms' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.43%	195.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year. Only two years of information was readily available.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF ISLE OF PALMS' CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 190,452	\$ 181,973
Contributions in Relation to the Contractually Required Contribution	190,452	181,973
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' Covered-Employee Payroll	\$ 1,747,268	\$ 1,718,609
Contributions as a Percentage of Covered-Employee Payroll	10.90%	10.59%

Notes to Schedule:

Only two years of information was readily available.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY OF ISLE OF PALMS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
City of Isle of Palms' Proportion of the Net Pension Liability	0.21030%	0.21030%
City of Isle of Palms' Proportionate Share of the Net Pension Liability	\$ 4,025,983	\$ 4,359,399
City of Isle of Palms' Covered-Employee Payroll	\$ 2,526,375	\$ 2,335,036
City of Isle of Palms' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	159.36%	186.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.
Only two years of information was readily available.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF ISLE OF PALMS' CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 375,863	\$ 324,766
Contributions in Relation to the Contractually Required Contribution	375,863	324,766
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' Covered-Employee Payroll	\$ 2,802,857	\$ 2,526,375
Contributions as a Percentage of Covered-Employee Payroll	13.41%	12.86%

Notes to Schedule:

Only two years of information was readily available.

Supplementary Information

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

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

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

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, 2015

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
ASSETS		
Cash and Cash Equivalents	\$ -	-
Cash and Cash Equivalents - Restricted	8,852	17,570
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 8,852</u>	<u>17,570</u>
FUND BALANCES		
Restricted	\$ 8,852	17,570
Assigned	-	-
TOTAL FUND BALANCES	<u>\$ 8,852</u>	<u>17,570</u>

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
-	21,076	-	\$ 21,076
12,245	-	63,238	101,905
2,980	60	-	3,040
15,225	21,136	63,238	\$ 126,021
15,225	-	-	\$ 41,647
-	21,136	63,238	84,374
15,225	21,136	63,238	\$ 126,021

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, 2015

	FEDERAL NARCOTICS FUND	STATE NARCOTICS FUND
REVENUES		
Fines and Forfeitures	\$ -	-
Interest	1	2
Other	-	-
TOTAL REVENUES	1	2
EXPENDITURES		
Current:		
General Government	-	-
Public Safety	39	39
Recreation	-	-
TOTAL EXPENDITURES	39	39
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38)	(37)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	(38)	(37)
FUND BALANCES, Beginning of Year	8,890	17,607
FUND BALANCES, End of Year	\$ 8,852	17,570

VICTIMS' ASSISTANCE FUND	AISLE OF PALMS FUND	RECREATION BUILDING FUND	TOTAL NON-MAJOR FUNDS
13,790	-	-	\$ 13,790
2	-	7	12
-	630	15,906	16,536
13,792	630	15,913	30,338
-	460	-	460
938	-	-	1,016
-	-	51,359	51,359
938	460	51,359	52,835
12,854	170	(35,446)	(22,497)
-	-	3,000	3,000
(14,000)	-	-	(14,000)
(14,000)	-	3,000	(11,000)
(1,146)	170	(32,446)	(33,497)
16,371	20,966	95,684	159,518
15,225	21,136	63,238	\$ 126,021

