



# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 1, 2015

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

We have audited 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 (the "City") for the year ended June 30, 2015 ("2015"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements.

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.

Except for the above, no new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the City's financial statements were:

Management's estimates of the useful lives of capital assets and the resulting depreciation expense are based on historical data and industry standards. Management's estimate of the property taxes receivable and allowance for uncollectible property taxes is based on information provided by the County and historical collection rates. Management's estimates of the net pension liabilities and deferred outflows/inflows of resources are based on the state's actuarial valuation (the actuarial valuation assumptions are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by an independent actuary. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that may or may not cause future financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, a schedule of all adjusting and reporting journal entries is attached, including those prepared by the City as part of their closing process after we obtained the initial trial balance.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 1, 2015.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedules, and the pension schedules, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI

We were engaged to report on the supplementary information, as listed in the table of contents, which accompanies the financial statements but is not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended for the use of the Mayor, City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP  
Certified Public Accountants



10/3/2015 8:48AM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
AJE 1	Posted	040.3450.4120 040.2020.2001	VFD 1% REBATE ACCOUNTS PAYABLE		3,220.81	3,220.81
To record the Volunteer Fire Department's payable to Chas County as of June 30, 2015. (client provided)						
AJE 2	Posted	020.4440.5085 020.2020.2001	CAPITAL OUTLAY ACCOUNTS PAYABLE		26,557.00	26,557.00
To reclassify Explorer to FY15. (client provided)						
AJE 3	Posted	020.4440.5085 020.2020.2001	CAPITAL OUTLAY ACCOUNTS PAYABLE		482.83	482.83
To reclassify stripping Explorer to FY15. (client provided)						
AJE 4	Posted	010.1050.1104 010.3100.4002	TAXES RECEIVABLE - LOST LOCAL OPTION SALES TAX		82,715.26	82,715.26
To record the June 2015 LOST accounts receivable. (client provided)						
AJE 5	Posted	030.4820.5026 030.4820.5085	MAINT & SERVICE CONTRACTS CAPITAL OUTLAY		6,042.73	6,042.73
To reclassify playground repairs to maintenance. (client provided)						
AJE 6	Posted	010.1300.1206 010.3900.4901 030.3900.5901 030.2080.2304	DUE FROM ACCOM FEE FUND OPERATING TRANSFERS IN OPERATING TRANSFERS OUT DUE TO GENERAL FUND		9,072.45 9,072.45	9,072.45 9,072.45
To record a final transfer from the Municipal ATAX Fund to the General Fund for the Public Works Temp and Fuel expense.						
AJE 7	Posted	020.4440.5025 020.4440.5085	NON-CAPITAL TOOLS & EQUIPMENT CAPITAL OUTLAY		5,603.74	5,603.74
To reclassify items < \$5k to non-capital outlay. (client provided)						
AJE 8	Posted	010.3900.5901 010.2080.2301 010.2080.2305 020.1300.1201 020.3900.4901 060.1300.1201 060.3900.4901	OPERATING TRANSFERS OUT DUE TO CAPITAL PROJECTS DUE TO DISASTER RECOVERY RSV FUND DUE FROM GENERAL FUND OPERATING TRANSFERS IN DUE FROM GENERAL FUND OPERATING TRANSFERS IN		900,000.00 825,000.00 75,000.00 825,000.00 75,000.00	825,000.00 75,000.00 825,000.00 75,000.00
To record final transfer of FY15 General Fund surplus to Capital Projects and Disaster Recovery Funds.						
AJE 9	Posted	010.3500.4512 010.4415.5009	BOND PROCEEDS DEBT SERVICE - PRINCIPAL		1,500,000.00	1,500,000.00
To record bond proceeds from the 2015 GOB and subsequent refunding of the 2003 GOB (for financial reporting purposes).						
TOTALS					<u>3,442,767.27</u>	<u>3,442,767.27</u>

CITY OF ISLE OF PALMS  
Journal Entries Report : Reclassifying Entries  
June 30, 2015

