

City of Isle of Palms, South Carolina
Report on Financial Statements
Year Ended June 30, 2020





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City of Isle of Palms, South Carolina

List of Elected and Appointed Officials

For the Year Ended June 30, 2020

MAYOR

Jimmy Carroll

CITY COUNCIL MEMBERS

Randy Bell

Ryan Buckhannon

Kevin Popson

John Moyer

Phillip Pounds

Rusty Streetman

Susan Hill Smith

Jimmy Ward

APPOINTED OFFICIALS

City Administrator

City Treasurer

City Clerk

Clerk of Court

Building Official

Director of Building, Planning, and Zoning

Fire Chief

Chief of Police

Public Works Director

Recreation Director

Desirée Fragoso

Debbie Schimsa Suggs

Nicole DeNeane

Amy Wilkerson

William Seabrook

Douglas Kerr

Ann Graham

Kevin Cornett

Donnie Pitts

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Isle of Palms (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, on pages 3 – 13, 57 – 61, and 62 – 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and schedule of expenditures of federal awards, schedule of budget to actual detailed revenues and expenditures, schedule of expenditures by type, and schedule of fines, assessments, and surcharges, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McCay Kiddy LLC

Mount Pleasant, South Carolina
November 12, 2020

Required Supplementary Information (Unaudited)

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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, 2020 (FY 2020 or 2020) compared to fiscal year ended June 30, 2019 (FY 2019 or 2019). 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 \$33,518,000 (*net position*). Of this amount, approximately \$26,878,000 and \$6,639,000 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 \$2,679,000 for its governmental activities and approximately \$639,000 for its business-type activities.
- The City's total revenues of approximately \$16,579,000 exceeded total expenses of approximately \$13,921,000, resulting in an increase from the prior fiscal year of approximately \$2,658,000 in net position.
- At the close of 2020, the City's governmental funds reported combined ending fund balances of approximately \$20,244,000, an increase of approximately \$1,216,000 over the prior year's fund balances. Approximately 16% of the total fund balance, or roughly \$3,276,000, is available for spending at the City's discretion (*unassigned fund balance*).
- The City added capital assets of approximately \$3,725,000 during the current fiscal year. Capital asset additions included significant repairs to the Public Safety Building, drainage improvements, vehicles, a diesel generator, radios and equipment, and design costs associated with marina dock replacement. Capital asset additions were offset by depreciation expense of approximately \$1,664,000 and \$134,000 for governmental and business-type activities, respectively. As capital asset additions were more than depreciation expense for the year, total capital assets increased by approximately \$1,927,000 (7%) from FY 2019.
- The City's total debt remained consistent with the prior fiscal year due to proceeds from a capital lease offset by normally scheduled debt service payments.
- The City continues to hold an "Aa1" rating from Moody's.

OVERVIEW OF FINANCIAL STATEMENTS

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

Financial Statements

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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 nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Hospitality Tax Fund, and Beach Preservation Fee Fund – since they are considered major funds. Information from the other three (3) governmental funds is combined into aggregated presentations – non-major governmental funds. Individual fund data for each of these non-major governmental funds are provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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 1% of the premiums received by insurance companies. Agency funds are custodial in nature and do not present results of operations. The financial statement of the fiduciary fund can be found as listed in the table of contents.

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

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

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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, 2020 compared to June 30, 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$ 21,788,949	\$ 20,304,946	\$ 668,478	\$ 700,045	\$ 22,457,427	\$ 21,004,991
Capital Assets, Net	22,472,906	20,534,808	5,999,932	6,011,213	28,472,838	26,546,021
Total Assets	44,261,855	40,839,754	6,668,410	6,711,258	50,930,265	47,551,012
Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	1,687,449	2,227,488	-	-	1,687,449	2,227,488
Liabilities						
Long-Term Obligations	6,407,389	6,370,580	-	-	6,407,389	6,370,580
Net Pension Liability	10,656,580	11,126,593	-	-	10,656,580	11,126,593
Other Liabilities	1,463,603	1,251,913	29,037	80,498	1,492,640	1,332,411
Total Liabilities	18,527,572	18,749,086	29,037	80,498	18,556,609	18,829,584
Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	532,195	78,014	-	-	532,195	78,014
Unearned Revenue	11,371	11,371	-	-	11,371	11,371
Total Deferred Inflows of Resources	543,566	89,385	-	-	543,566	89,385
Net Position						
Net Investment in Capital Assets	16,198,048	14,260,905	5,999,932	6,011,213	22,197,980	20,272,118
Restricted	8,001,286	7,591,722	-	-	8,001,286	7,591,722
Unrestricted	2,678,832	2,376,144	639,441	619,547	3,318,273	2,995,691
Total Net Position	\$ 26,878,166	\$ 24,228,771	\$ 6,639,373	\$ 6,630,760	\$ 33,517,539	\$ 30,859,531

The City had total assets of approximately \$50,930,000 as of June 30, 2020, an increase of \$3,379,000 for the year. \$1,927,000 of the increase related to capital assets while the remaining increase related to shorter term assets. The growth in non-capital assets resulted primarily from the City's strong fiscal performance with total revenues exceeding total expenses by \$2,658,000. Total liabilities as of June 30, 2020 decreased by approximately \$273,000 due primarily to a decrease in the net pension liability. New debt was incurred in fiscal year 2020 related to proceeds from a new capital lease for the purchase of a fire department vehicle but this increase in debt was offset by regularly scheduled payments on the outstanding bonds.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$33,518,000 as of June 30, 2020. Approximately 66% of total net position (\$22,198,000) 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 24% of net position (\$8,001,000) 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 (10% or \$3,318,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

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

The following table shows the changes in the City's net position for 2020 compared to 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,791,137	\$ 5,850,862	\$ 289,859	\$ 416,486	\$ 6,080,996	\$ 6,267,348
Capital Grants and Contributions	124,884	1,117,999	-	-	124,884	1,117,999
General Revenues:						
Taxes	9,777,976	10,666,906	-	-	9,777,976	10,666,906
Other	585,987	594,547	9,262	15,102	595,249	609,649
Total Revenues	16,279,984	18,230,314	299,121	431,588	16,579,105	18,661,902
Expenses:						
General Government	2,101,625	2,320,236	-	-	2,101,625	2,320,236
Public Safety	6,993,612	7,170,217	-	-	6,993,612	7,170,217
Building, Planning and Engineering	455,726	454,932	-	-	455,726	454,932
Public Works	2,171,499	1,987,289	-	-	2,171,499	1,987,289
Recreation	1,256,066	1,368,338	-	-	1,256,066	1,368,338
Non-Departmental	409,387	447,405	-	-	409,387	447,405
Interest on Long-Term Obligations	189,220	213,669	-	-	189,220	213,669
Marina	-	-	343,962	318,517	343,962	318,517
Total Expenses	13,577,135	13,962,086	343,962	318,517	13,921,097	14,280,603
Change in Net Position Before Transfers	2,702,849	4,268,228	(44,841)	113,071	2,658,008	4,381,299
Transfer In (Out)	(53,454)	(417,913)	53,454	417,913	-	-
Change in Net Position	2,649,395	3,850,315	8,613	530,984	2,658,008	4,381,299
Net Position, Beginning of Year	24,228,771	20,378,456	6,630,760	6,099,776	30,859,531	26,478,232
Net Position, End of Year	\$ 26,878,166	\$ 24,228,771	\$ 6,639,373	\$ 6,630,760	\$ 33,517,539	\$ 30,859,531

Governmental Activities:

Governmental activities had a net increase in net position of approximately \$2,649,000 in 2020.

Compared to the prior year, total governmental activities revenue decreased by approximately \$1,950,000 or 11%. Key changes compared to the prior year were as follows:

- Revenues from grants and contributions decreased by approximately 993,000 over the prior year.
- Revenues from tourism, including accommodations and hospitality taxes, decreased by approximately \$1,002,000 or 19% from the prior year due to the economic impact of COVID-19.

Expenses related to total governmental activities decreased by approximately \$385,000, or 3%, from the prior year. Key changes as compared to the prior year were due to overall decreases in general government, public safety, and recreation as a result of personnel vacancies and internal efforts to reduce spending to offset the economic impact of COVID-19.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

Business-Type Activities:

Net position related to business-type activities (i.e., the marina) increased by approximately \$9,000. This increase was primarily due to budgeted transfers in of \$53,000 from other funds, offset by an excess of Marina expenses (primarily interest on debt, depreciation, dock insurance, and professional services) over generated revenue (lease income) equal to approximately \$45,000.

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, 2020, the City's governmental funds reported a combined ending fund balance of approximately \$20,244,000, an increase of approximately \$1,216,000, or 6%, over the prior year's combined fund balance.

Approximately 16% of the total governmental fund balance (\$3,185,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new discretionary spending because it has already been constrained: (1) for tourism-related expenditures or operating expenses incurred to serve tourists (\$4,078,000), (2) for recovery efforts on future disasters (\$2,810,000), (3) for capital projects (\$5,700,000), (4) for debt service (\$328,000), (5) for beach preservation (\$3,454,000) and (6) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victim services, narcotics programs, and inventories (\$689,000).

The General Fund is the primary operating fund of the City. At June 30, 2020, the total fund balance was approximately \$6,457,000. 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 (\$3,185,000) represents approximately 31% of total General Fund expenditures (\$10,358,000).

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

- Total General Fund revenues were up by approximately \$32,000 from the prior year. The most significant changes were:
 - Property tax revenue increased by \$95,000 due primarily to new construction. The City's millage rate was unchanged from the prior year rate of 24.7 mills.
 - Licenses and permits revenues decreased approximately \$48,000 due mainly to the economic impact of COVID-19.
 - Revenues from parking fees were down \$12,000 due primarily to the economic impact of COVID-19.
 - Revenues from grants and contributions increased by approximately \$29,000.
 - Local option sales tax revenues were down \$18,000 due to the economic impact of COVID-19.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

- The City supplemented General Fund revenues with tourism-related revenues where appropriate. In FY 2020, \$828,000 of tourism-related revenue including the accommodations and hospitality tax funds were transferred into the General Fund to help pay for public safety and public works efforts required for tourism. This is a decrease of \$98,000 over FY 2019.

Total General Fund expenditures of \$10,358,000 decreased by \$136,000, or 1%, over FY 2019.

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) increased by approximately \$777,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$2,172,000 during the fiscal year for repairs to the Public Safety Building, drainage improvements and the purchase of vehicles, equipment, and various other capital assets. The General Fund transferred approximately \$1,729,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$6,141,000.

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 2020 amounted to approximately \$6,639,000. Please see "Business-Type Activities" discussion in the previous section for details.

Fiduciary Fund. The Volunteer Fire Department Fund is used by the City to account for the receipt and disbursement of funds received from the State relating to the payment of 1% 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 \$26,000 at June 30, 2020.