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
PROPERTY TAXES	\$ 4,180,187	4,178,401	\$ (1,786)
LOCAL OPTION SALES TAX	600,000	675,906	75,906
INTERGOVERNMENTAL			
State Aid to Subdivisions	89,000	90,470	1,470
State Accommodations Tax Administrative Fee	102,000	110,462	8,462
State Shared Funds - Alcohol	38,000	44,400	6,400
Intergovernmental Transfers	44,060	43,968	(92)
Total Intergovernmental	<u>273,060</u>	<u>289,300</u>	<u>16,240</u>
LICENSES AND PERMITS			
Business Licenses	846,000	1,095,340	249,340
Residential Rental Licenses	489,000	510,985	21,985
Insurance Licenses	604,000	628,465	24,465
Public Utilities	484,000	805,630	321,630
Building Permits	169,000	276,644	107,644
Telecommunication Licenses	30,000	21,678	(8,322)
Alarm Permits	1,300	1,295	(5)
Animal Licenses	2,100	1,910	(190)
Total Licenses and Permits	<u>2,625,400</u>	<u>3,341,947</u>	<u>716,547</u>
FINES AND FORFEITURES	<u>108,000</u>	<u>118,338</u>	<u>10,338</u>
INTEREST			
Interest Income	6,724	9,306	2,582
Total Interest	<u>6,724</u>	<u>9,306</u>	<u>2,582</u>
REVENUES FROM USE OF PROPERTIES			
Parking Lot Revenue	175,000	185,580	10,580
Parking Meter Revenue	231,000	261,026	30,026
Total Revenues From Use of Properties	<u>406,000</u>	<u>446,606</u>	<u>40,606</u>
OTHER REVENUES			
Recreation Program Income	118,100	96,427	(21,673)
Recreation Instructors Income	\$ 165,000	152,534	\$ (12,466)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OTHER REVENUES (CONTINUED)			
Sale of Assets	\$ 3,500	9,183	\$ 5,683
Miscellaneous	1,000	15,492	14,492
Cart Purchase Revenue	2,200	3,675	1,475
Boat Ramp Fees	400	1,500	1,100
Kennel Fees	100	89	(11)
Total Other Revenues	<u>290,300</u>	<u>278,900</u>	<u>(11,400)</u>
TOTAL REVENUES	<u>\$ 8,489,671</u>	<u>9,338,704</u>	<u>\$ 849,033</u>
EXPENDITURES			
GENERAL GOVERNMENT			
<u>Mayor and Council:</u>			
Salaries	\$ 17,000	17,000	\$ -
Payroll Taxes	1,301	1,301	-
Retirement	1,363	1,366	3
Group Health Insurance	49,557	48,329	(1,228)
Workers Compensation	239	255	16
Membership and Dues	50	-	(50)
Print and Office Supplies	200	172	(28)
Meetings and Seminars	5,000	9,132	4,132
Vehicle, Fuel, and Oil	500	143	(357)
Telephone	1,000	1,056	56
Insurance	2,028	1,925	(103)
Miscellaneous and Contingency	4,500	3,619	(881)
Citizens and Employee Services	2,500	1,423	(1,077)
Total Mayor and Council	<u>85,238</u>	<u>85,721</u>	<u>483</u>
<u>Administration:</u>			
Salaries - Supervisors	340,821	347,914	7,093
Salaries - Employees	10,224	9,425	(799)
Payroll Taxes	26,855	26,365	(490)
Retirement	38,264	39,340	1,076
Group Health Insurance	30,452	29,636	(816)
Workers Compensation	2,779	3,775	996
Print and Office Supplies	10,800	10,609	(191)
Bank Service Charges	5,000	5,632	632
Membership and Dues	4,435	4,446	11
Membership and Seminars	5,000	3,986	(1,014)
Vehicle, Fuel, and Oil	\$ 2,900	1,686	\$ (1,214)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
GENERAL GOVERNMENT (CONTINUED)			
<u>Administration (continued):</u>			
Electric and Gas	\$ 3,900	4,726	\$ 826
Telephone and Cable	8,628	8,077	(551)
Water and Sewer	2,000	1,691	(309)
Noncapital Tools and Equipment	1,250	589	(661)
Maintenance and Service Contracts	32,785	20,280	(12,505)
Machine and Equipment Repair	1,000	367	(633)
Cleaning and Sanitary Supplies	2,000	1,736	(264)
Medical and Lab	800	600	(200)
Advertising	5,500	6,352	852
Insurance	16,269	12,218	(4,051)
Rent and Leases	8,550	9,452	902
Employee Training	10,000	2,024	(7,976)
Professional Services	117,086	91,229	(25,857)
Election Expenses	3,500	-	(3,500)
Miscellaneous	22,350	17,600	(4,750)
Total Administration	<u>713,148</u>	<u>659,755</u>	<u>(53,393)</u>
<u>Judicial and Legal:</u>			
Salaries - Full-time	56,302	57,643	1,341
Salaries - Overtime	1,304	2,755	1,451
Salaries - Part-time	18,000	16,242	(1,758)
Payroll Taxes	5,784	5,863	79
Retirement	8,241	8,359	118
Group Health Insurance	5,992	5,833	(159)
Workers Compensation	258	380	122
Print and Office Supplies	4,000	3,315	(685)
Membership and Dues	200	120	(80)
Membership and Seminars	800	239	(561)
Telephone and Cable	3,480	2,738	(742)
Maintenance and Service Contracts	3,800	3,851	51
Insurance	509	197	(312)
Employee Training	2,000	403	(1,597)
Professional Services	122,000	161,817	39,817
Non-capital Tools & Equipment	800	770	(30)
Miscellaneous and Contingency	600	469	(131)
Total Judicial and Legal	<u>234,070</u>	<u>270,994</u>	<u>36,924</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 1,032,456</u>	<u>1,016,470</u>	<u>\$ (15,986)</u>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY			
<u>Police Department:</u>			
Salaries - Supervisors	\$ 1,223,795	1,173,412	\$ (50,383)
Salaries - Employees	91,547	102,912	11,365
Payroll Taxes	100,624	97,621	(3,003)
Retirement	169,691	167,768	(1,923)
Group Health Insurance	188,610	181,121	(7,489)
Workers Compensation	30,186	34,579	4,393
Print and Office Supplies	14,000	12,484	(1,516)
Membership and Dues	1,500	1,459	(41)
Membership and Seminars	1,500	181	(1,319)
Vehicle, Fuel, and Oil	124,058	98,338	(25,720)
Vehicle Maintenance	38,000	51,631	13,631
Electric and Gas	29,000	30,916	1,916
Telephone and Cable	40,908	43,016	2,108
Water and Sewer	6,000	3,687	(2,313)
Noncapital Tools and Equipment	1,500	1,234	(266)
Maintenance and Service Contracts	56,721	51,092	(5,629)
Machine and Equipment Repair	8,500	9,107	607
Uniforms	18,715	19,104	389
Cleaning and Sanitary Supplies	1,750	1,692	(58)
Medical and Lab	4,000	3,637	(363)
Insurance	37,124	17,432	(19,692)
Rent and Leases	2,400	2,084	(316)
Employee Training	8,980	9,383	403
Professional Services	5,500	4,791	(709)
Contracted Services	252,637	252,637	-
Miscellaneous and Contingency	3,250	2,861	(389)
Canine Kennel Expenses	1,000	1,059	59
Total Police Department	<u>2,461,496</u>	<u>2,375,238</u>	<u>(86,258)</u>
<u>Fire Department:</u>			
Salaries - Supervisors	1,465,862	1,517,354	51,492
Salaries - Employees	247,871	291,727	43,856
Salaries - Part Time	23,147	7,418	(15,729)
Payroll Taxes	132,871	137,082	4,211
Retirement	232,246	246,263	14,017
Group Health Insurance	241,106	245,539	4,433
Workers Compensation	41,493	45,085	3,592
Unemployment Compensation	\$ -	852	\$ 852

