

City of Isle of Palms, South Carolina
Report on Financial Statements
Year Ended June 30, 2019





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City of Isle of Palms, South Carolina

List of Elected and Appointed Officials

For the Year Ended June 30, 2019

MAYOR

Jimmy Carroll

CITY COUNCIL MEMBERS

Randy Bell

Ryan Buckhannon

Sandy Ferencz

John Moyer

Ted Kinghorn

Carol Rice

Susan Hill Smith

Jimmy Ward

APPOINTED OFFICIALS

City Administrator

City Treasurer

City Clerk

Clerk of Court

Human Resources Officer

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

Wynette DeGroot

William Seabrook

Douglas Kerr

Ann Graham

Kevin Cornett

Donnie Pitts

Norma Jean Page



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2019, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, 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, 56 – 61, and 62 – 67, 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.

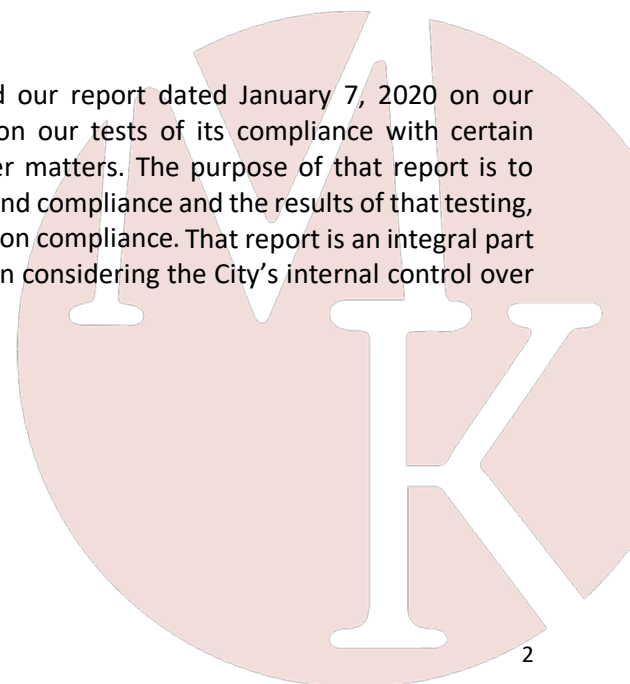
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 January 7, 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
January 7, 2020



City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2019

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, 2019 (FY 2019 or 2019) compared to fiscal year ended June 30, 2018 (FY 2018 or 2018). 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 \$30,860,000 (*net position*). Of this amount, approximately \$24,229,000 and \$6,631,000 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 \$2,376,000 for its governmental activities and approximately \$620,000 for its business-type activities.
- The City's total revenues of approximately \$18,662,000 exceeded total expenses of approximately \$14,281,000, resulting in an increase from the prior fiscal year of approximately \$4,381,000 in net position.
- At the close of 2019, the City's governmental funds reported combined ending fund balances of approximately \$19,028,000, an increase of approximately \$2,300,000 over the prior year's fund balances. Approximately 16% of the total fund balance, or roughly \$2,962,000, is available for spending at the City's discretion (*unassigned fund balance*).
- The City added capital assets of approximately \$3,392,000 during the current fiscal year. Capital asset additions included vehicles, solar parking meters, radios and equipment, underground storage tanks, and the 45th – 52nd Avenue Drainage project. Capital asset additions were offset by depreciation expense of approximately \$1,423,000 and \$133,000 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 \$1,836,000 (7%) from FY 2018.
- The City's total debt decreased by \$1,025,000 (14%) during the current fiscal year due primarily to 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, 2019

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 eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, Municipal Accommodations Fee Fund, State Accommodations Tax Fund, Hospitality Tax Fund, Beach Restoration Fund, and Beach Preservation Fee Fund – since they are considered major funds. Information from the other four (4) 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, 2019

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, 2019

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, 2019

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, 2019 compared to June 30, 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 20,304,946	\$ 18,115,724	\$ 700,045	\$ 849,755	\$ 21,004,991	\$ 18,965,479
Capital Assets, Net	20,534,808	19,109,109	6,011,213	5,603,265	26,546,021	24,712,374
Total Assets	40,839,754	37,224,833	6,711,258	6,453,020	47,551,012	43,677,853
Deferred Outflows of Resources:						
Deferred Pension Charges	2,227,488	2,304,817	-	-	2,227,488	2,304,817
Liabilities						
Long-Term Obligations	6,370,580	7,133,435	-	300,000	6,370,580	7,433,435
Net Pension Liability	11,126,593	10,534,357	-	-	11,126,593	10,534,357
Other Liabilities	1,263,284	1,397,760	80,498	53,244	1,343,782	1,451,004
Total Liabilities	18,760,457	19,065,552	80,498	353,244	18,840,955	19,418,796
Deferred Inflows of Resources:						
Deferred Pension Credits	78,014	85,642	-	-	78,014	85,642
Net Position						
Net Investment in Capital Assets	14,260,905	12,127,471	6,011,213	5,574,003	20,272,118	17,701,474
Restricted	7,591,722	6,560,363	-	-	7,591,722	6,560,363
Unrestricted	2,376,144	1,690,622	619,547	525,773	2,995,691	2,216,395
Total Net Position	\$ 24,228,771	\$ 20,378,456	\$ 6,630,760	\$ 6,099,776	\$ 30,859,531	\$ 26,478,232

The City had total assets of approximately \$47,551,000 as of June 30, 2019, an increase of \$3,873,000 for the year. \$1,834,000 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 \$4,381,000. Total liabilities as of June 30, 2019 decreased by approximately \$578,000 due to a decrease in long-term obligations primarily resulting from regularly scheduled principal payments on long-term debt. No new debt was incurred in fiscal year 2019.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$30,860,000 as of June 30, 2019. Approximately 66% of total net position (\$20,272,000) 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 25% of net position (\$7,592,000) represents resources that are subject to external restrictions on how they may be used. This portion of the net position is restricted primarily for special revenue programs which are restricted by the revenue source. The remaining portion of the City's net position (9% or \$2,996,000) 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, 2019

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 2019 compared to 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,850,862	\$ 4,953,228	\$ 416,486	\$ 415,153	\$ 6,267,348	\$ 5,368,381
Capital Grants and Contributions	1,117,999	12,412,701	-	-	1,117,999	12,412,701
General Revenues:						
Taxes	10,666,906	10,387,873	-	-	10,666,906	10,387,873
Other	594,547	1,629,545	15,102	(6,798)	609,649	1,622,747
Total Revenues	18,230,314	29,383,347	431,588	408,355	18,661,902	29,791,702
Expenses:						
General Government	2,320,236	16,357,381	-	-	2,320,236	16,357,381
Public Safety	7,170,217	7,118,865	-	-	7,170,217	7,118,865
Building, Planning and Engineering	454,932	435,345	-	-	454,932	435,345
Public Works	1,987,289	1,913,208	-	-	1,987,289	1,913,208
Recreation	1,368,338	1,326,896	-	-	1,368,338	1,326,896
Non-Departmental	447,405	434,635	-	-	447,405	434,635
Interest on Long-Term Obligations	213,669	234,491	-	-	213,669	234,491
Marina	-	-	318,517	290,623	318,517	290,623
Total Expenses	13,962,086	27,820,821	318,517	290,623	14,280,603	28,111,444
Change in Net Position Before Transfers	4,268,228	1,562,526	113,071	117,732	4,381,299	1,680,258
Transfer In (Out)	(417,913)	(436,177)	417,913	436,177	-	-
Change in Net Position	3,850,315	1,126,349	530,984	553,909	4,381,299	1,680,258
Net Position, Beginning of Year	20,378,456	19,252,107	6,099,776	5,545,867	26,478,232	24,797,974
Net Position, End of Year	\$ 24,228,771	\$ 20,378,456	\$ 6,630,760	\$ 6,099,776	\$ 30,859,531	\$ 26,478,232

Governmental Activities:

Governmental activities had a net increase in net position of approximately \$3,850,000 in 2019.

Compared to the prior year, total governmental activities revenue decreased by approximately \$11,153,000 or 38%. Key changes compared to the prior year were as follows:

- FY 2018 revenues included more than \$12 million in grants and contributions related to a large beach restoration project and disaster recovery. These revenues were not related to normal City operations and were not repeated in FY 2019.
- License and Permit revenues increased by approximately \$586,000 or 15% over the prior year due in part to rate increases and a large construction project.
- Revenues from tourism, including accommodations and hospitality taxes, increased by approximately \$168,000 or 3% from the prior year.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2019

Expenses related to total governmental activities decreased by approximately \$13,859,000, or 50%, from the prior year. Key changes as compared to the prior year were as follows:

- Beach restoration expenses decreased approximately \$13,860,000, related to the offshore beach restoration project which was completed during the prior year.
- Capital outlay expenses decreased approximately \$122,000, primarily related to the new vehicle wash station and the front beach restroom renovation occurring in the prior year versus the current year.

Business-Type Activities:

Net position related to business-type activities (i.e., the marina) increased by approximately \$531,000. This increase was primarily due to budgeted transfers in of \$418,000 from other funds. The Marina also generated revenue (lease income) in excess of expenses (primarily interest on debt, depreciation, dock insurance, and professional services) equal to approximately \$113,000.

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, 2019, the City's governmental funds reported a combined ending fund balance of approximately \$19,028,000, an increase of approximately \$2,300,000, or 14%, over the prior year's combined fund balance.

Approximately 16% of the total governmental fund balance (\$2,962,000) 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 (\$4,513,000), (2) for recovery efforts on future disasters (\$2,598,000), (3) for capital projects (\$5,149,000), (4) for debt service (\$324,000), (5) for beach preservation (\$2,620,000) and (6) for other purposes primarily related to either police department initiatives, island beautification, drainage initiatives, recreation center improvements, victims' services, narcotics programs, and inventories (\$862,000).

The General Fund is the primary operating fund of the City. At June 30, 2019, the total fund balance was approximately \$6,019,000. As a measure of the General Fund's liquidity, it is useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund (\$2,962,000) represents approximately 28% of total General Fund expenditures (\$10,494,000).

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2019

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

- Total General Fund revenues were up by approximately \$728,000 from the prior year. The most significant changes were:
 - Property tax revenue increased by \$83,000 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 increased approximately \$586,000 due mainly to increased rates and a large construction project.
 - Revenues from parking fees were up \$257,000 due primarily to an increase in parking rates.
 - Revenues from grants and contributions decreased by approximately \$397,000. The decrease primarily related to FEMA and State of SC funds awarded related to disaster recovery being received in the prior year versus the current year.
- The City supplemented General Fund revenues with tourism-related revenues where appropriate. In FY 2019, \$1,226,000 of tourism-related revenue including the accommodations and hospitality tax funds were transferred into the General Fund to help pay for public safety and public works efforts required for tourism. This is an increase of \$28,000 over FY 2018.