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 2020.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2020 amounted to approximately \$28,473,000. 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, 2020 and 2019 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 4,272,896	\$ 4,272,896	\$ 3,035,786	\$ 3,035,786	\$ 7,308,682	\$ 7,308,682
Construction in Progress	2,620,614	2,988,781	107,257	-	2,727,871	2,988,781
Land Improvements	3,765,914	1,380,531	2,072,256	2,148,450	5,838,170	3,528,981
Buildings and Improvements	8,926,081	9,524,294	209,062	220,312	9,135,143	9,744,606
Vehicles and Vehicle Equipment	1,958,597	1,268,639	-	-	1,958,597	1,268,639
Equipment	927,425	1,098,011	504,254	517,519	1,431,679	1,615,530
Furniture and Fixtures	1,379	1,656	71,317	89,146	72,696	90,802
Total	\$ 22,472,906	\$ 20,534,808	\$ 5,999,932	\$ 6,011,213	\$ 28,472,838	\$ 26,546,021

The total increase in the City's capital assets for FY 2020 was approximately \$1,927,000 or 7%. The increase resulted because capital asset additions for the year were higher than depreciation expense for the year. Major capital asset events during FY 2020 included the following:

- Capital asset additions of approximately \$3,725,000 consisted primarily of:
 - Police, fire and public works vehicles for approximately \$1,090,000, including a new 75' Fire ladder truck
 - Public Works diesel generator for approximately \$64,000
 - Police, fire, and recreation radios and equipment for approximately \$22,000
 - Costs associated with underground storage tank replacement of for approximately \$15,000
 - Renovation of the Public Works building for approximately \$2,264,000
 - Drainage improvements of approximately \$161,000 including the 45th – 52nd Avenue Drainage project
 - Engineering and design costs associated with Marina dock replacement for approximately \$107,000
- Depreciation expense of approximately \$1,664,000 for governmental activities and \$134,000 for business-type activities.

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management’s Discussion and Analysis
Year Ended June 30, 2020

Debt Administration

As of June 30, 2020, the City had total outstanding debt of approximately \$6,056,000. This debt consisted of general obligation bonds (GOB) which are backed by the full faith and credit of the City and a new capital lease in FY 2020 for a fire ladder truck. The City’s total debt as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 5,300,000	\$ 6,060,000	\$ -	\$ -	\$ 5,300,000	\$ 6,060,000
Capital lease	756,352	-	-	-	756,352	-
Total	\$ 6,056,352	\$ 6,060,000	\$ -	\$ -	\$ 6,056,352	\$ 6,060,000

The City’s overall debt for FY 2020 remained similar to FY 2019 due to the new lease proceeds in FY 2020 offset by the principal payments on the 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, 2020 was approximately \$19,680,000. The City had \$4,670,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2020 had an unused legal debt margin of approximately \$15,010,000.

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 2021 (FY 2021 or 2021) budget. The state of the economy, the potential impacts of COVID-19 on 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:** 2020 was a reassessment year in Charleston County. As required by law, the City’s operating millage rate was decreased to reflect the increase in property values. At the same time, there was an increase in the debt service millage to cover the cost of a new GO Bond to finance drainage improvements. The net effect is a total millage rate for FY2021 of 23.3 compared to the 24.7 millage rate effective for FY 2020. The City’s 2021 budget includes property tax revenue of \$4,757,000 which is approximately \$240,000 more than actual FY 2020 collections.
- **Business Licenses and Building Permits:** The City’s 2021 budget for revenues from business licenses and building permits was based on 2020 actual results, assuming a 25% decline due to COVID-19 as renewals are based on prior year’s gross revenues.
- **Tourism-Related Revenues:** Total revenues from State Accommodations Tax, Municipal Accommodations Fee, Hospitality Tax and the Beach Preservation Fee are budgeted based on the most recent collections. The total FY 2021 budget for these revenues is approximately \$3,762,000, which is a 31% decrease over the FY 2020 budget, as a result of the possible decline in economic activity due to COVID-19.
- **Salaries and Wages:** The 2021 budget includes a 2% provision for merit-based salary and wage adjustments.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2020

- **Capital Outlay:** The 2021 budget includes approximately \$3,904,000 to complete the repair of the Public Safety building, \$3,120,000 for construction of the phase 3 drainage outfall project, \$2,875,000 for construction of new Marina docks, \$500,000 for several smaller drainage projects, and \$600,000 for the 95' Ladder refurbishment.

REQUESTS FOR CITY INFORMATION

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



Basic Financial Statements

Government-wide Financial Statements

City of Isle of Palms, South Carolina
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 12,735,211	\$ 559,190	\$ 13,294,401
Cash and Cash Equivalents - Restricted	7,287,484	-	7,287,484
Taxes Receivable, Net	195,594	-	195,594
Other Receivables, Net	1,325,694	109,288	1,434,982
Due from Other Governments	222,880	-	222,880
Inventory	22,086	-	22,086
Capital Assets:			
Non-Depreciable	6,893,510	3,143,043	10,036,553
Depreciable, Net	15,579,396	2,856,889	18,436,285
Total Capital Assets	<u>22,472,906</u>	<u>5,999,932</u>	<u>28,472,838</u>
Total Assets	<u>\$ 44,261,855</u>	<u>\$ 6,668,410</u>	<u>\$ 50,930,265</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	\$ 1,687,449	\$ -	\$ 1,687,449
Liabilities			
Accounts Payable	\$ 855,122	\$ 13,537	\$ 868,659
Other Accrued Liabilities	516,370	15,500	531,870
Court Assessments/Victim's Rights Liabilities	29,106	-	29,106
Accrued Interest	63,005	-	63,005
Net Pension Liabilities	10,656,580	-	10,656,580
Long-Term Obligations:			
Due Within One Year	1,096,579	-	1,096,579
Due In More Than One Year	5,310,810	-	5,310,810
Total Long-Term Obligations	<u>6,407,389</u>	<u>-</u>	<u>6,407,389</u>
Total Liabilities	<u>\$ 18,527,572</u>	<u>\$ 29,037</u>	<u>\$ 18,556,609</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	\$ 532,195	\$ -	\$ 532,195
Unearned Revenue	11,371	-	11,371
Total Deferred Inflows of Resources	<u>543,566</u>	<u>-</u>	<u>543,566</u>
Net Position			
Net Investment in Capital Assets	\$ 16,198,048	\$ 5,999,932	\$ 22,197,980
Restricted for:			
Tourism Related Expenditures	4,077,716	-	4,077,716
Beach Preservation	3,454,195	-	3,454,195
Debt Service	327,789	-	327,789
Victim Services	29,112	-	29,112
Beautification	112,474	-	112,474
Total Restrictions	<u>8,001,286</u>	<u>-</u>	<u>8,001,286</u>
Unrestricted	2,678,832	639,441	3,318,273
Total Net Position	<u>\$ 26,878,166</u>	<u>\$ 6,639,373</u>	<u>\$ 33,517,539</u>

See accompanying notes and independent auditor's report.

City of Isle of Palms, South Carolina
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total Primary Government
			Grants and Contributions				
Primary Government:							
Governmental Activities:							
General Government	\$ 2,101,625	\$ -	\$ -	\$ 124,884	\$ (1,976,741)	\$ -	\$ (1,976,741)
Public Safety	6,993,612	282,581	-	-	(6,711,031)	-	(6,711,031)
Building, Planning, and Engineering	455,726	4,320,407	-	-	3,864,681	-	3,864,681
Public Works	2,171,499	-	-	-	(2,171,499)	-	(2,171,499)
Recreation	1,256,066	215,891	-	-	(1,040,175)	-	(1,040,175)
Non-Departmental	409,387	972,258	-	-	562,871	-	562,871
Interest on Long-Term Obligations	189,220	-	-	-	(189,220)	-	(189,220)
Total Governmental Activities	13,577,135	5,791,137	-	124,884	(7,661,114)	-	(7,661,114)
Business-Type Activities:							
Marina	343,962	289,859	-	-	-	(54,103)	(54,103)
Total Primary Government	\$ 13,921,097	\$ 6,080,996	\$ -	\$ 124,884	(7,661,114)	(54,103)	(7,715,217)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,834,999	-	3,834,999
Property Taxes Levied for Debt Service Purposes					735,711	-	735,711
Local Option Sales Taxes					799,984	-	799,984
Hospitality Taxes					603,275	-	603,275
Accommodations Taxes					3,804,007	-	3,804,007
Total Taxes					9,777,976	-	9,777,976
Intergovernmental					148,539	-	148,539
Interest Income					328,022	9,262	337,284
Gain on Disposal of Capital Assets					44,581	-	44,581
Miscellaneous					64,845	-	64,845
Total Other					585,987	9,262	595,249
Transfers (Out) In					(53,454)	53,454	-
Total General Revenues and Transfers					10,310,509	62,716	10,373,225
Changes In Net Position					2,649,395	8,613	2,658,008
Net Position, Beginning of Year					24,228,771	6,630,760	30,859,531
Net Position, End of Year					\$ 26,878,166	\$ 6,639,373	\$ 33,517,539

See accompanying notes and independent auditor's report.

Fund Financial Statements

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Assets			
Cash and Cash Equivalents	\$ 6,873,982	\$ 5,861,229	\$ -
Cash and Cash Equivalents - Restricted	30,739	-	1,183,112
Taxes Receivable, Net	195,594	-	-
Accounts Receivable	429,816	-	246,287
Due From:			
Other Governments	222,880	-	-
Other Funds	-	591,710	-
Inventory	22,086	-	-
Total Assets	\$ 7,775,097	\$ 6,452,939	\$ 1,429,399
Liabilities			
Accounts Payable	\$ 35,350	\$ 311,594	\$ 145,777
Other Accrued Liabilities	516,370	-	-
Court Assessments/Victim's Rights Liabilities	29,106	-	-
Due To:			
Other Funds	592,532	-	-
Total Liabilities	1,173,358	311,594	145,777
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	132,937	-	-
Unearned Revenue	11,371	-	-
Total Deferred Inflows of Resources	144,308	-	-
Fund Balances			
Nonspendable:			
Inventory	22,086	-	-
Restricted:			
Victim Services	-	-	-
Debt Service	327,789	-	-
Tourism Related Expenditures	-	-	1,283,622
Beach Preservation	-	-	-
Beautification	112,474	-	-
Committed:			
Recovery Efforts on Future Disasters	2,809,659	-	-
Assigned:			
Drainage Improvements	-	441,445	-
Recreation Center	-	-	-
Capital Projects	-	5,699,900	-
Other	-	-	-
Unassigned	3,185,423	-	-
Total Fund Balances	6,457,431	6,141,345	1,283,622
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,775,097	\$ 6,452,939	\$ 1,429,399

See accompanying notes and independent auditor's report.