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
PUBLIC SAFETY (CONTINUED)			
<u>Fire Department: (Continued)</u>			
Print and Office Supplies	\$ 6,500	4,055	\$ (2,445)
Membership and Dues	2,000	1,082	(918)
Membership and Seminars	500	140	(360)
Vehicle, Fuel, and Oil	28,475	24,339	(4,136)
Vehicle Maintenance	50,000	62,178	12,178
Electric and gas	44,000	45,355	1,355
Telephone and Cable	47,184	47,531	347
Water and Sewer	10,000	8,823	(1,177)
Noncapital Tools and Equipment	4,700	5,486	786
Maintenance and Service Contracts	47,199	46,243	(956)
Machine and Service Repairs	10,000	7,334	(2,666)
Uniforms	22,500	19,471	(3,029)
Cleaning and Sanitary Supplies	4,000	4,049	49
Medical and Lab	15,000	16,946	1,946
Insurance	52,857	36,776	(16,081)
Rent and Leases	3,500	1,838	(1,662)
Employee Training	17,000	13,534	(3,466)
Professional Services	4,000	4,786	786
Miscellaneous and Contingency	5,500	6,825	1,325
Volunteer Point Allocation	4,000	779	(3,221)
Total Fire Department	<u>2,763,511</u>	<u>2,848,890</u>	<u>85,379</u>
TOTAL PUBLIC SAFETY	<u>5,225,007</u>	<u>5,224,128</u>	<u>(879)</u>
BUILDING, PLANNING, AND ENGINEERING			
Salaries - Supervisors	217,376	217,198	(178)
Salaries - Employees	1,229	10	(1,219)
Payroll Taxes	16,723	15,972	(751)
Retirement	23,828	24,058	230
Group Health Insurance	32,798	31,974	(824)
Workers Compensation	1,763	2,030	267
Print and Office Supplies	12,500	10,495	(2,005)
Membership and Dues	1,000	655	(345)
Membership and Seminars	1,000	394	(606)
Vehicle, Fuel, and Oil	5,313	4,320	(993)
Vehicle Maintenance	1,000	313	(687)
Electric and Gas	3,900	4,726	826
Telephone and Cable	\$ 5,040	4,252	\$ (788)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING, PLANNING, AND ENGINEERING (CONTINUED)			
Water and Sewer	\$ 1,800	1,511	\$ (289)
Non-Capital Tools & Equipment	300	27	(273)
Maintenance and Service Contracts	6,000	5,879	(121)
Machine and Equipment Repair	500	228	(272)
Uniforms	500	417	(83)
Cleaning and Sanitary Supplies	500	393	(107)
Medical and Lab	100	44	(56)
Insurance	5,085	2,816	(2,269)
Rent and Leases	3,500	(27)	(3,527)
Employee Training	1,300	1,189	(111)
Professional Services	11,500	1,537	(9,963)
Miscellaneous and Contingency	500	291	(209)
TOTAL BUILDING, PLANNING AND ENGINEERING	355,055	330,702	(24,353)
PUBLIC WORKS			
Salaries - Supervisors	460,687	456,161	(4,526)
Salaries - Employees	3,002	3,544	542
Payroll Taxes	35,472	34,609	(863)
Retirement	50,542	50,671	129
Group Health Insurance	65,366	63,619	(1,747)
Workers Compensation	16,215	17,812	1,597
Print and Office Supplies	1,000	849	(151)
Bank Service Charges	30	-	(30)
Membership and Dues	450	55	(395)
Meetings and Seminars	300	400	100
Vehicle, Fuel, and Oil	96,120	71,217	(24,903)
Vehicle Maintenance	85,000	75,215	(9,785)
Electric and Gas	76,000	77,122	1,122
Telephone and Cable	10,188	10,372	184
Water and Sewer	3,500	781	(2,719)
Noncapital Tools and Equipment	2,500	1,879	(621)
Maintenance and Service Contracts	3,000	2,758	(242)
Machine and Equipment Repair	4,000	2,965	(1,035)
Uniforms	6,000	5,989	(11)
Cleaning and Sanitary Supplies	3,000	1,903	(1,097)
Storm Preparation & Cleanup	3,000	-	(3,000)
Medical and Lab	3,250	3,661	411
Street Signs	4,000	3,550	(450)
Insurance	\$ 18,785	12,432	\$ (6,353)