10/3/2015 8:48AM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit	
RJE 1	Posted	RE 010.9999.0031	REPORTING - DEFERRED REVENUE	GASB 34	47,976.00		
		010.9999.0060	REPORTING - PROPERTY TAX REVENUE				
		010.9999.0025	REPORTING - UNRESTRICTED NET ASSETS				47,976.00
		To record the change in property taxes receivable for GASB #34 purposes.					
RJE 2	Posted	RE 010.9999.0004	REPORTING - CAPITAL ASSETS GROSS	GASB 34	19,195,572.00		
		010.9999.0026	REPORTING - INVESTED CAPITAL ASSETS NET				19,195,572.00
		To record the beginning capital asset balances for governmental activities for GASB #34 purposes.					
RJE 3	Posted	RE 010.9999.0004	REPORTING - CAPITAL ASSETS GROSS	GASB 34	555,315.00		
		010.9999.0410	REPORTING - CAPITAL OUTLAY GENERAL GOVER				102,985.00
		010.9999.0421	REPORTING - CAPITAL OUTLAY PUBLIC SAFETY				198,500.00
		010.9999.0431	REPORTING - CAPITAL OUTLAY STREETS				
		010.9999.0432	REPORTING - CAPITAL OUTLAY SANITATION				239,418.00
		010.9999.0450	REPORTING - CAPITAL OUTLAY RECREATION				14,412.00
		To record the current year additions to capital assets for governmental activities for GASB #34 purposes.					
RJE 4	Posted	RE 010.9999.0411	REPORTING - DEPRECIATION GENERAL GOVERNMENT	GASB 34	134,017.00		
		010.9999.0422	REPORTING - DEPRECIATION PUBLIC SAFETY				785,402.00
		010.9999.0430	REPORTING - DEPRECIATION STREETS				18,503.00
		010.9999.0433	REPORTING - DEPRECIATION SANITATION				224,005.00
		010.9999.0451	REPORTING - DEPRECIATION RECREATION				210,943.00
		010.9999.0004	REPORTING - CAPITAL ASSETS GROSS				
		To record current year depreciation expense for governmental activities for GASB #34 purposes.					
RJE 5	Posted	RE 010.9999.0090	REPORTING - G/L ON DISPOSAL OF CAPITAL	GASB 34			
		010.9999.0004	REPORTING - CAPITAL ASSETS GROSS				
		To record disposals for capital assets for governmental activities for GASB #34 purposes.					
RJE 6	Posted	RE 010.9999.0025	REPORTING - UNRESTRICTED NET ASSETS	GASB 34	128,347.00		
		010.9999.0013	REPORTING - ACCRUED INTEREST PAYABLE				128,347.00
		010.9999.0077	REPORTING - INTEREST AND FISCAL CHARGES				10,302.00
		010.9999.0013	REPORTING - ACCRUED INTEREST PAYABLE				10,302.00
		To record the beginning balance of accrued interest as well as the net change in accrued interest for the current year for governmental activities for GASB #34 purposes.					
RJE 7	Posted	RE 010.9999.0026	REPORTING - INVESTED CAPITAL ASSETS NET	GASB 34	9,475,000.00		
		010.9999.0025	REPORTING - UNRESTRICTED NET ASSETS				332,231.00
		010.9999.0015	REPORTING - COMPENSATED ABSENCES				332,231.00
		010.9999.0011	REPORTING - DUE IN MORE THAN ONE YEAR				9,475,000.00
		010.9999.0008	REPORTING-DEFERRED PENSION CHARGES				506,739.00
		010.9999.0017	REPORTING-DEFERRED PENSION CREDITS				
		010.9999.0016	REPORTING-NET PENSION LIABILITY				7,750,999.00
		010.9999.0025	REPORTING - UNRESTRICTED NET ASSETS				7,244,260.00
		To record the beginning balance of long-term obligations for governmental activities for GASB #34 purposes.					
RJE 8	Posted	RE 010.9999.0011	REPORTING - DUE IN MORE THAN ONE YEAR	GASB 34	2,145,000.00		
		010.9999.0077	REPORTING - INTEREST AND FISCAL CHARGES				2,145,000.00
		To record current year principal payments made on long-term obligations for governmental activities for GASB #34 purposes.					

CITY OF ISLE OF PALMS  
Journal Entries Report : Reclassifying Entries  
June 30, 2015

10/3/2015 8:48AM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
RJE 9	Posted	RE 010.9999.0077	REPORTING - INTEREST AND FISCAL CHARGES	GASB 34	1,500,000.00	
		010.9999.0011	REPORTING - DUE IN MORE THAN ONE YEAR			1,500,000.00
		010.9999.0072	COMPENSATED ABSENCES & PENSION - GEN GOV		6,580.00	
		010.9999.0076	COMPENSATED ABSENCES & PENSION - PUB SAF		5,227.00	
		010.9999.0073	COMPENSATED ABSENCES & PENSION - BLD PLA		2,314.00	
		010.9999.0074	COMPENSATED ABSENCES & PENSION - PUB WRK			498.00
		010.9999.0075	COMPENSATED ABSENCES & PENSION - REC		645.00	
		010.9999.0015	REPORTING - COMPENSATED ABSENCES			2,741.00
		010.9999.0008	REPORTING-DEFERRED PENSION CHARGES		259,259.00	
		010.9999.0017	REPORTING-DEFERRED PENSION CREDITS			740,299.00
		010.9999.0016	REPORTING-NET PENSION LIABILITY		469,513.00	
To record any increases in long term obligations for borrowings, and increases/decreases for compensated absences and pension accounts.						
TOTALS					<u>43,257,150.00</u>	<u>43,257,150.00</u>