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

	<u>State Accom-</u> <u>modations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Beach Preservation</u> <u>Fee Fund</u>
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	1,606,364	1,077,866	3,276,870
Taxes Receivable, Net	-	-	-
Accounts Receivable	354,997	66,947	227,647
Due From:			
Other Governments	-	-	-
Other Funds	-	-	-
Inventory	-	-	-
Total Assets	<u>\$ 1,961,361</u>	<u>\$ 1,144,813</u>	<u>\$ 3,504,517</u>
Liabilities			
Accounts Payable	\$ 280,498	\$ 31,582	\$ 50,322
Other Accrued Liabilities	-	-	-
Court Assessments/Victim's Rights Liabilities	-	-	-
Due To:			
Other Funds	-	-	-
Total Liabilities	<u>280,498</u>	<u>31,582</u>	<u>50,322</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unearned Revenue	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Inventory	-	-	-
Restricted:			
Victim Services	-	-	-
Debt Service	-	-	-
Tourism Related Expenditures	1,680,863	1,113,231	-
Beach Preservation	-	-	3,454,195
Beautification	-	-	-
Committed:			
Recovery Efforts on Future Disasters	-	-	-
Assigned:			
Drainage Improvements	-	-	-
Recreation Center	-	-	-
Capital Projects	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,680,863</u>	<u>1,113,231</u>	<u>3,454,195</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,961,361</u>	<u>\$ 1,144,813</u>	<u>\$ 3,504,517</u>

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets		
Cash and Cash Equivalents	\$ -	\$ 12,735,211
Cash and Cash Equivalents - Restricted	112,533	7,287,484
Taxes Receivable, Net	-	195,594
Accounts Receivable	-	1,325,694
Due From:		
Other Governments	-	222,880
Other Funds	822	592,532
Inventory	-	22,086
Total Assets	<u>\$ 113,355</u>	<u>\$ 22,381,481</u>
Liabilities		
Accounts Payable	\$ -	\$ 855,123
Other Accrued Liabilities	-	516,370
Court Assessments/Victim's Rights Liabilities	-	29,106
Due To:		
Other Funds	-	592,532
Total Liabilities	<u>-</u>	<u>1,993,131</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	-	132,937
Unearned Revenue	-	11,371
Total Deferred Inflows of Resources	<u>-</u>	<u>144,308</u>
Fund Balances		
Nonspendable:		
Inventory	-	22,086
Restricted:		
Victim Services	29,112	29,112
Debt Service	-	327,789
Tourism Related Expenditures	-	4,077,716
Beach Preservation	-	3,454,195
Beautification	-	112,474
Committed:		
Recovery Efforts on Future Disasters	-	2,809,659
Assigned:		
Drainage Improvements	-	441,445
Recreation Center	84,243	84,243
Capital Projects	-	5,699,900
Other	-	-
Unassigned	-	3,185,423
Total Fund Balances	<u>113,355</u>	<u>20,244,042</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 113,355</u>	<u>\$ 22,381,481</u>

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Fund Balances - Governmental Funds	\$ 20,244,042
<p>Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:</p>	
Property taxes that will be collected in the future but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.	132,937
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 \$39,009,011 and the accumulated depreciation was \$16,536,105.	22,472,906
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.	(9,501,326)
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.	(63,004)
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	(5,300,000)
Capital Lease Payable	(756,352)
Compensated Absences	(351,037)
Total Net Position - Governmental Activities	\$ 26,878,166

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Revenues			
Property Taxes	\$ 4,517,683	\$ -	\$ -
Local Option Sales Tax	799,984	-	-
Hospitality Taxes	-	-	-
Intergovernmental	257,646	-	1,233,687
Licenses and Permits	4,320,407	-	-
Fines and Forfeitures	277,428	-	-
Grant Revenue	119,697	5,187	-
Revenue from Use of Property	972,258	-	-
Interest	131,603	81,933	25,891
Other	257,262	10,000	-
Total Revenues	<u>11,653,968</u>	<u>97,120</u>	<u>1,259,578</u>
Expenditures			
Current:			
General Government	1,159,019	11,232	27,595
Public Safety	5,768,443	9,272	34,020
Building, Planning, and Engineering	410,875	-	-
Public Works	1,302,113	72,102	139,878
Recreation	914,114	40,789	-
Non-Departmental	80,805	-	178,220
Capital Outlay	-	2,172,148	735,065
Debt Service:			
Principal	555,000	-	82,000
Interest	167,983	-	5,611
Total Expenditures	<u>10,358,352</u>	<u>2,305,543</u>	<u>1,202,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,295,616</u>	<u>(2,208,423)</u>	<u>57,189</u>
Other Financing Sources (Uses)			
Transfers In	918,690	1,728,994	-
Transfers Out	(1,820,026)	-	(395,615)
Capital Lease	-	848,267	-
Sale of Capital Assets	44,581	-	-
Total Other Financing Sources (Uses)	<u>(856,755)</u>	<u>2,577,261</u>	<u>(395,615)</u>
Net Changes In Fund Balances	438,861	368,838	(338,426)
Fund Balances, Beginning of Year	\$ 6,018,570	\$ 5,772,507	\$ 1,622,048
Fund Balances, End of Year	<u>\$ 6,457,431</u>	<u>\$ 6,141,345</u>	<u>\$ 1,283,622</u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	<u>State Accom-</u> <u>modations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Beach Preservation</u> <u>Fee Fund</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Local Option Sales Tax	-	-	-
Hospitality Taxes	-	603,275	-
Intergovernmental	1,598,026	-	863,187
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Grant Revenue	-	-	-
Revenue from Use of Property	-	-	-
Interest	26,421	16,903	43,953
Other	-	-	-
Total Revenues	<u>1,624,447</u>	<u>620,178</u>	<u>907,140</u>
Expenditures			
Current:			
General Government	573,120	-	72,712
Public Safety	2,353	16,289	-
Building, Planning, and Engineering	-	-	-
Public Works	4,444	131,917	-
Recreation	11,614	34,212	-
Non-Departmental	150,362	-	-
Capital Outlay	664,144	30,576	-
Debt Service:			
Principal	-	123,000	-
Interest	-	18,894	-
Total Expenditures	<u>1,406,037</u>	<u>354,888</u>	<u>72,712</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>218,410</u>	<u>265,290</u>	<u>834,428</u>
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(258,667)	(229,830)	-
Capital Lease	(91,915)	-	-
Sale of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	<u>(350,582)</u>	<u>(229,830)</u>	<u>-</u>
Net Changes In Fund Balances	(132,172)	35,460	834,428
Fund Balances, Beginning of Year	\$ 1,813,035	\$ 1,077,771	\$ 2,619,767
Fund Balances, End of Year	<u>\$ 1,680,863</u>	<u>\$ 1,113,231</u>	<u>\$ 3,454,195</u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	Total Non-Major Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ -	\$ 4,517,683
Local Option Sales Tax	-	799,984
Hospitality Taxes	-	603,275
Intergovernmental	-	3,952,546
Licenses and Permits	-	4,320,407
Fines and Forfeitures	5,153	282,581
Grant Revenue	-	124,884
Revenue from Use of Property	-	972,258
Interest	1,318	328,022
Other	13,474	280,736
	19,945	16,182,376
Expenditures		
Current:		
General Government	-	1,843,678
Public Safety	8,742	5,839,119
Building, Planning, and Engineering	-	410,875
Public Works	-	1,650,454
Recreation	5,168	1,005,897
Non-Departmental	-	409,387
Capital Outlay	-	3,601,933
Debt Service:		
Principal	-	760,000
Interest	-	192,488
	13,910	15,713,831
Excess (Deficiency) of		
Revenues Over Expenditures	6,035	468,545
Other Financing Sources (Uses)		
Transfers In	3,000	2,650,684
Transfers Out	-	(2,704,138)
Capital Lease	-	756,352
Sale of Capital Assets	-	44,581
	3,000	747,479
Net Changes In Fund Balances	9,035	1,216,024
Fund Balances, Beginning of Year	\$ 104,320	\$ 19,028,018
Fund Balances, End of Year	\$ 113,355	\$ 20,244,042

City of Isle of Palms, South Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of the
Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Total Net Change In Fund Balances - Governmental Funds	\$	1,216,024
<p>Amounts reported for the governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Property taxes that will be collected in the future, but are not available soon enough to pay for the current period's expenditures are, therefore, deferred in the funds.</p>		53,027
<p>Bond principal and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.</p>		
Bond principal payments		760,000
Capital lease payments		91,915
<p>The issuance of long-term debt (capital lease) provides current financial resources to the governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position.</p>		(848,267)
<p>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.</p>		3,268
<p>Governmental funds report the City's pension contributions as expenditures, however in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which costs of benefits earned (\$1,457,865) exceed employee contributions (\$933,662).</p>		(524,206)
<p>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.</p>		(40,464)
<p>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.</p>		
Capitalized capital outlay in the current period		3,601,933
Depreciation expense in the current period		(1,663,835)
		1,938,098
Total Change In Net Position - Governmental Activities	\$	2,649,395

City of Isle of Palms, South Carolina
Statement of Net Position
Proprietary Fund
June 30, 2020

	Marina Enterprise Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 559,190
Accounts Receivable, Net	109,288
Total Current Assets	668,478
Noncurrent Assets	
Capital Assets:	
Land	3,035,786
Construction in Progress	107,257
Land Improvements	2,960,827
Building and Improvements	846,998
Docks	674,861
Equipment	841,825
Less: Accumulated Deprecation	(2,467,622)
Total Noncurrent Assets	5,999,932
Total Assets	6,668,410
Liabilities	
Current Liabilities	
Accounts Payable	13,537
Security Deposits	15,500
Total Current Liabilities	29,037
Total Liabilities	29,037
Net Position	
Net Investment in Capital Assets	5,999,932
Unrestricted	639,441
Total Net Position	\$ 6,639,373

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and
Changes in Net Position – Proprietary Fund
Year Ended June 30, 2020

	Marina Enterprise Fund
Operating Revenues	
Lease Income	\$ 289,859
Total Operating Revenues	289,859
Operating Expenses	
Depreciation	133,877
Insurance	101,846
Professional Services	47,182
Bad Debt	30,000
Utilities	1,779
Maintenance and Service Contracts	29,278
Total Operating Expense	343,962
Operating Loss	(54,103)
Non-Operating Revenues	
Interest Income	9,262
Total Non-Operating Revenues	9,262
Loss Before Transfers	(44,841)
Transfers In	53,454
Change In Net Position	8,613
Net Position, Beginning of Year	6,630,760
Net Position, End of Year	\$ 6,639,373

City of Isle of Palms, South Carolina
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2020

	Marina Enterprise Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 285,878
Cash Payments to Suppliers for Goods and Services	(261,546)
Net Cash Provided By Operating Activities	24,332
Cash Flows From Non-Capital Financing Activities	
Transfer from Other Funds	53,454
Net Cash Provided By Non-Capital Financing Activities	53,454
Cash Flows From Investing Activities	
Purchases of Capital Assets	(122,596)
Investment Earnings	9,262
Net Cash Used In Investing Activities	(113,334)
Net Decrease In Cash and Cash Equivalents	(35,548)
Cash and Cash Equivalents, Beginning of Year	594,738
Cash and Cash Equivalents, End of Year	\$ 559,190
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Loss	\$ (54,103)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	133,877
Change Due to Increase in Operating Assets:	
Other Receivable	(3,981)
Change Due to Increase in Operating Liabilities:	
Other Payables	(51,461)
Net Cash Provided by Operating Activities	\$ 24,332

City of Isle of Palms, South Carolina
Statement of Assets and Liabilities
Fiduciary Fund – Agency Fund
June 30, 2020

	<u>Volunteer Fire Department</u>
Assets	
Cash and Cash Equivalents	\$ 26,309
Total Assets	<u>\$ 26,309</u>
Liabilities	
Accounts Payable	\$ 666
Due to Volunteer Fire Department	<u>25,643</u>
Total Liabilities	<u>\$ 26,309</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

As required by GAAP, the financial statements must present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City.