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
PUBLIC WORKS (CONTINUED)			
Employee Training	\$ 400	63	\$ (337)
Rent and Leases	-	129	129
Professional Services	1,000	1,625	625
Temporary Labor	169,335	170,823	1,488
Contracted Services	2,500	300	(2,200)
Miscellaneous and Contingency	1,000	484	(516)
Garbage Cart - Procurement	-	1,164	1,164
TOTAL PUBLIC WORKS	<u>1,125,642</u>	<u>1,072,152</u>	<u>(53,490)</u>
RECREATION			
<u>Recreation Department:</u>			
Salaries - Supervisors	317,090	308,999	(8,091)
Salaries - Employees	7,292	5,367	(1,925)
Salaries - Part Time	187,555	186,713	(842)
Payroll Taxes	39,163	35,972	(3,191)
Retirement	38,083	37,345	(738)
Group Health Insurance	49,287	45,282	(4,005)
Workers Compensation	6,126	7,627	1,501
Print and Office Supplies	9,500	9,313	(187)
Membership and Dues	1,600	1,618	18
Membership and Seminars	2,000	1,954	(46)
Vehicle, Fuel, and Oil	5,613	3,692	(1,921)
Vehicle Maintenance	2,000	1,013	(987)
Electric and Gas	36,000	36,869	869
Telephone and Cable	12,336	12,105	(231)
Water and Sewer	4,000	3,704	(296)
Noncapital Tools and Equipment	1,800	2,169	369
Maintenance and Service Contracts	32,585	33,765	1,180
Machine and Equipment Repair	2,500	2,189	(311)
Uniforms	1,950	1,836	(114)
Cleaning and Sanitary Supplies	4,250	4,948	698
Medical and Lab	800	650	(150)
Insurance	23,233	13,266	(9,967)
Rent and Leases	3,700	3,809	109
Employee Training	2,300	955	(1,345)
Professional Services	115	115	-
Miscellaneous and Contingency	3,500	3,190	(310)
Total Recreation Department	<u>\$ 794,378</u>	<u>764,465</u>	<u>\$ (29,913)</u>