Total General Fund expenditures of \$10,494,000 decreased by \$387,000, or 4%, over FY 2018:

- Salary and fringe expense decreased by approximately \$44,000 or 1% due primarily to personnel vacancies in high level positions including City Administrator, Police Chief, and Public Works Assistant Director for Facilities and Maintenance . All these positions were filled as of October 2019.
- Costs associated with storm recovery declined by \$329,000. In FY 2018, Hurricane Irma caused significantly more expense for the City than did Hurricane Florence in FY 2019.

The total fund balance of the remaining governmental funds (Capital Projects, Special Revenue, and Non-major Funds) increased by approximately \$1,869,000 from the prior year. Highlights for these funds were as follows:

- The Capital Projects Fund expended approximately \$1,743,000 during the fiscal year for the purchase of vehicles, equipment and various other capital assets. The General Fund transferred approximately \$1,924,000 into the Capital Projects Fund for future capital expenditures. The ending fund balance in the Capital Projects Fund was approximately \$5,773,000.
- Municipal and state accommodations revenues combined increased approximately \$179,000 or 5% over the prior year. Accommodations funds were expended for various tourism-related efforts, including operation of the public restrooms, parking management, purchases of police, fire and public works vehicles, debt service on the recreation center and marina, and special events such as the 4th of July fireworks show. The Municipal Accommodations Fee Fund and the State Accommodations Tax Fund together also transferred approximately \$953,000 to the General Fund to offset personnel and other costs in the Police, Fire and Public Works Departments.
- Hospitality Tax revenues were little changed over the prior year. In 2019, these funds were used to support personnel expenses in the General Fund, Public Safety equipment purchases, and debt service on the Fire Station No. 2 GO bond and city-wide expenses related to landscaping and street sweeping.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management’s Discussion and Analysis
Year Ended June 30, 2019

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 2019 amounted to approximately \$6,631,000. 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 \$145,000 at June 30, 2019.

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 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s capital assets as of June 30, 2019 amounted to approximately \$26,546,000. 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, 2019 and 2018 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,272,896	\$ 4,272,896	\$ 3,035,786	\$ 3,035,786	\$ 7,308,682	\$ 7,308,682
Construction in Progress	2,988,781	1,410,275	-	-	2,988,781	1,410,275
Land Improvements	1,380,531	1,607,872	2,148,450	2,227,070	3,528,981	3,834,942
Buildings and Improvements	9,524,294	9,983,475	220,312	231,562	9,744,606	10,215,037
Vehicles and Vehicle Equipment	1,268,639	1,164,897	-	-	1,268,639	1,164,897
Equipment	1,098,011	667,762	517,519	1,872	1,615,530	669,634
Furniture and Fixtures	1,656	1,932	89,146	106,975	90,802	108,907
Total	\$ 20,534,808	\$ 19,109,109	\$ 6,011,213	\$ 5,603,265	\$ 26,546,021	\$ 24,712,374

The total increase in the City’s capital assets for FY 2019 was approximately \$1,833,000 or 7%. The increase resulted because capital asset additions for the year was higher than depreciation expense for the year. Major capital asset events during FY 2019 included the following:

- Capital asset additions of approximately \$3,391,000 consisted primarily of:
 - Police, fire and public works vehicles for \$401,000
 - Solar parking meters for \$57,000
 - Police, fire, and recreation radios and equipment for \$308,000
 - Underground storage tanks for \$823,000
 - Renovation of the Public Works building for \$139,000
 - Drainage improvements of \$1,485,000 including the 45th – 52nd Avenue Drainage project

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management’s Discussion and Analysis
Year Ended June 30, 2019

- Depreciation expense of approximately \$1,423,000 for governmental activities and \$133,000 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.

Debt Administration

As of June 30, 2019, the City had total outstanding debt of approximately \$6,060,000. All of this debt consisted of general obligation bonds (GOB) which are backed by the full faith and credit of the City. The City’s total debt as of June 30, 2019 and 2018 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 6,060,000	\$ 6,785,000	\$ -	\$ 300,000	\$ 6,060,000	\$ 7,085,000
Total	<u>\$ 6,060,000</u>	<u>\$ 6,785,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 6,060,000</u>	<u>\$ 7,085,000</u>

The total decrease in the City’s debt for FY 2019 was \$1,025,000 or 14%.

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, 2019 was approximately \$16,880,000. The City had \$5,225,000 of bonded debt subject to the 8% limit and, thus, as of June 30, 2019 had an unused legal debt margin of approximately \$11,655,000.

The City continues to hold an “Aa1” rating from Moody’s.

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 2020 (FY 2020 or 2020) budget. The state of the economy, tourism activity, anticipated building activity, future capital needs and the best interests of the City’s residents were all taken into account.

- **Millage and Property Tax Revenues:** The City’s 2020 budget projects property tax revenue approximately equal to actual FY 2019 collections. There was no change to the City’s millage rate in 2019.
- **Business Licenses and Building Permits:** The City’s 2020 budget for revenues from business licenses and building permits was based on 2019 actual results plus a one-time impact of \$250,000 from construction of a new hotel.
- **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 2020 budget for these revenues is \$5,458,000, which is a 7% increase over the FY 2019 budget.

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Management's Discussion and Analysis
Year Ended June 30, 2019

- **Salaries and Wages:** The 2020 budget includes a 2.5% provision for cost of living and merit-based salary and wage adjustments.
- **Capital Outlay:** The 2020 budget includes \$4,300,000 for the repair of the Public Safety building and \$1,149,500 for refurbishment of existing 95' ladder truck and purchase of a 75' ladder truck.

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.



Government-Wide Financial Statements

City of Isle of Palms, South Carolina
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 11,896,687	\$ 594,738	\$ 12,491,425
Cash and Cash Equivalents - Restricted	6,290,890	-	6,290,890
Taxes Receivable, Net	105,280	-	105,280
Other Receivables, Net	1,724,588	105,307	1,829,895
Due from Other Governments	256,136	-	256,136
Inventory	31,365	-	31,365
Capital Assets:			
Non-Depreciable	7,261,677	3,035,786	10,297,463
Depreciable, Net	13,273,131	2,975,427	16,248,558
Total Capital Assets	<u>20,534,808</u>	<u>6,011,213</u>	<u>26,546,021</u>
Total Assets	<u>\$ 40,839,754</u>	<u>\$ 6,711,258</u>	<u>\$ 47,551,012</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	\$ 2,227,488	\$ -	\$ 2,227,488
Liabilities			
Accounts Payable	\$ 776,223	\$ 64,998	\$ 841,221
Other Accrued Liabilities	380,597	15,500	396,097
Court Assessments/Victim's Rights Liabilities	28,826	-	28,826
Accrued Interest	66,267	-	66,267
Unearned Revenue	11,371	-	11,371
Net Pension Liabilities	11,126,593	-	11,126,593
Long-Term Obligations:			
Due Within One Year	973,903	-	973,903
Due In More Than One Year	5,396,677	-	5,396,677
Total Long-Term Obligations	<u>6,370,580</u>	<u>-</u>	<u>6,370,580</u>
Total Liabilities	<u>\$ 18,760,457</u>	<u>\$ 80,498</u>	<u>\$ 18,840,955</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	\$ 78,014	\$ -	\$ 78,014
Net Position			
Net Investment in Capital Assets	\$ 14,260,905	\$ 6,011,213	\$ 20,272,118
Restricted for:			
Tourism Related Expenditures	4,512,855	-	4,512,855
Beach Preservation	2,619,767	-	2,619,767
Debt Service	323,526	-	323,526
Victim's Services	28,315	-	28,315
Narcotics Program	4,386	-	4,386
Beautification	102,873	-	102,873
Total Restrictions	<u>7,591,722</u>	<u>-</u>	<u>7,591,722</u>
Unrestricted	<u>2,376,144</u>	<u>619,547</u>	<u>2,995,691</u>
Total Net Position	<u>\$ 24,228,771</u>	<u>\$ 6,630,760</u>	<u>\$ 30,859,531</u>

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Statement of Activities
Year Ended June 30, 2019

<u>Functions/Programs</u>	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	\$ 2,320,236	\$ -	\$ -	\$ 1,117,999	\$ (1,202,237)	\$ -	\$ (1,202,237)
Public Safety	7,170,217	298,491	-	-	(6,871,726)	-	(6,871,726)
Building, Planning, and Engineering	454,932	4,368,815	-	-	3,913,883	-	3,913,883
Public Works	1,987,289	-	-	-	(1,987,289)	-	(1,987,289)
Recreation	1,368,338	250,790	-	-	(1,117,548)	-	(1,117,548)
Non-Departmental	447,405	932,766	-	-	485,361	-	485,361
Interest on Long-Term Obligations	213,669	-	-	-	(213,669)	-	(213,669)
Total Governmental Activities	13,962,086	5,850,862	-	1,117,999	(6,993,225)	-	(6,993,225)
Business-Type Activities:							
Marina	318,517	416,486	-	-	-	97,969	97,969
Total Primary Government	\$ 14,280,603	\$ 6,267,348	\$ -	\$ 1,117,999	(6,993,225)	97,969	(6,895,256)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,723,890	-	3,723,890
Property Taxes Levied for Debt Service Purposes					715,400	-	715,400
Local Option Sales Taxes					817,962	-	817,962
Hospitality Taxes					794,303	-	794,303
Accommodations Taxes					4,615,351	-	4,615,351
Total Taxes					<u>10,666,906</u>	<u>-</u>	<u>10,666,906</u>
Intergovernmental					130,254	-	130,254
Interest Income					337,885	15,102	352,987
Gain on Disposal of Capital Assets					19,137	-	19,137
Miscellaneous					107,271	-	107,271
Total Other					<u>594,547</u>	<u>15,102</u>	<u>609,649</u>
Transfers In (Out)					(417,913)	417,913	-
Total General Revenues and Transfers					<u>10,843,540</u>	<u>433,015</u>	<u>11,276,555</u>
Changes In Net Position					3,850,315	530,984	4,381,299
Net Position, Beginning of Year					<u>20,378,456</u>	<u>6,099,776</u>	<u>26,478,232</u>
Net Position, End of Year					<u>\$ 24,228,771</u>	<u>\$ 6,630,760</u>	<u>\$ 30,859,531</u>