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

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any component units.

Major Operations

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

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

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the Primary Government). The effect of interfund activity has been removed from these statements.

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

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

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

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

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

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

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

- i) The **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.
- ii) 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.
- iii) 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.
- iv) 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.

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

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

State Narcotics

Victim Assistance

Recreation Building

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

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

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

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

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

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

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

Investments

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of Deposit (CD's) where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the Certificates of Deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaids

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

4. Capital Assets

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

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

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

Description	Governmental and Business- Type Activities
Buildings and Improvements	5-30 years
Docks	10-40 years
Land Improvements	3-30 years
Vehicles and Vehicle Equipment	3-15 years
Equipment	4-20 years
Furniture and Fixtures	10-20 years

5. *Compensated Absences*

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

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

6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

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

7. Deferred Outflows and Inflows of Resources

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

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. The City reports *deferred outflows related to pensions* 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 outflows related to pensions* 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 three 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 reports *deferred inflows related to pensions* 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 inflows related to pensions* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP. (3) The City reports *unearned revenue* in its Statement of Net Position related to revenues collected but not earned in the related period.

8. Fund Balance

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

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

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

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

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

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

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

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

9. Net Position

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

10. Pensions

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

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

11. Encumbrances

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

D. Accounting Estimates

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

E. Recent Accounting Pronouncement

In May 2020, the GASB issued GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of Statement 95 was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement extended the effective date of various GASB statements by one year. Additionally, Statement 95 extended Statement 87, Leases by 18 months (effective for fiscal years beginning after June 15, 2021).

F. 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.

G. Subsequent Events

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

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 and are anticipated to continue for the foreseeable future. The City expects the ramifications of COVID-19 to have an impact on its results. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions, all of which are highly uncertain and cannot be predicted.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

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, 2020 none of the City's bank balances were exposed to custodial credit risk.

Investments

As of June 30, 2020, the City had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 18,570,403	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, 2020 were those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, grants, etc.).

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

Statement of Net Position	Amount
Cash and Cash Equivalents	\$ 13,294,401
Cash and Cash Equivalents - Restricted	7,287,484
Statement of Assets and Liabilities - Fiduciary Funds - Agency Fund	Amount
Cash and Cash Equivalents	26,309
Total Cash and Investments per Financial Statements	<u>\$ 20,608,194</u>
Notes	Amount
Carrying Value of Deposits	\$ 2,037,791
Investments	18,570,403
Total Deposits and Investments per Notes to the Financial Statements	<u>\$ 20,608,194</u>

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

B. Receivables and Unavailable/Unearned Revenue

Property Taxes and Other Receivables

The City's 2019 property taxes were levied on September 30, 2019 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$246,000,000 for tax year 2019. Property taxes were considered late on January 15, 2020. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

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

Assessed values are established by the Charleston County Tax Assessor and the South Carolina Tax Commission. The City's total tax rate for the 2019 property tax year was 24.7 mills. City property taxes are billed and collected by Charleston County under a joint billing and collection agreement.

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

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

The City's taxes receivable, other receivables, and due from other governments consist of the following as of June 30, 2020:

Description	General Fund	Municipal Accommodations		Beach Preservation Fee Fund	Hospitality Tax Fund	Marina Enterprise Fund	Beach Restoration Fund	Totals
		Fee Fund	Tax Fund					
Property Taxes	\$ 203,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,412
Allowance for Uncollectible	(7,818)	-	-	-	-	(30,000)	-	(37,818)
Local Option Sales Tax	222,880	-	-	-	-	-	-	222,880
Accommodations Taxes	24,934	246,287	354,997	227,647	-	-	-	853,865
Hospitality Taxes	-	-	-	-	66,947	-	-	66,947
Marina Operations	-	-	-	-	-	139,288	-	139,288
Franchise Fees	57,531	-	-	-	-	-	-	57,531
State Aid to Subdivisions	24,497	-	-	-	-	-	-	24,497
Other	322,854	-	-	-	-	-	-	322,854
Net Receivables	\$ 848,290	\$ 246,287	\$ 354,997	\$ 227,647	\$ 66,947	\$ 109,288	\$ -	\$ 1,853,456

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.

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

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, 2020, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 132,937	\$ -	\$ 132,937
FEMA Grant	Disaster Recovery	-	11,371	11,371
Total Unavailable/Unearned Revenue		<u>\$ 132,937</u>	<u>\$ 11,371</u>	<u>\$ 144,308</u>

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2020, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ -	\$ (592,532)
Capital Projects Fund	591,710	-
Non-major Funds	822	-
	<u>\$ 592,532</u>	<u>\$ (592,532)</u>

The General Fund payable, a portion of the Municipal Accommodations Fee Fund payable, and the State Accommodations Tax Fund receivable relate to the General Obligations Bond Series 2015 debt service payment. The General Fund receivable and the Municipal Accommodations Fee Fund payable relate primarily to a portion of the Public Works costs. All interfund balances are expected to be paid back within one year.

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

Interfund Transfers

Transfers between funds for the year ended June 30, 2020, consisted of the following:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 918,690	\$ (1,820,026)
Capital Projects Fund	1,728,994	-
Municipal Accommodations Fee Fund	-	(395,615)
State Accommodations Tax Fund	-	(258,667)
Hospitality Tax Fund	-	(229,830)
Non-major Funds	3,000	-
Proprietary Fund:		
Marina Enterprise Fund	53,454	-
Totals	<u>\$ 2,704,138</u>	<u>\$ (2,704,138)</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 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 Public Safety costs.

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

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2020 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	2,988,781	2,425,824	-	(2,793,991)	2,620,614
Total Capital Assets, Non-Depreciable	7,261,677	2,425,824	-	(2,793,991)	6,893,510
Capital Assets, Depreciable:					
Land Improvements	3,939,606	-	(2,194)	2,792,174	6,729,586
Buildings and Improvements	16,896,155	64,136	(28,145)	-	16,932,146
Vehicles and Vehicle Equipment	5,341,621	1,090,158	(474,746)	-	5,957,033
Equipment	3,541,394	21,815	(1,138,415)	1,817	2,426,611
Furniture and Fixtures	72,890	-	(2,765)	-	70,125
Total Capital Assets, Depreciable	29,791,666	1,176,109	(1,646,265)	2,793,991	32,115,501
Total Capital Assets	37,053,343	3,601,933	(1,646,265)	-	39,009,011
Less: Accumulated Depreciation for:					
Land Improvements	(2,559,075)	(406,791)	2,194	-	(2,963,672)
Buildings and Improvements	(7,371,861)	(662,349)	28,145	-	(8,006,065)
Vehicles and Vehicle Equipment	(4,072,982)	(400,200)	474,746	-	(3,998,436)
Equipment	(2,443,383)	(194,218)	1,138,415	-	(1,499,186)
Furniture and Fixtures	(71,234)	(277)	2,765	-	(68,746)
Total Accumulated Depreciation	(16,518,535)	(1,663,835)	1,646,265	-	(16,536,105)
Total Capital Assets, Depreciable, Net	13,273,131	(487,726)	-	2,793,991	15,579,396
Governmental Activities Capital Assets, Net	\$ 20,534,808	\$ 1,938,098	\$ -	\$ -	\$ 22,472,906

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

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Governmental Activities		
General Government	\$ -	\$ 172,585
Public Safety	3,376,324	784,323
Building, Planning, and Engineering	-	22,772
Public Works	225,609	469,527
Recreation	-	214,628
Total - Governmental Activities	\$ 3,601,933	\$ 1,663,835

Capital asset activity for the City's business-type activities for the year ended June 30, 2020, 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	-	107,257	-	-	107,257
Total Capital Assets, Non-Depreciable	3,035,786	107,257	-	-	3,143,043
Capital Assets, Depreciable:					
Land Improvements	2,960,827	-	-	-	2,960,827
Buildings and Improvements	846,998	-	-	-	846,998
Docks	674,861	-	-	-	674,861
Equipment	826,486	15,339	-	-	841,825
Total Capital Assets, Depreciable	5,309,172	15,339	-	-	5,324,511
Less: Accumulated Depreciation for:					
Land Improvements	(812,376)	(76,195)	-	-	(888,571)
Buildings and Improvements	(626,686)	(11,250)	-	-	(637,936)
Docks	(585,715)	(17,829)	-	-	(603,544)
Equipment	(308,968)	(28,603)	-	-	(337,571)
Total Accumulated Depreciation	(2,333,745)	(133,877)	-	-	(2,467,622)
Total Capital Assets, Depreciable, Net	2,975,427	(118,538)	-	-	2,856,889
Business-Type Activities Capital Assets, Net	\$ 6,011,213	\$ (11,281)	\$ -	\$ -	\$ 5,999,932

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

E. Long-Term Obligations

General Obligation Bonds

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

Details on the City's debt outstanding as of June 30, 2020 are as follows:

<u>General Obligation Bonds</u>	<u>Principal Outstanding at Year End</u>
\$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.	\$ 3,200,000
\$2,235,000 General Obligation Refunding Bond Series 2016 ("Series 2016") issued in April 2016 to refund the remaining balance on the \$3,650,000 General Obligation Bond ("Series 2006") issued in August 2006 which originally financed the construction and equipping of Fire Station 2. Principal is payable annually and interest, at 1.88%, semi-annually. Annual debt service requirements range from approximately \$180,000 to \$275,000 through June 2026 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.	1,470,000
\$1,500,000 General Obligation Refunding Bond Series 2015 ("Series 2015") issued in February 2015 to refund the remaining balance on the \$2,900,000 General Obligation Bond ("Series 2003") issued in July 2003 which originally financed the expansion of the recreation center (which was approved through voter referendum and thus not subject to the 8% debt limit). Principal is payable annually and interest, at 1.68%, semi-annually. Annual debt service requirements range from approximately \$160,000 to \$221,000 through June 2023 and are being paid 60% by the General Fund and 40% by the Municipal Accommodations Fee Fund.	<u>630,000</u>
Total General Obligation Bonds	<u><u>\$ 5,300,000</u></u>

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

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, 2020.

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

Debt Service Requirements to Maturity

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

<u>Year Ended June 30,</u>	<u>GOB</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
<u>Governmental Activities</u>			
2021	\$ 800,000	\$ 170,700	\$ 970,700
2022	810,000	147,605	957,605
2023	825,000	124,322	949,322
2024	625,000	100,757	725,757
2025	640,000	80,532	720,532
2026-2028	1,600,000	115,915	1,715,915
Totals	<u>\$ 5,300,000</u>	<u>\$ 739,831</u>	<u>\$ 6,039,831</u>

Capital Lease

At June 30, 2020, the City is obligated under leases that are classified as capital leases.