(Continued)

CITY OF ISLE OF PALMS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
RECREATION (CONTINUED)			
<u>Recreation Programs:</u>			
Four Year Old Play Group	\$ 750	729	\$ (21)
Gymnastics	2,500	2,127	(373)
Special Activities	20,500	15,877	(4,623)
Day Camp	14,000	16,040	2,040
Karate	2,000	1,447	(553)
Aerobics	6,000	1,904	(4,096)
Adult Sports	14,000	12,656	(1,344)
Youth Sports	30,000	28,639	(1,361)
Keenagers	3,000	2,720	(280)
Total Recreation Programs	<u>92,750</u>	<u>82,139</u>	<u>(10,611)</u>
TOTAL RECREATION	<u>887,128</u>	<u>846,604</u>	<u>(40,524)</u>
NON-DEPARTMENTAL			
Parking Meters			
Salaries - Overtime	-	44	44
Salaries - Part Time	60,000	44,594	(15,406)
Payroll Taxes	4,590	3,414	(1,176)
Workers Compensation	705	380	(325)
Total Parking Meters	<u>65,295</u>	<u>48,432</u>	<u>(16,863)</u>
TOTAL NON-DEPARTMENTAL	<u>65,295</u>	<u>48,432</u>	<u>(16,863)</u>
DEBT SERVICE			
Principal	453,000	474,000	21,000
Payment to Refunded Bond Escrow Agent	-	1,500,000	1,500,000
Interest	293,116	286,314	(6,802)
TOTAL DEBT SERVICE	<u>746,116</u>	<u>2,260,314</u>	<u>1,514,198</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 9,436,699</u>	<u>10,798,802</u>	<u>\$ 1,362,103</u>

Note: The City issued a \$1,500,000 General Obligation Refunding Bond in 2015 to refund the City's 2003 General Obligation Bonds. The City did not reflect this expected issuance in their 2015 budget since the proceeds from the new bond less the amounts paid to refund the old bonds would net to zero. These amounts have been reflected gross for financial reporting purposes.

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES BY TYPE - ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	GENERAL GOVERNMENT		
	MAYOR AND COUNCIL	ADMIN- ISTRATION	JUDICIAL AND LEGAL
Salaries - Full-time	\$ 17,000	347,914	57,643
Salaries - Overtime	-	9,425	2,755
Salaries - Part Time	-	-	16,242
Payroll Taxes	1,301	26,365	5,863
Retirement	1,366	39,340	8,359
Group Health Insurance	48,329	29,636	5,833
Workers Compensation	255	3,775	380
Unemployment Compensation	-	-	-
Print and Office Supplies	172	10,609	3,315
Membership and Dues	-	4,446	120
Meeting and Seminars	9,132	3,986	239
Vehicle, Fuel, and Oil	143	1,686	-
Vehicle Maintenance	-	-	-
Electric and gas	-	4,726	-
Telephone and Cable	1,056	8,077	2,738
Water and Sewer	-	1,691	-
Noncapital Tools and Equipment	-	589	770
Maintenance and Service Contract	-	20,280	3,851
Machine and Equipment Repair	-	367	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,736	-
Medical and Lab	-	600	-
Street Signs	-	-	-
Insurance	1,925	12,218	197
Rent and Leases	-	9,452	-
Advertising	-	6,352	-
Employee Training	-	2,024	403
Professional Services	-	91,229	161,817
Temporary Labor	-	-	-
Contracted Services	-	-	-
Miscellaneous and Contingency	3,619	17,600	469
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	1,423	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Bank Service Charges	-	5,632	-
TOTAL DEPARTMENTAL EXPENDITURES	\$ 85,721	659,755	270,994