Fund Financial Statements

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Assets			
Cash and Cash Equivalents	\$ 7,583,416	\$ 4,313,271	\$ -
Cash and Cash Equivalents - Restricted	27,906	-	1,406,094
Taxes Receivable, Net	105,280	-	-
Accounts Receivable	378,621	-	312,920
Due From:			
Other Governments	256,136	-	-
Other Funds	-	1,757,103	-
Inventory	31,365	-	-
Total Assets	\$ 8,382,724	\$ 6,070,374	\$ 1,719,014
Liabilities			
Accounts Payable	\$ 105,796	\$ 297,868	\$ 96,966
Other Accrued Liabilities	380,597	-	-
Court Assessments/Victim's Rights Liabilities	28,826	-	-
Due To:			
Other Funds	1,757,653	-	-
Unearned Revenue	11,371	-	-
Total Liabilities	2,284,243	297,868	96,966
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	79,910	-	-
Total Deferred Inflows of Resources	79,910	-	-
Fund Balances			
Nonspendable:			
Inventory	31,365	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	323,526	-	-
Tourism Related Expenditures	-	-	1,622,048
Beach Preservation	-	-	-
Beautification	102,873	-	-
Committed:			
Recovery Efforts on Future Disasters	2,598,378	-	-
Assigned:			
Drainage Improvements	-	523,068	-
Recreation Center	-	-	-
Capital Projects	-	5,149,438	-
Other	-	100,000	-
Unassigned	2,962,429	-	-
Total Fund Balances	6,018,571	5,772,506	1,622,048
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,382,724	\$ 6,070,374	\$ 1,719,014

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2019

	State Accom- modations Tax Fund	Hospitality Tax Fund	Beach Restoration Fund
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	1,398,916	1,001,470	-
Taxes Receivable, Net	-	-	-
Accounts Receivable	651,523	88,238	-
Due From:			
Other Governments	-	-	-
Other Funds	-	-	-
Inventory	-	-	-
Total Assets	\$ 2,050,439	\$ 1,089,708	\$ -
Liabilities			
Accounts Payable	\$ 237,404	\$ 11,936	\$ -
Other Accrued Liabilities	-	-	-
Court Assessments/Victim's Rights Liabilities	-	-	-
Due To:			
Other Funds	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	237,404	11,936	-
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances			
Nonspendable:			
Inventory	-	-	-
Restricted:			
Victims' Services	-	-	-
Narcotics Program	-	-	-
Debt Service	-	-	-
Tourism Related Expenditures	1,813,035	1,077,772	-
Beach Preservation	-	-	-
Beautification	-	-	-
Committed:			
Recovery Efforts on Future Disasters	-	-	-
Assigned:			
Drainage Improvements	-	-	-
Recreation Center	-	-	-
Capital Projects	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total Fund Balances	1,813,035	1,077,772	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,050,439	\$ 1,089,708	\$ -

City of Isle of Palms, South Carolina
Balance Sheet – Governmental Funds
June 30, 2019

	Beach Preservation Fee Fund	Total Non-Major Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ 11,896,687
Cash and Cash Equivalents - Restricted	2,347,670	108,834	6,290,890
Taxes Receivable, Net	-	-	105,280
Accounts Receivable	293,286	-	1,724,588
Due From:	-	-	-
Other Governments	-	-	256,136
Other Funds	-	550	1,757,653
Inventory	-	-	31,365
Total Assets	\$ 2,640,956	\$ 109,384	\$ 22,062,599
Liabilities			
Accounts Payable	\$ 21,189	\$ 5,064	\$ 776,223
Other Accrued Liabilities	-	-	380,597
Court Assessments/Victim's Rights Liabilities	-	-	28,826
Due To:	-	-	-
Other Funds	-	-	1,757,653
Unearned Revenue	-	-	11,371
Total Liabilities	21,189	5,064	2,954,670
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	79,910
Total Deferred Inflows of Resources	-	-	79,910
Fund Balances			
Nonspendable:			
Inventory	-	-	31,365
Restricted:			
Victims' Services	-	28,315	28,315
Narcotics Program	-	4,386	4,386
Debt Service	-	-	323,526
Tourism Related Expenditures	-	-	4,512,855
Beach Preservation	2,619,767	-	2,619,767
Beautification	-	-	102,873
Committed:			
Recovery Efforts on Future Disasters	-	-	2,598,378
Assigned:			
Drainage Improvements	-	-	523,068
Recreation Center	-	71,619	71,619
Capital Projects	-	-	5,149,438
Other	-	-	100,000
Unassigned	-	-	2,962,429
Total Fund Balances	2,619,767	104,320	19,028,019
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,640,956	\$ 109,384	\$ 22,062,599

See accompanying notes and independent auditors' report.

City of Isle of Palms, South Carolina
Reconciliation of Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Fund Balances - Governmental Funds	\$	19,028,019
<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.		79,910
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 \$37,053,343 and the accumulated depreciation was \$16,518,535.		20,534,808
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.		(8,977,119)
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.		(66,267)
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		(6,060,000)
Compensated Absences		(310,580)
Total Net Position - Governmental Activities	\$	<u>24,228,771</u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Municipal Accom- modations Fee Fund</u>
Revenues			
Property Taxes	\$ 4,422,931	\$ -	\$ -
Local Option Sales Tax	817,962	-	-
Hospitality Taxes	-	-	-
Intergovernmental	255,116	-	1,550,551
Licenses and Permits	4,368,815	-	-
Fines and Forfeitures	289,232	-	-
Grant Revenue	90,219	906,544	-
Revenue from Use of Property	932,766	-	-
Interest	121,571	80,803	41,004
Other	323,108	18,808	-
Total Revenues	<u>11,621,720</u>	<u>1,006,155</u>	<u>1,591,555</u>
Expenditures			
Current:			
General Government	1,255,972	28,220	43,013
Public Safety	5,761,526	82,764	44,817
Building, Planning, and Engineering	389,172	-	-
Public Works	1,275,541	186,384	45,612
Recreation	983,458	45,825	-
Non-Departmental	106,523	-	191,420
Capital Outlay	-	1,743,431	677,906
Debt Service:			
Principal	536,000	-	72,000
Interest	185,754	-	6,821
Total Expenditures	<u>10,493,946</u>	<u>2,086,624</u>	<u>1,081,589</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,127,774</u>	<u>(1,080,469)</u>	<u>509,966</u>
Other Financing Sources (Uses)			
Transfers In	1,226,087	1,924,450	-
Transfers Out	(1,937,371)	-	(607,582)
Sale of Capital Assets	15,172	-	3,170
Total Other Financing Sources (Uses)	<u>(696,112)</u>	<u>1,924,450</u>	<u>(604,412)</u>
Net Changes In Fund Balances	431,662	843,981	(94,446)
Fund Balances, Beginning of Year	\$ 5,586,909	\$ 4,928,525	\$ 1,716,494
Fund Balances, End of Year	<u>\$ 6,018,571</u>	<u>\$ 5,772,506</u>	<u>\$ 1,622,048</u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	<u>State Accom-</u> <u>modations Tax Fund</u>	<u>Hospitality Tax Fund</u>	<u>Beach Restoration</u> <u>Fund</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Local Option Sales Tax	-	-	-
Hospitality Taxes	-	794,303	-
Intergovernmental	1,897,387	-	-
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Grant Revenue	-	-	-
Revenue from Use of Property	-	-	-
Interest	35,035	25,151	1,800
Other	-	-	-
Total Revenues	<u>1,932,422</u>	<u>819,454</u>	<u>1,800</u>
Expenditures			
Current:			
General Government	677,428	-	21,237
Public Safety	41,944	31,726	-
Building, Planning, and Engineering	-	-	-
Public Works	3,973	150,683	-
Recreation	43,287	32,636	-
Non-Departmental	156,409	-	-
Capital Outlay	421,519	7,740	-
Debt Service:			
Principal	-	117,000	-
Interest	-	21,094	-
Total Expenditures	<u>1,344,560</u>	<u>360,879</u>	<u>21,237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>587,862</u>	<u>458,575</u>	<u>(19,437)</u>
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(577,410)	(462,008)	(226,803)
Sale of Capital Assets	2,130	915	-
Total Other Financing Sources (Uses)	<u>(575,280)</u>	<u>(461,093)</u>	<u>(226,803)</u>
Net Changes In Fund Balances	12,582	(2,518)	(246,240)
Fund Balances, Beginning of Year	\$ 1,800,453	\$ 1,080,290	\$ 246,240
Fund Balances, End of Year	<u>\$ 1,813,035</u>	<u>\$ 1,077,772</u>	<u>\$ -</u>

City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	<u>Beach Preservation Fee Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ 4,422,931
Local Option Sales Tax	-	-	817,962
Hospitality Taxes	-	-	794,303
Intergovernmental	1,042,551	-	4,745,605
Licenses and Permits	-	-	4,368,815
Fines and Forfeitures	-	9,259	298,491
Grant Revenue	121,236	-	1,117,999
Revenue from Use of Property	-	-	932,766
Interest	32,141	380	337,885
Other	-	16,145	358,061
Total Revenues	<u>1,195,928</u>	<u>25,784</u>	<u>18,194,818</u>
Expenditures			
Current:			
General Government	95,377	-	2,121,247
Public Safety	-	1,693	5,964,470
Building, Planning, and Engineering	-	-	389,172
Public Works	-	-	1,662,193
Recreation	-	13,238	1,118,444
Non-Departmental	-	-	454,352
Capital Outlay	-	-	2,850,596
Debt Service:			
Principal	-	-	725,000
Interest	-	-	213,669
Total Expenditures	<u>95,377</u>	<u>14,931</u>	<u>15,499,143</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,100,551</u>	<u>10,853</u>	<u>2,695,675</u>
Other Financing Sources (Uses)			
Transfers In	226,803	15,921	3,393,261
Transfers Out	-	-	(3,811,174)
Sale of Capital Assets	-	1,244	22,631
Total Other Financing Sources (Uses)	<u>226,803</u>	<u>17,165</u>	<u>(395,282)</u>
Net Changes In Fund Balances	<u>1,327,354</u>	<u>28,018</u>	<u>2,300,393</u>
Fund Balances, Beginning of Year	\$ 1,292,413	\$ 76,302	\$ 16,727,626
Fund Balances, End of Year	<u>\$ 2,619,767</u>	<u>\$ 104,320</u>	<u>\$ 19,028,019</u>

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, 2019

Total Net Change In Fund Balances - Governmental Funds	\$	2,300,393
<p>Amounts reported for the governmental activities in the Statement of Activities 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.		16,359
Bond principal payments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		725,000
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This adjustment relates to the change in accrued interest from the prior year.		6,947
Governmental funds report the City's pension contributions as expenditures, however in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which the costs of benefits earned (\$1,466,229) exceeds employee contributions (\$804,291).		(661,938)
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.		37,855
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.		
Capitalized capital outlay in the current period	2,850,596	
Loss on dispositions of capital outlay in the current period	(2,250)	
Depreciation expense in the current period	(1,422,647)	1,425,699
Total Change In Net Position - Governmental Activities	\$	<u>3,850,315</u>