In March 2020, the City entered into a lease purchase agreement for a fire department vehicle. The lease is for a total of \$848,267 and calls for annual payments of \$91,915. The final payment under this lease is due in March 2029.

Future minimum lease payments under the capital lease describe above are as follows:

<u>Year Ended June 30,</u>	<u>Capital Lease</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
<u>Governmental Activities</u>			
2021	\$ 78,074	\$ 13,841	\$ 91,915
2022	79,502	12,413	91,915
2023	80,957	10,958	91,915
2024	82,439	9,476	91,915
2025	83,948	7,967	91,915
2026-2029	351,432	16,224	367,656
Totals	<u>\$ 756,352</u>	<u>\$ 70,879</u>	<u>\$ 827,231</u>

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

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2020, for the City's governmental activities. There were no business-type activities long-term obligations for the year ended June 30, 2020.

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GOB Debt:					
GOB - Series 2008B	\$ 3,550,000	\$ -	\$ 350,000	\$ 3,200,000	\$ 375,000
GOB - Series 2015	835,000	-	205,000	630,000	210,000
GOB - Series 2016	1,675,000	-	205,000	1,470,000	215,000
Total GOB Debt	<u>6,060,000</u>	<u>-</u>	<u>760,000</u>	<u>5,300,000</u>	<u>800,000</u>
Accrued Compensated Absences	310,580	224,558	184,101	351,037	218,506
Capital Lease Payable	-	848,267	91,915	756,352	78,073
Total Governmental Activities	<u>\$ 6,370,580</u>	<u>\$ 1,072,825</u>	<u>\$ 1,036,016</u>	<u>\$ 6,407,389</u>	<u>\$ 1,096,579</u>

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

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no city shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such city or city voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit, without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2020, the City had \$4,670,000 of bonded debt subject to the 8% limit of approximately \$19,680,000 available, resulting in an unused legal debt margin of approximately \$15,010,000.

The City incurred interest expense of approximately \$192,000 and \$0 for its governmental and business-type activities debt, respectively.

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 \$176,000 for the year ended June 30, 2020. The lease expires in January 31, 2045.
- Marina store lease – rent income of approximately \$75,000 for the year ended June 30, 2020. The lease expires in January 31, 2045.
- Water sports dock lease – rent income of approximately \$23,000 for the year ended June 30, 2020. The lease expires on September 30, 2020.
- The Marina restaurant tenant ceased operations in November 2019. The restaurant lease expires October 31, 2020. For the year ended June 30, 2020, rent revenue from the restaurant is \$54,000.

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

Estimated future annual lease income for the long-term leases in effect as of June 30, 2020 are as follows:

Year Ended June 30,	Amount
2021	\$ 264,243
2022	258,438
2023	258,438
2024	258,438
2025	258,438
2026-2030	1,292,190
2031-2035	1,292,190
2036-2040	1,292,190
2041-2045	1,292,190
2046-2050	129,219
Totals	\$ 6,595,974

IV. OTHER INFORMATION

A. 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, 2020, the City's premium costs totaled approximately \$300,000. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2019, totaled approximately \$14,253,000.

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, 2020, the City made premium payments totaling approximately \$212,000. 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, 2019, totaled approximately \$62,792,000.

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.

B. 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

C. Retirement Plans

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

Plan Description

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

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

Plan Membership

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

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

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

Plan Benefits

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

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

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

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

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

Plan Contributions

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

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

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

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

<u>SCRS</u>	<u>2020</u>	<u>2019</u>
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

PORS

Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

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

SCRS

Employee Class Two	15.41%	14.41%
Employee Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%

PORS

Employee Class Two	17.84%	16.84%
Employee Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2018. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

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

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2019, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$50,073,060,256	\$27,238,916,138	\$22,834,144,118	54.4%
PORS	\$7,681,749,768	\$4,815,808,554	\$2,865,941,214	62.7%

At June 30, 2020, the City reported liabilities of approximately \$4,461,000 and \$6,195,000 for its proportionate share of the NPLs for the SCRS and PORS (Plans), respectively. The NPLs were measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the NPLs were determined based on the most recent actuarial valuation report as of July 1, 2017 that was projected forward to the measurement date. The City's proportion of the NPLs were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2019, the City's SCRS proportion was 0.019538 percent, which increased slightly from the prior year. At June 30, 2019, the City's PORS proportion was 0.216172 percent, which decreased slightly from the prior year.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$548,000 and \$909,000 for the SCRS and PORS, respectively. Components of collective pension expense for the year ended June 30, 2020 are presented below:

	SCRS	PORS
Service cost (annual cost of current service)	\$ 203,725	\$ 404,495
Interest on the total pension liability	728,917	1,129,251
Plan administrative costs	3,270	5,544
Plan member contributions	(185,365)	(309,165)
Expected return on plan assets	(397,938)	(706,279)
Recognition of current year amortization - difference between expected and actual experience and assumption changes	80,913	202,852
Recognition of current year amortization - difference between projected and actual investment earnings	114,710	185,127
Other	261	(2,453)
Total	<u>\$ 548,493</u>	<u>\$ 909,372</u>

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

At June 30, 2020, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
<u>SCRS:</u>		
Differences between expected and actual experience	\$ 3,067	\$ 32,049
Changes of assumptions	89,900	-
Net difference between projected and actual earnings on pension plan investments	39,497	-
Changes in proportion and differences between City contributions and proportionate share of contributions	81,181	60,751
City contributions subsequent to the measurement date	322,055	-
Total	\$ 535,700	\$ 92,800
	Deferred outflows of resources	Deferred inflows of resources
<u>PORS:</u>		
Differences between expected and actual experience	\$ 127,389	\$ 45,788
Changes of assumptions	245,677	-
Net difference between projected and actual earnings on pension plan investments	78,553	-
Changes in proportion and differences between City contributions and proportionate share of contributions	125,180	393,607
City contributions subsequent to the measurement date	574,950	-
Total	\$ 1,151,749	\$ 439,395

Approximately \$322,000 and \$575,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2021.

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
2020	\$ 145,272	\$ 213,605	\$ 358,877
2021	(24,752)	(3,447)	(28,199)
2022	(14,311)	(73,844)	(88,155)
2023	14,636	1,090	15,726
	\$ 120,845	\$ 137,404	\$ 258,249

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

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 following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2018, valuations for SCRS and PORS.

Actuarial assumptions:	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Investment rate of return	7.25%	7.25%
Projected salary increases*	3.0% to 12.5% (varies by service)*	3.5% to 9.5% (varies by service)*
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

*Includes inflation at 2.25%

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

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds / Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	<u>100.0%</u>		<u>5.41%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.66%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the sensitivity of the City’s proportionate share of the NPL of the Plans as of June 30, 2019 to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1.00% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 5,620,349	\$ 4,461,231	\$ 3,494,071
PORS	\$ 8,396,185	\$ 6,195,349	\$ 4,392,333

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 \$255,277 to PEBA as of June 30, 2020, representing required employer and employee contributions related to 2020. These amounts are included in Other Accrued Liabilities on the financial statements and have been paid subsequent to year end.

C. Other Postemployment Benefits

Upon retirement from the City, employees who meet certain eligibility requirements have the option to retain health insurance through the Health Plan paying the applicable retiree rate. The Health Plan and the City’s Personnel Manual establish the requirements for post-employment healthcare benefits. Presently there are no retired participants who opted to retain health insurance through the Health Plan. For the fiscal year ended June 30, 2020, there were no material liabilities or expenditures to be required with GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

D. 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, 2020.

E. Litigation

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



Required Supplementary Information (Unaudited)

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

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual – General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 4,398,550	\$ 4,398,550	\$ 4,517,683	\$ 119,133
Local Option Sales Tax	811,200	811,200	799,984	(11,216)
Intergovernmental	267,600	267,600	377,343	109,743
Licenses and Permits	4,621,720	4,621,720	4,320,407	(301,313)
Fines and Forfeitures	200,000	200,000	277,428	77,428
Revenues From Use of Properties (Marina excluded)	947,200	947,200	972,258	25,058
Interest	47,250	47,250	131,603	84,353
Other Revenues	274,100	274,100	257,262	(16,838)
Total Revenues	<u>11,567,620</u>	<u>11,567,620</u>	<u>11,653,968</u>	<u>86,348</u>
Expenditures				
General Government:				
Mayor and Council	142,205	142,205	131,556	10,649
Administration	1,136,482	1,136,482	822,959	313,523
Judicial and Legal	223,179	223,179	204,504	18,675
Public Safety:				
Police Department	2,746,081	2,746,081	2,355,529	390,552
Fire Department	3,312,615	3,312,615	3,412,914	(100,299)
Building, Planning, and Engineering	440,572	440,572	410,875	29,697
Public Works	1,432,655	1,432,655	1,302,113	130,542
Recreation:				
Recreation Department	949,572	949,572	857,177	92,395
Recreation Programs	95,750	95,750	56,937	38,813
Non-Departmental:				
Parking Meters	125,987	125,987	80,805	45,182
Debt Service:				
Principal	555,000	555,000	555,000	-
Interest	167,983	167,983	167,983	-
Total Expenditures	<u>11,328,081</u>	<u>11,328,081</u>	<u>10,358,352</u>	<u>969,729</u>
Excess of Revenues Over Expenditures	<u>239,539</u>	<u>239,539</u>	<u>1,295,616</u>	<u>1,056,077</u>
Other Financing Sources (Uses)				
Transfer In	897,745	897,745	918,690	20,945
Transfer Out	(1,137,284)	(1,137,284)	(1,820,026)	(682,742)
Sale of Capital Assets	-	-	44,581	44,581
Total Other Financing Sources (Uses)	<u>(239,539)</u>	<u>(239,539)</u>	<u>(856,755)</u>	<u>(617,216)</u>
Net Changes In Fund Balances	-	-	438,861	438,861
Fund Balances, Beginning of Year	<u>6,018,570</u>	<u>6,018,570</u>	<u>6,018,570</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 6,018,570</u>	<u>\$ 6,018,570</u>	<u>\$ 6,457,431</u>	<u>\$ 438,861</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual – Municipal Accommodations Fee Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodation Fee Revenue	\$ 1,074,290	\$ 1,074,290	\$ 863,187	\$ (211,103)
County Accommodations Fee Revenue	525,300	525,300	370,500	(154,800)
Sale of Assets	5,000	5,000	-	(5,000)
Interest	31,500	31,500	25,891	(5,609)
Total Revenues	<u>1,636,090</u>	<u>1,636,090</u>	<u>1,259,578</u>	<u>(376,512)</u>
Expenditures				
Current:				
General Government	68,460	68,460	27,595	40,865
Public Safety	51,000	51,000	34,020	16,980
Public Works	34,000	34,000	139,878	(105,878)
Non-Departmental:				
Public Restrooms	232,600	232,600	178,220	54,380
Capital Outlay	1,836,138	1,836,138	735,065	1,101,073
Debt Service:				
Principal	82,000	82,000	82,000	-
Interest	5,611	5,611	5,611	-
Total Expenditures	<u>2,309,809</u>	<u>2,309,809</u>	<u>1,202,389</u>	<u>1,107,420</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(673,719)</u>	<u>(673,719)</u>	<u>57,189</u>	<u>730,908</u>
Other Financing Sources (Uses)				
Transfer Out	(458,702)	(458,702)	(395,615)	63,087
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>(458,702)</u>	<u>(458,702)</u>	<u>(395,615)</u>	<u>63,087</u>
Net Changes In Fund Balances	<u>(1,132,421)</u>	<u>(1,132,421)</u>	<u>(338,426)</u>	<u>793,995</u>
Fund Balances, Beginning of Year	<u>1,622,048</u>	<u>1,622,048</u>	<u>1,622,048</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 489,627</u>	<u>\$ 489,627</u>	<u>\$ 1,283,622</u>	<u>\$ 793,995</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual – State Accommodations Tax Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Accommodations Tax Revenue	\$ 1,858,120	\$ 1,858,120	\$ 1,598,026	\$ (260,094)
Interest	30,560	30,560	26,421	(4,139)
Total Revenues	1,888,680	1,888,680	1,624,447	(264,233)
Expenditures				
Current:				
General Government	710,700	710,700	573,120	137,580
Public Safety	7,100	7,100	2,353	4,747
Public Works	7,500	7,500	4,444	3,056
Recreation:				
Recreation Department	16,000	16,000	11,614	4,386
Non-Departmental:				
Public Restrooms	199,280	199,280	150,362	48,918
Capital Outlay	1,346,500	1,346,500	664,144	682,356
Debt Service:				
Principal	70,756	70,756	91,915	(21,159)
Interest	33,980	33,980	-	33,980
Total Expenditures	2,391,816	2,391,816	1,497,952	893,864
Excess (Deficiency) of Revenues Over Expenditures	(503,136)	(503,136)	126,495	629,631
Other Financing Sources (Uses)				
Transfer Out	(278,713)	(278,713)	(258,667)	20,046
Sale of Capital Assets	5,000	5,000	-	(5,000)
Total Other Financing Sources (Uses)	(273,713)	(273,713)	(258,667)	15,046
Net Changes In Fund Balances	(776,849)	(776,849)	(132,172)	644,677
Fund Balances, Beginning of Year	1,813,035	1,813,035	1,813,035	-
Fund Balances, End of Year	\$ 1,036,186	\$ 1,036,186	\$ 1,680,863	\$ 644,677