PUBLIC SAFETY		BUILDING,	PUBLIC		NON DEPART-	
POLICE	FIRE	PLANNING AND	WORKS		MENTAL	
DEPARTMENT	DEPARTMENT	ENGINEERING	DEPARTMENT	RECREATION	PARKING	TOTAL
					METERS	
1,173,412	1,517,354	217,198	456,161	308,999	-	\$ 4,095,681
102,912	291,727	10	3,544	5,367	44	415,784
-	7,418	-	-	186,713	44,594	254,967
97,621	137,082	15,972	34,609	35,972	3,414	358,199
167,768	246,263	24,058	50,671	37,345	-	575,170
181,121	245,539	31,974	63,619	45,282	-	651,333
34,579	45,085	2,030	17,812	7,627	380	111,923
-	852	-	-	-	-	852
12,484	4,055	10,495	849	9,313	-	51,292
1,459	1,082	655	55	1,618	-	9,435
181	140	394	400	1,954	-	16,426
98,338	24,339	4,320	71,217	3,692	-	203,735
51,631	62,178	313	75,215	1,013	-	190,350
30,916	45,355	4,726	77,122	36,869	-	199,714
43,016	47,531	4,252	10,372	12,105	-	129,147
3,687	8,823	1,511	781	3,704	-	20,197
1,234	5,486	27	1,879	2,169	-	12,154
51,092	46,243	5,879	2,758	33,765	-	163,868
9,107	7,334	228	2,965	2,189	-	22,190
19,104	19,471	417	5,989	1,836	-	46,817
1,692	4,049	393	1,903	4,948	-	14,721
3,637	16,946	44	3,661	650	-	25,538
-	-	-	3,550	-	-	3,550
17,432	36,776	2,816	12,432	13,266	-	97,062
-	-	-	129	-	-	9,581
2,084	1,838	(27)	-	3,809	-	14,056
9,383	13,534	1,189	63	955	-	27,551
4,791	4,786	1,537	1,625	115	-	265,900
-	-	-	170,823	-	-	170,823
252,637	-	-	300	-	-	252,937
2,861	6,825	291	484	3,190	-	35,339
-	779	-	-	-	-	779
-	-	-	-	-	-	1,423
1,059	-	-	-	-	-	1,059
-	-	-	-	82,139	-	82,139
-	-	-	1,164	-	-	1,164
-	-	-	-	-	-	5,632
<u>2,375,238</u>	<u>2,848,890</u>	<u>330,702</u>	<u>1,072,152</u>	<u>846,604</u>	<u>48,432</u>	<u>8,538,488</u>
					Debt Service	2,260,314
						<u>\$ 10,798,802</u>

CITY OF ISLE OF PALMS, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2015

Court Fines

Court Fines Collected	\$ 118,338
Court Fines Retained by the City	(118,338)
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

Court Assessments

Court Assessments Collected	\$ 64,032
Total Court Assessments Remitted to the State Treasurer	<u><u>\$ 64,032</u></u>

Court Surcharges

Court Surcharges Collected	\$ 38,389
Total Court Surcharges Remitted to the State Treasurer	<u><u>\$ 38,389</u></u>

Court Pullouts

Court Pullouts Collected	\$ 1,700
Total Court Pullouts Remitted to the State Treasurer	<u><u>\$ 1,700</u></u>

Victims' Assistance Fund

Funds Available for Carryforward, Beginning of Year	\$ 16,371
Court Assessments and Surcharges Allocated to Victims' Assistance Fund	13,790
Interest Earned	2
Victims' Assistance Fund Expenditures	(938)
Victims' Assistance Transfers Out	(14,000)
Funds Available for Carryforward, End of Year	<u><u>\$ 15,225</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, 2015, 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 1, 2015.

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.

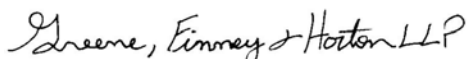
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 1, 2015