City of Isle of Palms, South Carolina
Statement of Net Position
Proprietary Fund
June 30, 2019

	Marina Enterprise Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 594,738
Accounts Receivable	105,307
Total Current Assets	700,045
Noncurrent Assets	
Capital Assets:	
Land	3,035,786
Land Improvements	2,960,827
Building and Improvements	846,998
Docks	674,861
Equipment	826,486
Less: Accumulated Depreciation	(2,333,745)
Total Noncurrent Assets	6,011,213
Total Assets	6,711,258
Liabilities	
Current Liabilities	
Accounts Payable	64,998
Security Deposits	15,500
Total Current Liabilities	80,498
Total Liabilities	80,498
Net Position	
Net Investment in Capital Assets	6,011,213
Unrestricted	619,547
Total Net Position	\$ 6,630,760

**City of Isle of Palms, South Carolina
Statement of Revenues, Expenditures, and
Changes in Net Position – Proprietary Fund
Year Ended June 30, 2019**

	Marina Enterprise Fund
Operating Revenues	
Lease Income	\$ 416,486
Total Operating Revenues	416,486
Operating Expenses	
Depreciation	133,071
Insurance	81,139
Professional Services	52,461
Utilities	660
Maintenance and Service Contracts	43,341
Advertising	4,800
Total Operating Expense	315,472
Operating Income	101,014
Non-Operating Revenues (Expenses)	
Interest Income	15,102
Interest Expense	(3,045)
Total Non-Operating Revenues (Expenses)	12,057
Income Before Transfers	113,071
Transfers In	417,913
Change In Net Position	530,984
Net Position, Beginning of Year	6,099,776
Net Position, End of Year	\$ 6,630,760

City of Isle of Palms, South Carolina
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

	Marina Enterprise Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 411,837
Cash Received from Miscellaneous Sources	(29,262)
Cash Payments to Suppliers for Goods and Services	(123,710)
Net Cash Provided By Operating Activities	258,865
Cash Flows From Non-Capital Financing Activities	
Transfer from Other Funds	417,913
Net Cash Provided By Non-Capital Financing Activities	417,913
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Bonds	(300,000)
Interest Paid on Bonds	(5,220)
Net Cash Used In Capital and Related Financing Activities	(305,220)
Cash Flows From Investing Activities	
Purchases of Capital Assets	(541,019)
Investment Earnings	15,102
Net Cash Used In Investing Activities	(525,917)
Net Increase In Cash and Cash Equivalents	(154,359)
Cash and Cash Equivalents, Beginning of Year	749,097
Cash and Cash Equivalents, End of Year	\$ 594,738
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 101,014
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	133,071
Change Due to Increase in Operating Assets:	
Other Receivable	(33,911)
Change Due to Increase in Operating Liabilities:	
Other Payables	58,691
Net Cash Provided by Operating Activities	\$ 258,865

City of Isle of Palms, South Carolina
Statement of Assets and Liabilities
Fiduciary Fund – Agency Fund
June 30, 2019

	<u>Volunteer Fire Department</u>
Assets	
Cash and Cash Equivalents	\$ 145,232
Total Assets	<u>\$ 145,232</u>
Liabilities	
Accounts Payable	\$ 102
Due to Volunteer Fire Department	<u>145,130</u>
Total Liabilities	<u>\$ 145,232</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

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

Major Operations

The City's major operations include general government, public safety (police and fire protection), building, planning and engineering, public works, recreation, and 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 **Municipal Accommodations Fee Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the fee imposed on the rental of some accommodations within the City and the allocation of Charleston County Accommodations Fees received. These funds are restricted and thus can only be spent for tourism related expenditures.
- ii) The **State Accommodations Tax Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the accommodations taxes levied by the State of South Carolina and remitted to the City. These funds are restricted and thus can only be spent for advertising, promotion, and tourism related expenditures.
- iii) The **Hospitality Tax Fund, a major fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism related expenditures.
- iv) The **Beach Restoration Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources from the City, state/local grants, and private contributions (from affected homeowners) all of which are restricted for the nourishment, monitoring, and regulatory compliance related to the beach.

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

- v) The **Beach Preservation Fee Fund, a major fund** and an unbudgeted fund for fiscal year 2017, is used to account for the accumulation of resources from a 1% accommodations fee imposed on rental property effective January 1, 2015. These funds are restricted and can be used only to support beach restoration, preservation and maintenance, as well as maintenance of public beach access.
- vi) The **Special Revenue Funds, non-major funds**, are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. Most of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue source. The City has the following non-major special revenue funds:

Federal Narcotics State Narcotics Victims' Assistance Recreation Building

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

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

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

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

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

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

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	20-50 years
Marina Docks and Related Capital Assets	10-40 years
Improvements	10-20 years
Vehicles, Fixtures, and Equipment	5-15 years

5. *Compensated Absences*

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

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

6. *Accrued Liabilities and Long-Term Obligations*

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

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

City of Isle of Palms, South Carolina

Notes to the Financial Statements

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

7. Deferred Outflows and Inflows of Resources

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

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

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

8. Fund Balance

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

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

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

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

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

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

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

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

9. Net Position

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

10. Pensions

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

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 Pronouncements

In June 2017, GASB issued GASB Statement no. 87, *Leases*. GASB 87 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for reporting periods beginning after December 15, 2019, and early adoption is permitted. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. While the City is currently evaluating this standard, given the significant amount of leases the City is party to, the City expects this standard will have a significant impact on the City's financial statements from the recognition of right-of-use assets and related liabilities. The City plans to adopt this standard in the first quarter of fiscal 2020, coinciding with the standard's effective date.

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.

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.

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, 2019 none of the City's bank balances were exposed to custodial credit risk.

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

Investments

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (In Years)
South Carolina Local Government Investment Pool	\$ 16,717,776	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, 2019 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	\$ 12,491,425
Cash and Cash Equivalents - Restricted	6,290,890
<hr/>	
Statement of Assets and Liabilities - Fiduciary Funds - Agency Fund	Amount
Cash and Cash Equivalents	145,232
Total Cash and Investments per Financial Statements	<u>\$ 18,927,547</u>
<hr/>	
Notes	Amount
Carrying Value of Deposits	\$ 2,209,771
Investments	16,717,776
Total Deposits and Investments per Notes to the Financial Statements	<u>\$ 18,927,547</u>

B. Receivables and Unavailable/Unearned Revenue

Property Taxes and Other Receivables

The City's 2018 property taxes were levied on September 30, 2018 and were due beginning on this date based on the assessed valuation on real and personal property (including vehicles) of approximately \$211,000,000 for tax year 2018. Property taxes were considered late on January 15, 2019. 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

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

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 2018 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, 2019:

Description	General Fund	Municipal	State	Beach Preservation Fee Fund	Hospitality Tax Fund	Marina Enterprise Fund	Beach Restoration Fund	Totals
		Accommodations Fee Fund	Tax Fund					
Property Taxes	\$ 110,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,373
Allowance for Uncollectible	(5,093)	-	-	-	-	-	-	(5,093)
Local Option Sales Tax	256,136	-	-	-	-	-	-	256,136
Accommodations Taxes	40,541	312,920	651,523	293,286	-	-	-	1,298,270
Hospitality Taxes	-	-	-	-	88,238	-	-	88,238
Marina Operations	-	-	-	-	-	105,307	-	105,307
MASC Brokers Tax	206,484	-	-	-	-	-	-	206,484
FEMA Grant	22,555	-	-	-	-	-	-	22,555
Franchise Fees	49,658	-	-	-	-	-	-	49,658
State Aid to Subdivisions	24,497	-	-	-	-	-	-	24,497
Other	34,886	-	-	-	-	-	-	34,886
Net Receivables	<u>\$ 740,037</u>	<u>\$ 312,920</u>	<u>\$ 651,523</u>	<u>\$ 293,286</u>	<u>\$ 88,238</u>	<u>\$ 105,307</u>	<u>\$ -</u>	<u>\$ 2,191,311</u>

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

Unavailable/Unearned Revenue

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

At June 30, 2019, the components of unavailable revenue (deferred inflows of resources) and unearned revenue (liability) were as follows:

Description	Fund	Unavailable	Unearned	Total
Property Taxes	General	\$ 79,910	\$ -	\$ 79,910
FEMA Grant	Disaster Recovery	-	11,371	11,371
Total Unavailable/Unearned Revenue		<u>\$ 79,910</u>	<u>\$ 11,371</u>	<u>\$ 91,281</u>

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2019, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ -	\$ (1,757,653)
Capital Projects Fund	1,757,103	-
Non-major Funds	550	-
	<u>\$ 1,757,653</u>	<u>\$ (1,757,653)</u>

The Capital Projects receivable of \$1,757,103 from the General Fund relates to an assignment of funds for future capital projects. The General Fund payable, a portion of the Municipal Accommodations Fee Fund payable, and the State Accommodations Tax Fund receivable relate to the General Obligations Bond Series 2015 debt service payment. The General Fund receivable and the Municipal Accommodations Fee Fund payable relate primarily to a portion of the Public Works costs. All interfund balances are expected to be paid back within one year.

Interfund Transfers

Transfers between funds for the year ended June 30, 2019, consisted of the following:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 1,226,087	\$ (1,937,371)
Capital Projects Fund	1,924,450	-
Municipal Accommodations Fee Fund	-	(607,582)
State Accommodations Tax Fund	-	(577,410)
Hospitality Tax Fund	-	(462,008)
Beach Restoration Fund	-	(226,803)
Beach Preservation Fee Fund	226,803	-
Non-major Funds	15,921	-
Proprietary Fund:		
Marina Enterprise Fund	417,913	-
Totals	<u>\$ 3,811,174</u>	<u>\$ (3,811,174)</u>

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

Transfers made out of the General Fund were primarily to fund future capital projects. Transfers made out of the Municipal Accommodations Fee Fund were mainly to finance debt service payments in the Beach Restoration Fund and to offset Public Safety and Public Works costs in the General Fund. Transfers made out of the Hospitality Tax Fund were to offset Public Safety costs in the General Fund. Transfers from the State Accommodations Tax Fund were primarily for marina debt service and beach maintenance.