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual – Hospitality Tax Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hospitality Taxes	\$ 811,640	\$ 811,640	\$ 603,275	\$ (208,365)
Interest	16,800	16,800	16,903	103
Total Revenues	<u>828,440</u>	<u>828,440</u>	<u>620,178</u>	<u>(208,262)</u>
Expenditures				
Current:				
Public Safety	37,000	37,000	16,289	20,711
Public Works	263,800	263,800	131,917	131,883
Recreation	33,000	33,000	34,212	(1,212)
Capital Outlay	271,000	271,000	30,576	240,424
Debt Service:				
Principal	123,000	123,000	123,000	-
Interest	18,894	18,894	18,894	-
Total Expenditures	<u>746,694</u>	<u>746,694</u>	<u>354,888</u>	<u>391,806</u>
Excess of Revenues Over Expenditures	<u>81,746</u>	<u>81,746</u>	<u>265,290</u>	<u>183,544</u>
Other Financing Uses				
Transfer Out	<u>(229,830)</u>	<u>(229,830)</u>	<u>(229,830)</u>	<u>-</u>
Total Other Financing Uses	<u>(229,830)</u>	<u>(229,830)</u>	<u>(229,830)</u>	<u>-</u>
Net Changes In Fund Balances	(148,084)	(148,084)	35,460	183,544
Fund Balances, Beginning of Year	<u>1,077,771</u>	<u>1,077,771</u>	<u>1,077,771</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 929,687</u>	<u>\$ 929,687</u>	<u>\$ 1,113,231</u>	<u>\$ 183,544</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual – Beach Preservation Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Beach preservation fee	\$ 1,074,290	\$ 1,074,290	\$ 863,187	\$ (211,103)
Interest	25,200	25,200	43,953	18,753
Total Revenues	<u>1,099,490</u>	<u>1,099,490</u>	<u>907,140</u>	<u>(192,350)</u>
Expenditures				
Current:				
General Government	369,142	369,142	72,712	296,430
Capital Outlay	115,000	115,000	-	115,000
Total Expenditures	<u>484,142</u>	<u>484,142</u>	<u>72,712</u>	<u>411,430</u>
Excess of Revenues Over Expenditures	<u>615,348</u>	<u>615,348</u>	<u>834,428</u>	<u>219,080</u>
Net Changes In Fund Balances	615,348	615,348	834,428	219,080
Fund Balances, Beginning of Year	-	-	2,619,767	2,619,767
Fund Balances, End of Year	<u>\$ 615,348</u>	<u>\$ 615,348</u>	<u>\$ 3,454,195</u>	<u>\$ 2,838,847</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of Net Pension Liability
South Carolina Retirement System
Year Ended June 30, 2020

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
City of Isle of Palms' proportion of the net pension liability	0.019538%	0.019916%	0.019257%	0.019055%	0.018636%	0.018910%
City of Isle of Palms' proportionate share of the net pension liability	\$ 4,461,231	\$ 4,462,643	\$ 4,335,060	\$ 4,070,120	\$ 3,534,218	\$ 3,255,503
City of Isle of Palms' covered payroll during measurement period	\$ 2,063,111	\$ 2,063,898	\$ 1,942,949	\$ 1,845,203	\$ 1,747,268	\$ 1,718,609
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.24%	216.22%	223.12%	220.58%	202.27%	189.43%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.30%	52.90%	57.00%	59.92%

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions
South Carolina Retirement System
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 322,055	\$ 279,865	\$ 279,865	\$ 224,605	\$ 204,079	\$ 190,452	\$ 181,973
Contributions in relation to the contractually required contribution	<u>(322,055)</u>	<u>(279,865)</u>	<u>(279,865)</u>	<u>(224,605)</u>	<u>(204,079)</u>	<u>(190,452)</u>	<u>(181,973)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 2,069,765</u>	<u>\$ 2,063,111</u>	<u>\$ 2,063,898</u>	<u>\$ 1,942,949</u>	<u>\$ 1,845,203</u>	<u>\$ 1,747,268</u>	<u>\$ 1,718,609</u>
Contributions as a percentage of covered-employee payroll	15.56%	13.57%	13.56%	11.56%	11.06%	10.90%	10.59%

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of Net Pension Liability
South Carolina Police Officers Retirement System
Year Ended June 30, 2020

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
City of Isle of Palms' proportion of the net pension liability	0.216172%	0.235181%	0.226290%	0.230280%	0.226240%	0.210300%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 6,195,349</u>	<u>\$ 6,663,950</u>	<u>\$ 6,199,297</u>	<u>\$ 5,840,969</u>	<u>\$ 4,931,002</u>	<u>\$ 4,025,983</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 3,135,480</u>	<u>\$ 3,229,223</u>	<u>\$ 3,047,364</u>	<u>\$ 2,885,754</u>	<u>\$ 2,802,857</u>	<u>\$ 2,526,375</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.59%	206.36%	203.43%	202.41%	175.93%	159.36%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.90%	60.40%	64.60%	67.55%

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions
South Carolina Police Officers Retirement System
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 574,950	\$ 524,426	\$ 524,426	\$ 433,945	\$ 403,373	\$ 375,863	\$ 324,766
Contributions in relation to the contractually required contribution	<u>(574,950)</u>	<u>(524,426)</u>	<u>(524,426)</u>	<u>(433,945)</u>	<u>(403,373)</u>	<u>(375,863)</u>	<u>(324,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Isle of Palms' covered-employee payroll	<u>\$ 3,152,136</u>	<u>\$ 3,135,480</u>	<u>\$ 3,229,223</u>	<u>\$ 3,047,364</u>	<u>\$ 2,885,754</u>	<u>\$ 2,802,857</u>	<u>\$ 2,526,375</u>
Contributions as a percentage of covered-employee payroll	18.24%	16.73%	16.24%	14.24%	13.98%	13.41%	12.86%

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

Supplementary Information

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

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.

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

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, 2020

	State Narcotics Fund	Victim Assistance Fund	Recreation Building Fund	Total Non-Major Funds
Assets				
Cash and Cash Equivalents - Restricted	\$ -	\$ 28,290	\$ 84,243	\$ 112,533
Due from Other Funds	-	822	-	822
Total Assets	\$ -	\$ 29,112	\$ 84,243	\$ 113,355
Fund Balances				
Restricted	-	29,112	-	29,112
Assigned	-	-	84,243	84,243
Total Fund Balances	-	29,112	84,243	113,355
Total Liabilities and Fund Balances	\$ -	\$ 29,112	\$ 84,243	\$ 113,355

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, 2020

	State Narcotics Fund	Victim Assistance Fund	Recreation Building Fund	Total Non-Major Funds
Revenues				
Fines and Forfeitures	\$ -	\$ 5,153	\$ -	\$ 5,153
Interest	-	-	1,318	1,318
Other	-	-	13,474	13,474
Total Revenues	<u>-</u>	<u>5,153</u>	<u>14,792</u>	<u>19,945</u>
Expenditures				
Current:				
Public Safety	4,386	4,356	-	8,742
Recreation	-	-	5,168	5,168
Total Expenditures	<u>4,386</u>	<u>4,356</u>	<u>5,168</u>	<u>13,910</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,386)</u>	<u>797</u>	<u>9,624</u>	<u>6,035</u>
Other Financing Sources				
Transfers In	-	-	3,000	3,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Net Change In Fund Balances	<u>(4,386)</u>	<u>797</u>	<u>12,624</u>	<u>9,035</u>
Fund Balances, Beginning of Year	<u>4,386</u>	<u>28,315</u>	<u>71,619</u>	<u>104,320</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 29,112</u>	<u>\$ 84,243</u>	<u>\$ 113,355</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 4,398,550	\$ 4,517,683	\$ 119,133
Local Option Sales Tax	811,200	799,984	(11,216)
Intergovernmental			
State Aid to Subdivisions	93,000	97,989	4,989
State Accommodations Tax Administrative Fee	123,600	109,107	(14,493)
State Shared Funds - Alcohol	51,000	50,550	(450)
Grants	-	119,697	119,697
Total Intergovernmental	267,600	377,343	109,743
Licenses and Permits			
Business Licenses	1,438,000	1,365,072	(72,928)
Residential Rental Licenses	1,020,000	1,009,462	(10,538)
Insurance Licenses	694,880	713,992	19,112
Public Utilities	869,000	777,648	(91,352)
Building Permits	568,000	423,216	(144,784)
Telecommunication Licenses	20,000	18,240	(1,760)
Transportation	8,240	11,522	3,282
Alarm Permits	1,800	1,045	(755)
Animal Licenses	1,800	210	(1,590)
Total Licenses and Permits	4,621,720	4,320,407	(301,313)
Fines and Forfeitures	200,000	277,428	77,428
Revenue From Use of Properties			
Parking Lot Revenue	370,000	428,729	58,729
Parking Meter Revenue	577,000	543,184	(33,816)
Residential Guest Parking Revenue	200	345	145
Total Revenue From Use of Properties	947,200	972,258	25,058
Interest			
Interest Income	47,250	131,603	84,353
Total Interest	47,250	131,603	84,353

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other Revenues			
Recreation Program Income	\$ 90,000	\$ 78,555	\$ (11,445)
Recreation Instructors Income	170,000	137,336	(32,664)
Miscellaneous	8,000	36,239	28,239
Cart Purchase Revenue	4,000	4,425	425
Boat Ramp Fees	2,000	700	(1,300)
Kennel Fees	100	7	(93)
	<u>274,100</u>	<u>257,262</u>	<u>(16,838)</u>
Total Other Revenues			
Total Revenues	<u>11,567,620</u>	<u>11,653,968</u>	<u>86,348</u>
Expenditures			
General Government			
<u>Mayor and Council:</u>			
Salaries	17,000	17,000	-
Payroll Taxes	1,301	1,299	2
Retirement	2,645	1,901	744
Group Health Insurance	96,103	91,178	4,925
Workers Compensation	456	360	96
Print and Office Supplies	2,100	969	1,131
Meetings and Seminars	12,000	8,919	3,081
Telephone	-	2,354	(2,354)
Insurance	2,100	2,016	84
Miscellaneous and Contingency	4,500	4,397	103
Citizens and Employee Services	4,000	1,163	2,837
	<u>142,205</u>	<u>131,556</u>	<u>10,649</u>
Total Mayor and Council			
<u>Administration:</u>			
Salaries	489,754	403,495	86,259
Salaries - Overtime	4,504	928	3,576
Payroll Taxes	37,811	30,217	7,594
Retirement	76,907	58,531	18,376
Group Health Insurance	46,324	36,630	9,694
Workers Compensation	5,777	(683)	6,460
Print and Office Supplies	11,000	8,389	2,611
Membership and Dues	5,985	4,981	1,004

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Meetings and Seminars	\$ 8,500	\$ 1,704	\$ 6,796
Vehicle, Fuel, and Oil	1,500	579	921
Electric and Gas	4,700	4,231	469
Telephone and Cable	11,000	9,423	1,577
Water and Sewer	2,120	1,566	554
Noncapital Tools and Equipment	1,250	552	698
Maintenance and Service Contracts	57,000	28,922	28,078
Machine and Equipment Repair	500	-	500
Cleaning and Sanitary Supplies	1,800	2,149	(349)
Storm Preparation & Cleanup	-	38,890	(38,890)
Medical and Lab	600	678	(78)
Insurance	22,000	19,864	2,136
Rent and Leases	10,450	8,998	1,452
Advertising	6,000	4,716	1,284
Employee Training	58,000	21,926	36,074
Professional Services	129,000	69,181	59,819
Contracted Services	114,000	40,131	73,869
Miscellaneous and Contingency	18,000	16,941	1,059
Election Expense	5,000	2,206	2,794
Bank Service Charges	7,000	7,814	(814)
	<u>1,136,482</u>	<u>822,959</u>	<u>313,523</u>
Total Administration			
Judicial and Legal:			
Salaries - Full-time	69,578	69,384	194
Salaries - Over-time	1,584	1,702	(118)
Salaries - Part-time	16,500	15,041	1,459
Payroll Taxes	6,706	6,416	290
Retirement	13,640	12,468	1,172
Group Health Insurance	6,933	6,664	269
Workers Compensation	288	221	67
Print and Office Supplies	4,000	3,426	574
Membership and Dues	150	74	76
Meetings and Seminars	700	512	188
Telephone and Cable	4,300	3,409	891
Noncapital Tools and Equipment	800	624	176
Maintenance and Service Contracts	5,000	4,511	489
Insurance	650	669	(19)

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee Training	\$ 1,500	\$ 376	\$ 1,124
Professional Services	90,000	78,740	11,260
Miscellaneous and Contingency	850	267	583
Total Judicial and Legal	223,179	204,504	18,675
Total General Government	1,501,866	1,159,019	342,847

Public Safety

Police Department:

Salaries	1,453,386	1,235,798	217,588
Salaries - Over-time	132,818	167,858	(35,040)
Salaries - Part-time	-	13,809	(13,809)
Payroll Taxes	121,345	105,311	16,034
Retirement	281,497	237,075	44,422
Group Health Insurance	230,778	179,745	51,033
Workers Compensation	71,592	50,860	20,732
Print and Office Supplies	14,000	7,099	6,901
Membership and Dues	2,000	1,710	290
Meetings and Seminars	2,000	640	1,360
Vehicle, Fuel, and Oil	80,000	55,802	24,198
Vehicle Maintenance	50,000	46,497	3,503
Electric and Gas	32,000	24,412	7,588
Telephone and Cable	60,000	48,010	11,990
Water and Sewer	6,000	5,700	300
Noncapital Tools and Equipment	2,000	2,943	(943)
Maintenance and Service Contracts	68,500	66,350	2,150
Machine and Equipment Repair	8,500	137	8,363
Uniforms	20,715	10,528	10,187
Cleaning and Sanitary Supplies	1,750	2,835	(1,085)
Medical and Lab	4,000	3,922	78
Insurance	64,000	70,235	(6,235)
Rent and Leases	4,450	4,334	116
Employee Training	10,000	5,462	4,538
Professional Services	5,500	765	4,735
Contracted Services	15,000	4,180	10,820
Miscellaneous and Contingency	3,250	3,114	136
Canine Kennel Expenses	1,000	398	602
Total Police Department	2,746,081	2,355,529	390,552

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Department:			
Salaries - Full-time	\$ 1,650,662	\$ 1,728,922	\$ (78,260)
Salaries - Over-time	291,195	364,157	(72,962)
Salaries - Part-time	16,900	2,514	14,386
Payroll Taxes	149,845	154,916	(5,071)
Retirement	356,333	363,949	(7,616)
Group Health Insurance	297,896	278,507	19,389
Workers Compensation	79,234	81,858	(2,624)
Unemployment Compensation	-	3	(3)
Print and Office Supplies	5,500	3,157	2,343
Membership and Dues	2,300	553	1,747
Meetings and Seminars	500	314	186
Vehicle, Fuel, and Oil	19,000	12,693	6,307
Vehicle Maintenance	70,000	65,175	4,825
Electric and Gas	44,500	40,460	4,040
Telephone and Cable	61,000	55,278	5,722
Water and Sewer	10,600	10,633	(33)
Noncapital Tools and Equipment	4,700	4,760	(60)
Maintenance and Service Contracts	61,000	52,293	8,707
Machine and Equipment Repair	10,000	11,122	(1,122)
Uniforms	20,000	12,140	7,860
Cleaning and Sanitary Supplies	4,000	7,891	(3,891)
Medical and Lab	17,000	16,451	549
Insurance	114,000	119,306	(5,306)
Rent and Leases	3,450	5,807	(2,357)
Employee Training	10,000	8,684	1,316
Professional Services	6,000	5,473	527
Miscellaneous and Contingency	6,000	4,900	1,100
Volunteer Point Allocation	1,000	998	2
Total Fire Department	3,312,615	3,412,914	(100,299)
Total Public Safety	6,058,696	5,768,443	290,253
Building, Planning, and Engineering			
Salaries - Full-time	254,059	247,287	6,772
Salaries - Over-time	671	491	180
Payroll Taxes	19,487	18,119	1,368
Retirement	39,636	35,849	3,787
Group Health Insurance	45,230	41,180	4,050
Workers Compensation	2,739	2,722	17
Print and Office Supplies	11,000	9,562	1,438
Membership and Dues	1,000	204	796
Meetings and Seminars	500	24	476
Vehicle, Fuel, and Oil	4,500	3,220	1,280

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Vehicle Maintenance	\$ 1,000	\$ 166	\$ 834
Electric and Gas	4,500	4,231	269
Telephone and Cable	5,400	4,311	1,089
Water and Sewer	1,600	1,374	226
Noncapital Tools and Equipment	300	500	(200)
Maintenance and Service Contracts	21,000	21,131	(131)
Machine and Equipment Repair	500	-	500
Uniforms	500	293	207
Cleaning and Sanitary Supplies	500	708	(208)
Medical and Lab	100	139	(39)
Insurance	9,000	8,673	327
Rent and Leases	2,050	1,101	949
Employee Training	1,300	90	1,210
Professional Services	13,500	9,077	4,423
Miscellaneous and Contingency	500	423	77
Total Building, Planning, and Engineering	<u>440,572</u>	<u>410,875</u>	<u>29,697</u>
Public Works			
Salaries - Full-time	613,592	566,183	47,409
Salaries - Over-time	10,999	10,757	242
Salaries - Part-time	-	2,577	(2,577)
Payroll Taxes	47,781	43,187	4,594
Retirement	97,186	83,647	13,539
Group Health Insurance	84,358	87,324	(2,966)
Workers Compensation	40,609	31,390	9,219
Print and Office Supplies	1,500	920	580
Membership and Dues	500	258	242
Vehicle, Fuel, and Oil	61,000	61,548	(548)
Vehicle Maintenance	85,000	84,066	934
Electric and Gas	76,000	65,390	10,610
Telephone and Cable	14,000	12,309	1,691
Water and Sewer	12,000	2,178	9,822
Noncapital Tools and Equipment	2,000	1,895	105
Maintenance and Service Contracts	8,000	13,434	(5,434)
Machine and Equipment Repair	5,000	1,299	3,701
Uniforms	10,880	10,276	604
Cleaning and Sanitary Supplies	2,500	2,219	281
Medical and Lab	3,500	3,117	383
Street Signs	2,500	-	2,500
Insurance	40,000	44,939	(4,939)
Rent and Leases	1,950	1,392	558

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee Training	\$ 300	\$ -	\$ 300
Professional Services	2,000	280	1,720
Temporary Labor	200,000	163,644	36,356
Contracted Services	1,000	-	1,000
Miscellaneous and Contingency	1,000	925	75
Garbage Cart - Procurement	7,500	6,959	541
Total Public Works	<u>1,432,655</u>	<u>1,302,113</u>	<u>130,542</u>

Recreation

Recreation Department:

Salaries - Full-time	374,662	379,099	(4,437)
Salaries - Over-time	8,396	2,833	5,563
Salaries - Part-time	200,000	150,844	49,156
Payroll Taxes	44,604	39,796	4,808
Retirement	59,604	57,707	1,897
Group Health Insurance	69,824	57,056	12,768
Workers Compensation	13,172	9,873	3,299
Unemployment Compensation	-	2,997	(2,997)
Print and Office Supplies	10,500	8,720	1,780
Membership and Dues	1,600	1,345	255
Meetings and Seminars	2,000	328	1,672
Vehicle, Fuel, and Oil	4,000	2,070	1,930
Vehicle Maintenance	2,000	4,966	(2,966)
Electric and Gas	37,000	27,872	9,128
Telephone and Cable	17,000	10,527	6,473
Water and Sewer	4,240	4,337	(97)
Noncapital Tools and Equipment	1,800	1,734	66
Maintenance and Service Contracts	38,600	38,478	122
Machine and Equipment Repair	2,500	1,564	936
Uniforms	1,950	36	1,914
Cleaning and Sanitary Supplies	4,750	6,344	(1,594)
Medical and Lab	800	1,344	(544)
Insurance	41,000	41,520	(520)
Rent and Leases	3,950	2,365	1,585
Employee Training	2,000	1,092	908
Professional Services	120	120	-
Miscellaneous and Contingency	3,500	2,210	1,290
Total Recreation Department	<u>949,572</u>	<u>857,177</u>	<u>92,395</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation Programs:			
Five Year Old & Under Play Group	\$ 750	\$ 271	\$ 479
Gymnastics	3,000	1,360	1,640
Special Activities	24,500	22,544	1,956
Summer Camp	14,500	10,019	4,481
Themed Activities	2,000	998	1,002
Adult Sports	13,000	6,389	6,611
Youth Sports	35,000	13,657	21,343
Teenagers	3,000	1,699	1,301
	<u>95,750</u>	<u>56,937</u>	<u>38,813</u>
Total Recreation Programs	<u>95,750</u>	<u>56,937</u>	<u>38,813</u>
Total Recreation	<u>1,045,322</u>	<u>914,114</u>	<u>131,208</u>
Non-Departmental			
Parking Meters			
Salaries - Over-time	1,500	3,955	(2,455)
Salaries - Part-time	110,000	67,053	42,947
Payroll Taxes	8,530	5,436	3,094
Retirement	-	1,443	(1,443)
Workers Compensation	5,957	2,918	3,039
	<u>125,987</u>	<u>80,805</u>	<u>45,182</u>
Total Parking Meters	<u>125,987</u>	<u>80,805</u>	<u>45,182</u>
Total Non-Departmental	<u>125,987</u>	<u>80,805</u>	<u>45,182</u>
Debt Service			
Principal	555,000	555,000	-
Interest	167,983	167,983	-
	<u>722,983</u>	<u>722,983</u>	<u>-</u>
Total Debt Service	<u>722,983</u>	<u>722,983</u>	<u>-</u>
Total General Fund Expenditures	<u>\$ 11,328,081</u>	<u>\$ 10,358,352</u>	<u>\$ 969,729</u>

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2020

	General Government		
	Mayor and Council	Administration	Judicial and Legal
Departmental Expenditures			
Salaries - Full-time	\$ 17,000	\$ 403,495	\$ 69,384
Salaries - Over-time	-	928	1,702
Salaries - Part-time	-	-	15,041
Payroll Taxes	1,299	30,217	6,416
Retirement	1,901	58,531	12,468
Group Health Insurance	91,178	36,630	6,664
Workers Compensation	360	(683)	221
Unemployment Compensation	-	-	-
Print and Office Supplies	969	8,389	3,426
Membership and Dues	-	4,981	74
Membership and Seminars	8,919	1,704	512
Vehicle, Fuel, and Oil	-	579	-
Vehicle Maintenance	-	-	-
Electric and Gas	-	4,231	-
Telephone and Cable	2,354	9,423	3,409
Water and Sewer	-	1,566	-
Noncapital Tools and Equipment	-	552	624
Maintenance and Service Contracts	-	28,922	4,511
Machine and Equipment Repair	-	-	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	2,149	-
Storm Preparation & Cleanup	-	38,890	-
Medical and Lab	-	678	-
Insurance	2,016	19,864	669
Rent and Leases	-	8,998	-
Advertising	-	4,716	-
Employee Training	-	21,926	376
Professional Services	-	69,181	78,740
Temporary Labor	-	-	-
Contracted Services	-	40,131	-
Miscellaneous and Contingency	4,397	16,941	267
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	1,163	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Election Expenses	-	2,206	-
Bank Service Charges	-	7,814	-
Total Departmental Expenditures	\$ 131,556	\$ 822,959	\$ 204,504

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2020

	<u>Public Safety</u>		<u>Building, Planning, and Engineering</u>	<u>Public Works Department</u>
	<u>Police Department</u>	<u>Fire Department</u>		
Departmental Expenditures				
Salaries - Full-time	\$ 1,235,798	\$ 1,728,922	\$ 247,287	\$ 566,183
Salaries - Over-time	167,858	364,157	491	10,757
Salaries - Part-time	13,809	2,514	-	2,577
Payroll Taxes	105,311	154,916	18,119	43,187
Retirement	237,075	363,949	35,849	83,647
Group Health Insurance	179,745	278,507	41,180	87,324
Workers Compensation	50,860	81,858	2,722	31,390
Print and Office Supplies	7,099	3,157	9,562	920
Membership and Dues	1,710	553	204	258
Membership and Seminars	640	314	24	-
Vehicle, Fuel, and Oil	55,802	12,693	3,220	61,548
Vehicle Maintenance	46,497	65,175	166	84,066
Electric and Gas	24,412	40,460	4,231	65,390
Telephone and Cable	48,010	55,278	4,311	12,309
Water and Sewer	5,700	10,633	1,374	2,178
Noncapital Tools and Equipment	2,943	4,760	500	1,895
Maintenance and Service Contracts	66,350	52,293	21,131	13,434
Machine and Equipment Repair	137	11,122	-	1,299
Uniforms	10,528	12,140	293	10,276
Cleaning and Sanitary Supplies	2,835	7,891	708	2,219
Storm Preparation & Cleanup	-	-	-	-
Medical and Lab	3,922	16,451	139	3,117
Insurance	70,235	119,306	8,673	44,939
Rent and Leases	4,334	5,807	1,101	1,392
Advertising	-	-	-	-
Employee Training	5,462	8,684	90	-
Professional Services	765	5,473	9,077	280
Temporary Labor	-	-	-	163,644
Contracted Services	4,180	-	-	-
Miscellaneous and Contingency	3,114	4,900	423	925
Volunteer Point Allocation	-	998	-	-
Citizens and Employee Services	-	-	-	-
Canine Kennel Expenses	398	-	-	-
Recreation Instruction Expense	-	-	-	-
Garbage Cart - Procurement	-	-	-	6,959
Election Expenses	-	-	-	-
Bank Service Charges	-	-	-	-
Total Departmental Expenditures	<u>\$ 2,355,529</u>	<u>\$ 3,412,914</u>	<u>\$ 410,875</u>	<u>\$ 1,302,113</u>

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2020

	<u>Recreation</u>	<u>Non-Departmental Parking Meters</u>	<u>Total</u>
Departmental Expenditures			
Salaries - Full-time	\$ 379,099	\$ -	\$ 4,647,168
Salaries - Over-time	2,833	3,955	552,681
Salaries - Part-time	150,844	67,053	251,838
Payroll Taxes	39,796	5,436	404,697
Retirement	57,707	1,443	852,570
Group Health Insurance	57,056	-	778,284
Workers Compensation	9,873	2,918	179,519
Print and Office Supplies	8,720	-	42,242
Membership and Dues	1,345	-	9,125
Membership and Seminars	328	-	12,441
Vehicle, Fuel, and Oil	2,070	-	135,912
Vehicle Maintenance	4,966	-	200,870
Electric and Gas	27,872	-	166,596
Telephone and Cable	10,527	-	145,621
Water and Sewer	4,337	-	25,788
Noncapital Tools and Equipment	1,734	-	13,008
Maintenance and Service Contracts	38,478	-	225,119
Machine and Equipment Repair	1,564	-	14,122
Uniforms	36	-	33,273
Cleaning and Sanitary Supplies	6,344	-	22,146
Storm Preparation & Cleanup	-	-	38,890
Medical and Lab	1,344	-	25,651
Insurance	41,520	-	307,222
Rent and Leases	2,365	-	23,997
Advertising	-	-	4,716
Employee Training	1,092	-	37,630
Professional Services	120	-	163,636
Temporary Labor	-	-	163,644
Contracted Services	-	-	44,311
Miscellaneous and Contingency	2,210	-	33,177
Volunteer Point Allocation	-	-	998
Citizens and Employee Services	-	-	1,163
Canine Kennel Expenses	-	-	398
Recreation Instruction Expense	56,937	-	56,937
Garbage Cart - Procurement	-	-	6,959
Election Expenses	-	-	2,206
Bank Service Charges	-	-	7,814
Total Departmental Expenditures	<u>\$ 914,114</u>	<u>\$ 80,805</u>	<u>\$ 9,635,369</u>
		Debt Service	722,983
			<u>\$ 10,358,352</u>

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2020

FOR THE STATE TREASURER'S OFFICE:

<u>COUNTY / MUNICIPAL FUNDS COLLECTED</u> <u>BY CLERK OF COURT</u>	<u>General</u> <u>Sessions</u>	<u>Magistrate</u> <u>Court</u>	<u>Municipal</u> <u>Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected			\$ 313,835.85	\$ 313,835.85
Court fines and assessments remitted to State Treasurer			\$ (33,792.14)	\$ (33,792.14)
Total Court Fines and Assessments retained	\$ -	\$ -	\$ 280,043.71	\$ 280,043.71
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			\$ 2,322.50	\$ 2,322.50
Assessments retained			\$ 2,830.24	\$ 2,830.24
Total Surcharges and Assessments retained for victim services	\$ -	\$ -	\$ 5,152.74	\$ 5,152.74

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ 28,314.38		\$ 28,314.38
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	\$ -		\$ -
Victim Service Assessments Retained by City/County Treasurer	\$ 2,830.24		\$ 2,830.24
Victim Service Surcharges Retained by City/County Treasurer	\$ 2,322.50		\$ 2,322.50
Interest Earned	\$ -		\$ -
Grant Funds Received			
Grant from:			\$ -
General Funds Transferred to Victim Service Fund	\$ -		\$ -
Contribution Received from Victim Service Contracts:			
(1) Town of			\$ -
(2) Town of			\$ -
(3) City of			\$ -
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 33,467.12	\$ -	\$ 33,467.12

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2020

Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			\$ -
Operating Expenditures	\$ 4,355.49		\$ 4,355.49
Victim Service Contract(s):			
(1) Entity's Name			\$ -
(2) Entity's Name			\$ -
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			\$ -
(2) Rape Crisis Center:			\$ -
(3) Other local direct crime victims service agency:			\$ -
Transferred to General Fund			\$ -
Total Expenditures from Victim Service Fund/Program (B)	\$ 4,355.49	\$ -	\$ 4,355.49
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 29,111.63		\$ 29,111.63
Less: Prior Year Fund Deficit Repayment			\$ -
Carryforward Funds – End of Year	\$ 29,111.63	\$ -	\$ 29,111.63

**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 the City of Isle of Palms (the City), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McCay Kiddy LLC

Mount Pleasant, South Carolina

November 12, 2020



City of Isle of Palms, South Carolina
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified not considered to be material weakness? No

Noncompliance material to financial statements noted? No

Section II – Financial Statement Findings

None

Section III – Compliance Findings

None

Section IV – Summary Schedule of Prior Year Findings

Not Applicable