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 4,272,896	\$ -	\$ -	\$ 4,272,896
Construction in Progress	1,410,275	1,580,756	(2,250)	2,988,781
Total Capital Assets, Non-Depreciable	5,683,171	1,580,756	(2,250)	7,261,677
Capital Assets, Depreciable:				
Land Improvements	3,939,606	-	-	3,939,606
Buildings and Improvements	16,695,091	201,064	-	16,896,155
Vehicles and Vehicle Equipment	5,031,223	427,693	(117,295)	5,341,621
Equipment	2,900,311	641,083	-	3,541,394
Furniture and Fixtures	72,890	-	-	72,890
Total Capital Assets, Depreciable	28,639,121	1,269,840	(117,295)	29,791,666
Less: Accumulated Depreciation for:				
Land Improvements	(2,331,734)	(227,341)	-	(2,559,075)
Buildings and Improvements	(6,711,616)	(660,245)	-	(7,371,861)
Vehicles and Vehicle Equipment	(3,866,326)	(323,951)	117,295	(4,072,982)
Equipment	(2,232,549)	(210,834)	-	(2,443,383)
Furniture and Fixtures	(70,958)	(276)	-	(71,234)
Total Accumulated Depreciation	(15,213,183)	(1,422,647)	117,295	(16,518,535)
Total Capital Assets, Depreciable, Net	13,425,938	(152,807)	-	13,273,131
Governmental Activities Capital Assets, Net	\$ 19,109,109	\$ 1,427,949	\$ (2,250)	\$ 20,534,808

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	\$ 280,832	\$ 174,150
Public Safety	600,633	715,496
Building, Planning, and Engineering	1,165,711	38,000
Public Works	787,488	285,438
Recreation	15,932	209,563
Total - Governmental Activities	\$ 2,850,596	\$ 1,422,647

Capital asset activity for the City's business-type activities for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,035,786	\$ -	\$ -	\$ -	\$ 3,035,786
Construction in Progress	-	-	-	-	-
Total Capital Assets, Non-Depreciable	3,035,786	-	-	-	3,035,786
Capital Assets, Depreciable:					
Land Improvements	2,963,250	-	-	(2,423)	2,960,827
Buildings and Improvements	846,998	-	-	-	846,998
Docks	674,861	-	-	-	674,861
Equipment	283,043	541,020	-	2,423	826,486
Total Capital Assets, Depreciable	4,768,152	541,020	-	-	5,309,172
Less: Accumulated Depreciation for:					
Land Improvements	(736,180)	(76,195)	-	-	(812,375)
Buildings and Improvements	(615,436)	(11,250)	-	-	(626,686)
Docks	(567,886)	(17,829)	-	-	(585,715)
Equipment	(281,171)	(27,798)	-	-	(308,969)
Total Accumulated Depreciation	(2,200,673)	(133,072)	-	-	(2,333,745)
Total Capital Assets, Depreciable, Net	2,567,479	407,948	-	-	2,975,427
Business-Type Activities Capital Assets, Net	\$ 5,603,265	\$ 407,948	\$ -	\$ -	\$ 6,011,213

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

E. Long-Term Obligations

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

Details on the City's debt outstanding as of June 30, 2019 are as follows:

General Obligation Bonds	Principal Outstanding at Year End
\$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.	\$ 3,550,000
\$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.	1,675,000
\$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>835,000</u>
Total General Obligation Bonds	<u><u>\$ 6,060,000</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, 2019.

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, 2019, for the City's governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GOB Debt:					
GOB - Series 2008B	\$ 3,900,000	\$ -	\$ 350,000	\$ 3,550,000	\$ 350,000
GOB - Series 2015	1,015,000	-	180,000	835,000	205,000
GOB - Series 2016	1,870,000	-	195,000	1,675,000	205,000
Total GOB Debt	<u>6,785,000</u>	<u>-</u>	<u>725,000</u>	<u>6,060,000</u>	<u>760,000</u>
Accrued Compensated Absences	348,435	203,666	241,521	310,580	213,903
Total Governmental Activities	<u>\$ 7,133,435</u>	<u>\$ 203,666</u>	<u>\$ 966,521</u>	<u>\$ 6,370,580</u>	<u>\$ 973,903</u>
Business-Type Activities:					
GOB Debt:					
GOB - Series 2013	300,000	-	300,000	-	-
Total GOB Debt	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</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, 2019, the City had \$5,225,000 of bonded debt subject to the 8% limit of approximately \$16,896,000 available, resulting in an unused legal debt margin of approximately \$11,671,000.

The City incurred interest expense of approximately \$214,000 and \$3,000 for its governmental and business-type activities debt, respectively.

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

Debt Service Requirements to Maturity

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

Year Ended June 30,	GOB		Totals
	Principal	Interest	
<u>Governmental Activities</u>			
2020	\$ 760,000	\$ 192,488	\$ 952,488
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
2025-2028	2,240,000	196,447	2,436,447
Totals	<u>\$ 6,060,000</u>	<u>\$ 932,319</u>	<u>\$ 6,992,319</u>

F. Marina Revenue

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

- The City dock lease (marine operations) – rent income of approximately \$174,000 for the year ended June 30, 2019. The lease expires in January 31, 2045.
- Marina store lease – rent income of approximately \$78,000 for the year ended June 30, 2019. The lease expires in January 31, 2045.
- Marina restaurant lease – rent income of approximately \$142,000 for the year ended June 30, 2019 (which includes regular rent income of approximately \$91,000 plus additional rent of \$51,000 for gross income over target amount). The final three year renewal option for this lease began in November 2017 and ends October 31, 2020.
- Water sports dock lease – rent income of approximately \$25,000 for the year ended June 30, 2019. The lease expires on September 30, 2020.

Estimated future annual lease income for the long-term leases in effect as of June 30, 2019 are as follows:

Year Ended June 30,	Amount
2020	\$ 369,586
2021	304,953
2022	253,650
2023	253,650
2024	253,650
2025-2029	1,268,250
2030-2034	1,268,250
2035-2039	1,268,250
2040-2044	1,268,250
2045-2046	139,196
Totals	<u>\$ 6,647,685</u>

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

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the City is a member of the South Carolina Municipal Insurance Reserve Fund (SCMIRF), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The City pays an annual premium for this coverage. For the year ended June 30, 2019, the City's premium costs totaled approximately \$280,000. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2018, totaled approximately \$12,619,000.

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, 2019, the City made premium payments totaling approximately \$207,000. 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, 2018, totaled approximately \$57,682,000.

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

Health Insurance

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

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.

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

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.

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.

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

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>2019</u>	<u>2018</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:

<u>SCRS</u>		
Employee Class Two	14.41%	13.41%
Employee Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
<u>PORS</u>		
Employee Class Two	16.84%	15.84%
Employee Class Three	16.84%	15.84%
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, 2017. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2017 actuarial valuations, using membership data as of July 1, 2017, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2018, 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, 2018, 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	\$48,821,730,067	\$26,414,916,370	\$22,406,813,697	54.1%
PORS	\$7,403,972,673	\$4,570,430,247	\$2,833,542,426	61.7%

At June 30, 2019, the City reported liabilities of approximately \$4,463,000 and \$6,664,000 for its proportionate share of the NPLs for the SCRS and PORS (Plans), respectively. The NPLs were measured as of June 30, 2018, 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, 2018, the City's SCRS proportion was 0.019916 percent, which increased slightly from the prior year. At June 30, 2018, the City's PORS proportion was 0.23518 percent, which decreased slightly from the prior year.

For the year ended June 30, 2019, the City recognized pension expense of approximately \$484,000 and \$987,000 for the SCRS and PORS, respectively. At June 30, 2019, 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	\$ 8,056	\$ 26,261
Changes of assumptions	177,053	-
Net difference between projected and actual earnings on pension plan investments	70,890	-
Changes in proportion and differences between City contributions and proportionate share of contributions	142,590	1,965
City contributions subsequent to the measurement date	279,865	-
Total	<u>\$ 678,454</u>	<u>\$ 28,226</u>

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

<u>PORS:</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 205,327	\$ -
Changes of assumptions	439,387	-
Net difference between projected and actual earnings on pension plan investments	133,263	-
Changes in proportion and differences between City contributions and proportionate share of contributions	246,631	49,788
City contributions subsequent to the measurement date	<u>524,426</u>	<u>-</u>
Total	<u>\$ 1,549,034</u>	<u>\$ 49,788</u>

Approximately \$280,000 and \$524,000 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, 2020.

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

<u>Year ended June 30:</u>	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
2019	\$ 233,977	\$ 513,423	\$ 747,400
2020	157,117	335,950	493,067
2021	(15,991)	100,111	84,120
2022	(4,741)	25,335	20,594
	<u>\$ 370,362</u>	<u>\$ 974,819</u>	<u>\$ 1,345,181</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period.

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

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2017, 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.

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.

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

<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	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

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.

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans as of June 30, 2018 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:

<u>System</u>	<u>1.00% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1.00% Increase (8.25%)</u>
SCRS	\$ 5,702,299	\$ 4,462,643	\$ 3,576,233
PORS	\$ 8,983,842	\$ 6,663,950	\$ 4,763,770

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

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 \$142,553 to the PEBA as of June 30, 2019, representing required employer and employee contributions related to 2019. 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, 2019, 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, 2019.

F. Litigation

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



Required Supplementary Information (Unaudited)

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

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

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 4,355,000	\$ 4,355,000	\$ 4,422,931	\$ 67,931
Local Option Sales Tax	750,000	750,000	817,962	67,962
Intergovernmental	260,750	260,750	345,335	84,585
Licenses and Permits	3,504,600	3,504,600	4,368,815	864,215
Fines and Forfeitures	225,000	225,000	289,232	64,232
Revenues From Use of Properties (Marina excluded)	778,200	778,200	932,766	154,566
Interest	26,000	26,000	121,571	95,571
Other Revenues	305,360	305,360	323,108	17,748
Total Revenues	<u>10,204,910</u>	<u>10,204,910</u>	<u>11,621,720</u>	<u>1,416,810</u>
Expenditures				
General Government:				
Mayor and Council	132,859	132,859	129,212	3,647
Administration	1,078,050	1,078,050	921,677	156,373
Judicial and Legal	259,605	259,605	205,083	54,522
Public Safety:				
Police Department	2,770,421	2,770,421	2,453,875	316,546
Fire Department	3,345,679	3,345,679	3,307,651	38,028
Building, Planning, and Engineering	420,285	420,285	389,172	31,113
Public Works	1,421,483	1,421,483	1,275,541	145,942
Recreation:				
Recreation Department	960,286	960,286	898,313	61,973
Recreation Programs	96,750	96,750	85,145	11,605
Non-Departmental:				
Parking Meters	136,626	136,626	106,523	30,103
Debt Service:				
Principal	536,000	536,000	536,000	-
Interest	185,754	185,754	185,754	-
Total Expenditures	<u>11,343,798</u>	<u>11,343,798</u>	<u>10,493,946</u>	<u>849,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,138,888)</u>	<u>(1,138,888)</u>	<u>1,127,774</u>	<u>2,266,662</u>
Other Financing Sources (Uses)				
Transfer In	1,306,235	1,306,235	1,226,087	(80,148)
Transfer Out	(167,347)	(167,347)	(1,937,371)	(1,770,024)
Sale of Capital Assets	-	-	15,172	15,172
Total Other Financing Sources (Uses)	<u>1,138,888</u>	<u>1,138,888</u>	<u>(696,112)</u>	<u>(1,835,000)</u>
Net Changes in Fund Balances	-	-	431,662	431,662
Fund Balances, Beginning of Year	5,586,909	5,586,909	5,586,909	-
Fund Balances, End of Year	<u>\$ 5,586,909</u>	<u>\$ 5,586,909</u>	<u>\$ 6,018,571</u>	<u>\$ 431,662</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Municipal Accommodations Fee Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Accommodation Fee Revenue	\$ 996,000	\$ 996,000	\$ 1,042,551	\$ 46,551
County Accommodations Fee Revenue	510,000	510,000	508,000	(2,000)
Sale of Assets	6,250	6,250	-	(6,250)
Interest	17,000	17,000	41,004	24,004
Total Revenues	1,529,250	1,529,250	1,591,555	62,305
Expenditures				
Current:				
General Government	125,460	125,460	43,013	82,447
Public Safety	271,627	271,627	44,817	226,810
Public Works	89,250	89,250	45,612	43,638
Non-Departmental:				
Public Restrooms	223,092	223,092	191,420	31,672
Capital Outlay	847,102	847,102	677,906	169,196
Debt Service:				
Principal	72,000	72,000	72,000	-
Interest	6,821	6,821	6,821	-
Total Expenditures	1,635,352	1,635,352	1,081,589	553,763
Excess (Deficiency) of Revenues Over Expenditures	(106,102)	(106,102)	509,966	616,068
Other Financing Sources (Uses)				
Transfer Out	(661,621)	(661,621)	(607,582)	54,039
Sale of Capital Assets	-	-	3,170	3,170
Total Other Financing Sources (Uses)	(661,621)	(661,621)	(604,412)	57,209
Net Changes In Fund Balances	(767,723)	(767,723)	(94,446)	673,277
Fund Balances, Beginning of Year	1,716,494	1,716,494	1,716,494	-
Fund Balances, End of Year	\$ 948,771	\$ 948,771	\$ 1,622,048	\$ 673,277

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – State Accommodations Tax Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Accommodations Tax Revenue	\$ 1,743,250	\$ 1,743,250	\$ 1,897,387	\$ 154,137
Interest	20,000	20,000	35,035	15,035
Total Revenues	<u>1,763,250</u>	<u>1,763,250</u>	<u>1,932,422</u>	<u>169,172</u>
Expenditures				
Current:				
General Government	677,600	677,600	677,428	172
Public Safety	216,227	216,227	41,944	174,283
Public Works	43,750	43,750	3,973	39,777
Recreation:				
Recreation Department	16,000	16,000	43,287	(27,287)
Non-Departmental:				
Public Restrooms	211,690	211,690	156,409	55,281
Capital Outlay	617,602	617,602	421,519	196,083
Total Expenditures	<u>1,782,869</u>	<u>1,782,869</u>	<u>1,344,560</u>	<u>438,309</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,619)</u>	<u>(19,619)</u>	<u>587,862</u>	<u>607,481</u>
Other Financing Sources (Uses)				
Transfer Out	(589,519)	(589,519)	(577,410)	12,109
Sale of Capital Assets	6,250	6,250	2,130	(4,120)
Total Other Financing Sources (Uses)	<u>(583,269)</u>	<u>(583,269)</u>	<u>(575,280)</u>	<u>7,989</u>
Net Changes In Fund Balances	<u>(602,888)</u>	<u>(602,888)</u>	<u>12,582</u>	<u>615,470</u>
Fund Balances, Beginning of Year	<u>1,800,453</u>	<u>1,800,453</u>	<u>1,800,453</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,197,565</u>	<u>\$ 1,197,565</u>	<u>\$ 1,813,035</u>	<u>\$ 615,470</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Hospitality Tax Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hospitality Taxes	\$ 770,000	\$ 770,000	\$ 794,303	\$ 24,303
Interest	8,000	8,000	25,151	17,151
Total Revenues	<u>778,000</u>	<u>778,000</u>	<u>819,454</u>	<u>41,454</u>
Expenditures				
Current:				
Public Safety	39,000	39,000	31,726	7,274
Public Works	263,800	263,800	150,683	113,117
Recreation	33,000	33,000	32,636	
Capital Outlay	46,500	46,500	7,740	38,760
Debt Service:				
Principal	117,000	117,000	117,000	-
Interest	21,094	21,094	21,094	-
Total Expenditures	<u>520,394</u>	<u>520,394</u>	<u>360,879</u>	<u>159,151</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>257,606</u>	<u>257,606</u>	<u>458,575</u>	<u>200,605</u>
Other Financing Sources (Uses)				
Transfer Out	(530,651)	(530,651)	(462,008)	68,643
Sale of Capital Assets	-	-	915	915
Total Other Financing Sources (Uses)	<u>(530,651)</u>	<u>(530,651)</u>	<u>(461,093)</u>	<u>69,558</u>
Net Changes In Fund Balances	<u>(273,045)</u>	<u>(273,045)</u>	<u>(2,518)</u>	<u>270,163</u>
Fund Balances, Beginning of Year	<u>1,080,290</u>	<u>1,080,290</u>	<u>1,080,290</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 807,245</u>	<u>\$ 807,245</u>	<u>\$ 1,077,772</u>	<u>\$ 270,163</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Beach Restoration Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Contributions	\$ -	\$ -	\$ -	\$ -
Grant Income	-	-	-	-
Loan Proceeds	-	-	-	-
Interest	-	-	1,800	1,800
Total Revenues	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>1,800</u>
Expenditures				
Current:				
General Government	-	-	21,237	(21,237)
Total Expenditures	<u>-</u>	<u>-</u>	<u>21,237</u>	<u>(21,237)</u>
Deficiency of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(19,437)</u>	<u>(19,437)</u>
Other Financing Uses				
Transfer Out	-	-	(226,803)	(226,803)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(226,803)</u>	<u>(226,803)</u>
Net Changes In Fund Balances	<u>-</u>	<u>-</u>	<u>(246,240)</u>	<u>(246,240)</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>246,240</u>	<u>246,240</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Isle of Palms, South Carolina
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Beach Preservation Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Beach preservation fee	\$ 996,000	\$ 996,000	\$ 1,163,787	\$ 167,787
Interest	24,000	24,000	32,141	8,141
Total Revenues	<u>1,020,000</u>	<u>1,020,000</u>	<u>1,195,928</u>	<u>175,928</u>
Expenditures				
Current:				
General Government	310,000	310,000	95,377	214,623
Capital Outlay	155,000	155,000	-	155,000
Total Expenditures	<u>465,000</u>	<u>465,000</u>	<u>95,377</u>	<u>369,623</u>
Deficiency of Revenues Over Expenditures	<u>555,000</u>	<u>555,000</u>	<u>1,100,551</u>	<u>545,551</u>
Other Financing Uses				
Transfer Out	-	-	226,803	226,803
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>226,803</u>	<u>226,803</u>
Net Changes In Fund Balances	555,000	555,000	1,327,354	772,354
Fund Balances, Beginning of Year	-	-	1,292,413	1,292,413
Fund Balances, End of Year	<u>\$ 555,000</u>	<u>\$ 555,000</u>	<u>\$ 2,619,767</u>	<u>\$ 2,064,767</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, 2019

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
City of Isle of Palms' proportion of the net pension liability	0.019916%	0.019257%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 4,462,643</u>	<u>\$ 4,335,060</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 2,063,898</u>	<u>\$ 1,942,949</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.22%	223.12%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 279,865	\$ 279,865	\$ 224,605	\$ 204,079	\$ 190,452	\$ 181,973
Contributions in relation to the contractually required contribution	<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>
City of Isle of Palms' covered-employee payroll	<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	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, 2019

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
City of Isle of Palms' proportion of the net pension liability	0.235181%	0.226290%
City of Isle of Palms' proportionate share of the net pension liability	<u>\$ 6,663,950</u>	<u>\$ 6,199,297</u>
City of Isle of Palms' covered payroll during measurement period	<u>\$ 3,229,223</u>	<u>\$ 3,047,364</u>
City of Isle of Palms' proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.36%	203.43%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	60.90%

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 524,426	\$ 524,426	\$ 433,945	\$ 403,373	\$ 375,863	\$ 324,766
Contributions in relation to the contractually required contribution	<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>
City of Isle of Palms' covered-employee payroll	<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	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.

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

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

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, 2019

	Federal Narcotics Fund	State Narcotics Fund	Victims' Assistance Fund	Recreation Building Fund	Total Non-Major Funds
Assets					
Cash and Cash Equivalents - Restricted	\$ -	\$ 4,386	\$ 27,808	\$ 76,640	\$ 108,834
Due from Other Funds	-	-	550	-	550
Total Assets	\$ -	\$ 4,386	\$ 28,358	\$ 76,640	\$ 109,384
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 43	\$ 5,021	\$ 5,064
Total Liabilities	-	-	43	5,021	5,064
Fund Balances					
Restricted	-	4,386	28,315	-	32,701
Assigned	-	-	-	71,619	71,619
Total Fund Balances	-	4,386	28,315	71,619	104,320
Total Liabilities and Fund Balances	\$ -	\$ 4,386	\$ 28,358	\$ 76,640	\$ 109,384

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, 2019

	Federal Narcotics Fund	State Narcotics Fund	Victims' Assistance Fund	Recreation Building Fund	Total Non-Major Funds
Revenues					
Fines and Forfeitures	\$ -	\$ -	\$ 9,259	\$ -	\$ 9,259
Interest	-	-	-	380	380
Other	751	493	-	16,145	17,389
Total Revenues	<u>751</u>	<u>493</u>	<u>9,259</u>	<u>16,525</u>	<u>27,028</u>
Expenditures					
Current:					
Public Safety	-	-	1,693	-	1,693
Recreation	-	-	-	13,238	13,238
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,693</u>	<u>13,238</u>	<u>14,931</u>
Excess of Revenues Over Expenditures	<u>751</u>	<u>493</u>	<u>7,566</u>	<u>3,287</u>	<u>12,097</u>
Other Financing Sources					
Transfers In	-	-	12,921	3,000	15,921
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>12,921</u>	<u>3,000</u>	<u>15,921</u>
Net Change In Fund Balances	751	493	20,487	6,287	28,018
Fund Balances, Beginning of Year	<u>(751)</u>	<u>3,893</u>	<u>7,828</u>	<u>65,332</u>	<u>76,302</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 28,315</u>	<u>\$ 71,619</u>	<u>\$ 104,320</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 4,355,000	\$ 4,422,931	\$ 67,931
Local Option Sales Tax	750,000	817,962	67,962
Intergovernmental			
State Aid to Subdivisions	93,000	94,499	1,499
State Accommodations Tax Administrative Fee	116,750	124,862	8,112
State Shared Funds - Alcohol	51,000	35,755	(15,245)
Grants	-	90,219	90,219
Total Intergovernmental	260,750	345,335	84,585
Licenses and Permits			
Business Licenses	1,215,000	1,690,205	475,205
Residential Rental Licenses	476,000	515,555	39,555
Insurance Licenses	658,000	662,491	4,491
Public Utilities	820,000	788,023	(31,977)
Building Permits	301,000	681,371	380,371
Telecommunication Licenses	23,000	20,411	(2,589)
Transportation	8,000	6,799	(1,201)
Alarm Permits	1,800	1,375	(425)
Animal Licenses	1,800	2,585	785
Total Licenses and Permits	3,504,600	4,368,815	864,215
Fines and Forfeitures	225,000	289,232	64,232
Revenue From Use of Properties			
Parking Lot Revenue	405,000	423,920	18,920
Parking Meter Revenue	373,000	508,591	135,591
Residential Guest Parking Revenue	200	255	55
Total Revenue From Use of Properties	778,200	932,766	154,566
Interest			
Interest Income	26,000	121,571	95,571
Total Interest	26,000	121,571	95,571

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other Revenues			
Recreation Program Income	\$ 108,660	\$ 82,050	\$ (26,610)
Recreation Instructors Income	170,000	168,740	(1,260)
Sales of Assets	12,500	15,172	2,672
Miscellaneous	8,000	67,834	59,834
Cart Purchase Revenue	4,000	3,300	(700)
Boat Ramp Fees	2,100	1,100	(1,000)
Kennel Fees	100	84	(16)
Total Other Revenues	<u>305,360</u>	<u>338,280</u>	<u>32,920</u>
Total Revenues	<u>10,204,910</u>	<u>11,636,892</u>	<u>1,431,982</u>
Expenditures			
General Government			
<u>Mayor and Council:</u>			
Salaries	17,000	17,000	-
Payroll Taxes	1,301	1,184	117
Retirement	2,475	2,345	130
Group Health Insurance	87,398	88,857	(1,459)
Workers Compensation	475	375	100
Membership and Dues	50	-	50
Print and Office Supplies	700	314	386
Meetings and Seminars	9,000	7,867	1,133
Vehicle, Fuel, and Oil	250	-	250
Telephone	3,672	2,597	1,075
Insurance	2,038	2,002	36
Miscellaneous and Contingency	4,500	4,242	258
Citizens and Employee Services	4,000	2,429	1,571
Total Mayor and Council	<u>132,859</u>	<u>129,212</u>	<u>3,647</u>
<u>Administration:</u>			
Salaries	484,563	439,439	45,124
Salaries - Overtime	9,278	11,513	(2,235)
Salaries - Part-time	-	-	-
Payroll Taxes	37,779	33,425	4,354
Retirement	71,903	60,564	11,339
Group Health Insurance	43,490	39,371	4,119
Workers Compensation	5,370	4,261	1,109
Print and Office Supplies	11,000	10,149	851
Membership and Dues	5,985	5,344	641

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Meetings and Seminars	\$ 9,800	\$ 6,428	\$ 3,372
Vehicle, Fuel, and Oil	1,750	376	1,374
Electric and Gas	4,000	3,628	372
Telephone and Cable	10,952	10,095	857
Water and Sewer	2,120	1,551	569
Noncapital Tools and Equipment	1,250	1,038	212
Maintenance and Service Contracts	41,335	22,691	18,644
Machine and Equipment Repair	1,000	-	1,000
Cleaning and Sanitary Supplies	2,000	1,732	268
Storm Preparation & Cleanup	-	21,341	(21,341)
Medical and Lab	800	452	348
Insurance	22,745	19,233	3,512
Rent and Leases	10,700	10,565	135
Advertising	7,600	9,354	(1,754)
Employee Training	103,000	54,291	48,709
Professional Services	113,520	66,251	47,269
Contracted Services	50,000	58,517	(8,517)
Miscellaneous and Contingency	19,110	24,087	(4,977)
Election Expense	-	77	(77)
Bank Service Charges	7,000	5,904	1,096
	<u>1,078,050</u>	<u>921,677</u>	<u>156,373</u>
Total Administration			
Judicial and Legal:			
Salaries - Full-time	67,114	68,085	(971)
Salaries - Over-time	3,070	2,040	1,030
Salaries - Part-time	18,000	16,641	1,359
Payroll Taxes	6,746	6,551	195
Retirement	12,840	11,764	1,076
Group Health Insurance	6,510	6,472	38
Workers Compensation	312	207	105
Print and Office Supplies	4,500	4,565	(65)
Membership and Dues	200	93	107
Meetings and Seminars	800	563	237
Telephone and Cable	3,450	4,124	(674)
Noncapital Tools and Equipment	800	754	46
Maintenance and Service Contracts	6,800	5,079	1,721
Insurance	613	589	24

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee Training	\$ 2,000	\$ 1,802	\$ 198
Professional Services	125,000	74,912	50,088
Miscellaneous and Contingency	850	842	8
Total Judicial and Legal	<u>259,605</u>	<u>205,083</u>	<u>54,522</u>
Total General Government	<u>1,470,514</u>	<u>1,255,972</u>	<u>214,542</u>

Public Safety

Police Department:

Salaries	1,478,735	1,297,392	181,343
Salaries - Over-time	127,011	139,222	(12,211)
Payroll Taxes	122,840	107,547	15,293
Retirement	268,842	228,451	40,391
Group Health Insurance	218,320	190,275	28,045
Workers Compensation	75,866	62,442	13,424
Print and Office Supplies	14,000	12,527	1,473
Membership and Dues	2,500	1,523	977
Meetings and Seminars	2,000	1,177	823
Vehicle, Fuel, and Oil	80,000	73,976	6,024
Vehicle Maintenance	46,000	56,110	(10,110)
Electric and Gas	32,000	25,111	6,889
Telephone and Cable	67,833	54,820	13,013
Water and Sewer	6,000	5,587	413
Noncapital Tools and Equipment	2,000	2,492	(492)
Maintenance and Service Contracts	77,659	78,619	(960)
Machine and Equipment Repair	8,500	6,199	2,301
Uniforms	20,715	18,605	2,110
Cleaning and Sanitary Supplies	1,750	1,950	(200)
Medical and Lab	4,000	4,018	(18)
Insurance	76,820	61,284	15,536
Rent and Leases	3,300	2,551	749
Employee Training	8,980	8,063	917
Professional Services	5,500	610	4,890
Contracted Services	15,000	10,954	4,046
Miscellaneous and Contingency	3,250	1,818	1,432
Canine Kennel Expenses	1,000	552	448
Total Police Department	<u>2,770,421</u>	<u>2,453,875</u>	<u>316,546</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Department:			
Salaries - Full-time	\$ 1,684,761	\$ 1,709,626	\$ (24,865)
Salaries - Over-time	303,083	319,872	(16,789)
Salaries - Part-time	19,748	3,399	16,349
Payroll Taxes	153,581	150,840	2,741
Retirement	345,196	331,955	13,241
Group Health Insurance	279,329	280,170	(841)
Workers Compensation	87,979	68,845	19,134
Print and Office Supplies	6,500	5,628	872
Membership and Dues	2,300	2,294	6
Meetings and Seminars	500	101	399
Vehicle, Fuel, and Oil	19,000	18,752	248
Vehicle Maintenance	70,000	59,406	10,594
Electric and Gas	44,500	40,614	3,886
Telephone and Cable	63,456	58,645	4,811
Water and Sewer	10,600	10,784	(184)
Noncapital Tools and Equipment	4,700	2,822	1,878
Maintenance and Service Contracts	66,675	59,460	7,215
Machine and Equipment Repair	10,000	8,490	1,510
Uniforms	20,000	16,705	3,295
Cleaning and Sanitary Supplies	4,000	4,701	(701)
Medical and Lab	17,000	16,528	472
Insurance	106,771	117,135	(10,364)
Rent and Leases	2,500	958	1,542
Employee Training	10,000	7,953	2,047
Professional Services	6,000	5,380	620
Miscellaneous and Contingency	6,000	5,998	2
Volunteer Point Allocation	1,500	590	910
Total Fire Department	3,345,679	3,307,651	38,028
Total Public Safety	6,116,100	5,761,526	354,574
Building, Planning, and Engineering			
Salaries - Full-time	245,845	244,015	1,830
Salaries - Over-time	1,306	65	1,241
Payroll Taxes	18,907	17,661	1,246
Retirement	35,985	33,074	2,911
Group Health Insurance	42,279	42,034	245
Workers Compensation	2,972	2,183	789
Print and Office Supplies	12,500	12,811	(311)
Membership and Dues	1,000	220	780
Meetings and Seminars	1,000	213	787
Vehicle, Fuel, and Oil	4,500	3,888	612

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Vehicle Maintenance	\$ 1,000	\$ 3	\$ 997
Electric and Gas	4,000	3,628	372
Telephone and Cable	5,352	4,995	357
Water and Sewer	1,600	1,371	229
Noncapital Tools and Equipment	300	128	172
Maintenance and Service Contracts	7,500	7,948	(448)
Machine and Equipment Repair	500	-	500
Uniforms	500	360	140
Cleaning and Sanitary Supplies	500	475	25
Medical and Lab	100	35	65
Insurance	9,539	8,718	821
Rent and Leases	800	443	357
Employee Training	1,300	793	507
Professional Services	20,500	3,740	16,760
Miscellaneous and Contingency	500	371	129
Total Building, Planning, and Engineering	<u>420,285</u>	<u>389,172</u>	<u>31,113</u>
Public Works			
Salaries - Full-time	603,167	527,534	75,633
Salaries - Over-time	13,593	6,411	7,182
Payroll Taxes	47,182	40,082	7,100
Retirement	89,800	72,216	17,584
Group Health Insurance	79,164	70,661	8,503
Workers Compensation	41,721	29,420	12,301
Print and Office Supplies	3,000	2,916	84
Membership and Dues	500	466	34
Meetings and Seminars	250	99	151
Vehicle, Fuel, and Oil	59,000	73,819	(14,819)
Vehicle Maintenance	85,000	86,111	(1,111)
Electric and Gas	86,900	76,500	10,400
Telephone and Cable	10,952	13,386	(2,434)
Water and Sewer	8,000	7,098	902
Noncapital Tools and Equipment	2,000	3,846	(1,846)
Maintenance and Service Contracts	9,700	7,710	1,990
Machine and Equipment Repair	7,000	2,661	4,339
Uniforms	9,000	10,559	(1,559)
Cleaning and Sanitary Supplies	3,500	3,541	(41)
Medical and Lab	3,500	2,786	714
Street Signs	4,000	-	4,000
Insurance	39,754	40,102	(348)
Rent and Leases	500	172	328

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Employee Training	\$ 300	\$ 55	\$ 245
Professional Services	2,000	1,080	920
Temporary Labor	200,000	180,553	19,447
Contracted Services	1,000	298	702
Miscellaneous and Contingency	1,000	1,683	(683)
Garbage Cart - Procurement	10,000	13,776	(3,776)
Total Public Works	<u>1,421,483</u>	<u>1,275,541</u>	<u>145,942</u>
Recreation			
<u>Recreation Department:</u>			
Salaries - Full-time	359,585	364,045	(4,460)
Salaries - Over-time	18,226	2,719	15,507
Salaries - Part-time	217,400	195,375	22,025
Payroll Taxes	45,534	41,865	3,669
Retirement	57,921	53,076	4,845
Group Health Insurance	65,256	64,643	613
Workers Compensation	13,699	10,919	2,780
Print and Office Supplies	10,500	9,940	560
Membership and Dues	1,600	1,281	319
Meetings and Seminars	2,000	1,272	728
Vehicle, Fuel, and Oil	4,000	2,919	1,081
Vehicle Maintenance	2,000	909	1,091
Electric and Gas	37,000	32,628	4,372
Telephone and Cable	17,000	15,223	1,777
Water and Sewer	4,240	4,104	136
Noncapital Tools and Equipment	1,800	1,831	(31)
Maintenance and Service Contracts	38,600	39,562	(962)
Machine and Equipment Repair	2,500	591	1,909
Uniforms	1,950	1,593	357
Cleaning and Sanitary Supplies	4,750	5,589	(839)
Medical and Lab	800	579	221
Insurance	44,310	40,860	3,450
Rent and Leases	3,700	1,971	1,729
Employee Training	2,300	1,185	1,115
Professional Services	115	120	(5)
Miscellaneous and Contingency	3,500	3,514	(14)
Total Recreation Department	<u>960,286</u>	<u>898,313</u>	<u>61,973</u>

City of Isle of Palms, South Carolina
Schedule of Detailed Revenues and Expenditures
Budget and Actual – General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation Programs:			
Five Year Old & Under Play Group	\$ 750	\$ 469	\$ 281
Gymnastics	3,000	2,949	51
Special Activities	24,500	22,675	1,825
Summer Camp	14,500	13,605	895
Themed Activities	2,000	1,194	806
Adult Sports	14,000	12,987	1,013
Youth Sports	35,000	28,472	6,528
Teenagers	3,000	2,794	206
	<u>96,750</u>	<u>85,145</u>	<u>11,605</u>
Total Recreation Programs	96,750	85,145	11,605
Total Recreation	<u>1,057,036</u>	<u>983,458</u>	<u>73,578</u>
Non-Departmental			
Parking Meters			
Salaries - Over-time	3,421	689	2,732
Salaries - Part-time	117,451	93,224	24,227
Payroll Taxes	9,247	7,188	2,059
Retirement	-	1,865	(1,865)
Group Health Insurance	-	-	-
Workers Compensation	6,507	3,557	2,950
	<u>136,626</u>	<u>106,523</u>	<u>30,103</u>
Total Parking Meters	136,626	106,523	30,103
Total Non-Departmental	<u>136,626</u>	<u>106,523</u>	<u>30,103</u>
Debt Service			
Principal	536,000	536,000	-
Interest	185,754	185,754	-
	<u>721,754</u>	<u>721,754</u>	<u>-</u>
Total Debt Service	721,754	721,754	-
Total General Fund Expenditures	<u>\$ 11,343,798</u>	<u>\$ 10,493,946</u>	<u>\$ 849,852</u>

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2019

	General Government		
	Mayor and Council	Administration	Judicial and Legal
Departmental Expenditures			
Salaries - Full-time	\$ 17,000	\$ 439,439	\$ 68,085
Salaries - Over-time	-	11,513	2,040
Salaries - Part-time	-	-	16,641
Payroll Taxes	1,184	33,425	6,551
Retirement	2,345	60,564	11,764
Group Health Insurance	88,857	39,371	6,472
Workers Compensation	375	4,261	207
Print and Office Supplies	314	10,149	4,565
Membership and Dues	-	5,344	93
Membership and Seminars	7,867	6,428	563
Vehicle, Fuel, and Oil	-	376	-
Vehicle Maintenance	-	-	-
Electric and Gas	-	3,628	-
Telephone and Cable	2,597	10,095	4,124
Water and Sewer	-	1,551	-
Noncapital Tools and Equipment	-	1,038	754
Maintenance and Service Contracts	-	22,691	5,079
Machine and Equipment Repair	-	-	-
Uniforms	-	-	-
Cleaning and Sanitary Supplies	-	1,732	-
Storm Preparation & Cleanup	-	21,341	-
Medical and Lab	-	452	-
Insurance	2,002	19,233	589
Rent and Leases	-	10,565	-
Advertising	-	9,354	-
Employee Training	-	54,291	1,802
Professional Services	-	66,251	74,912
Temporary Labor	-	-	-
Contracted Services	-	58,517	-
Miscellaneous and Contingency	4,242	24,087	842
Volunteer Point Allocation	-	-	-
Citizens and Employee Services	2,429	-	-
Canine Kennel Expenses	-	-	-
Recreation Instruction Expense	-	-	-
Garbage Cart - Procurement	-	-	-
Election Expenses	-	77	-
Bank Service Charges	-	5,904	-
Total Departmental Expenditures	\$ 129,212	\$ 921,677	\$ 205,083

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2019

	<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	\$ 1,297,392	\$ 1,709,626	\$ 244,015	\$ 527,534
Salaries - Over-time	139,222	319,872	65	6,411
Salaries - Part-time	-	3,399	-	-
Payroll Taxes	107,547	150,840	17,661	40,082
Retirement	228,451	331,955	33,074	72,216
Group Health Insurance	190,275	280,170	42,034	70,661
Workers Compensation	62,442	68,845	2,183	29,420
Print and Office Supplies	12,527	5,628	12,811	2,916
Membership and Dues	1,523	2,294	220	466
Membership and Seminars	1,177	101	213	99
Vehicle, Fuel, and Oil	73,976	18,752	3,888	73,819
Vehicle Maintenance	56,110	59,406	3	86,111
Electric and Gas	25,111	40,614	3,628	76,500
Telephone and Cable	54,820	58,645	4,995	13,386
Water and Sewer	5,587	10,784	1,371	7,098
Noncapital Tools and Equipment	2,492	2,822	128	3,846
Maintenance and Service Contracts	78,619	59,460	7,948	7,710
Machine and Equipment Repair	6,199	8,490	-	2,661
Uniforms	18,605	16,705	360	10,559
Cleaning and Sanitary Supplies	1,950	4,701	475	3,541
Storm Preparation & Cleanup	-	-	-	-
Medical and Lab	4,018	16,528	35	2,786
Insurance	61,284	117,135	8,718	40,102
Rent and Leases	2,551	958	443	172
Advertising	-	-	-	-
Employee Training	8,063	7,953	793	55
Professional Services	610	5,380	3,740	1,080
Temporary Labor	-	-	-	180,553
Contracted Services	10,954	-	-	298
Miscellaneous and Contingency	1,818	5,998	371	1,683
Volunteer Point Allocation	-	590	-	-
Citizens and Employee Services	-	-	-	-
Canine Kennel Expenses	552	-	-	-
Recreation Instruction Expense	-	-	-	-
Garbage Cart - Procurement	-	-	-	13,776
Election Expenses	-	-	-	-
Bank Service Charges	-	-	-	-
Total Departmental Expenditures	\$ 2,453,875	\$ 3,307,651	\$ 389,172	\$ 1,275,541

City of Isle of Palms, South Carolina
Schedule of Expenditures by Type – Actual
Year Ended June 30, 2019

	<u>Recreation</u>	<u>Non-Departmental Parking Meters</u>	<u>Total</u>
Departmental Expenditures			
Salaries - Full-time	\$ 364,045	\$ -	\$ 4,667,136
Salaries - Over-time	2,719	689	482,531
Salaries - Part-time	195,375	93,224	308,639
Payroll Taxes	41,865	7,188	406,343
Retirement	53,076	1,865	795,310
Group Health Insurance	64,643	-	782,483
Workers Compensation	10,919	3,557	182,209
Print and Office Supplies	9,940	-	58,850
Membership and Dues	1,281	-	11,221
Membership and Seminars	1,272	-	17,720
Vehicle, Fuel, and Oil	2,919	-	173,730
Vehicle Maintenance	909	-	202,539
Electric and Gas	32,628	-	182,109
Telephone and Cable	15,223	-	163,885
Water and Sewer	4,104	-	30,495
Noncapital Tools and Equipment	1,831	-	12,911
Maintenance and Service Contracts	39,562	-	221,069
Machine and Equipment Repair	591	-	17,941
Uniforms	1,593	-	47,822
Cleaning and Sanitary Supplies	5,589	-	17,988
Storm Preparation & Cleanup	-	-	21,341
Medical and Lab	579	-	24,398
Insurance	40,860	-	289,923
Rent and Leases	1,971	-	16,660
Advertising	-	-	9,354
Employee Training	1,185	-	74,142
Professional Services	120	-	152,093
Temporary Labor	-	-	180,553
Contracted Services	-	-	69,769
Beach Nourishment	-	-	-
Miscellaneous and Contingency	3,514	-	42,555
Volunteer Point Allocation	-	-	590
Citizens and Employee Services	-	-	2,429
Canine Kennel Expenses	-	-	552
Recreation Instruction Expense	85,145	-	85,145
Garbage Cart - Procurement	-	-	13,776
Election Expenses	-	-	77
Bank Service Charges	-	-	5,904
Total Departmental Expenditures	<u>\$ 983,458</u>	<u>\$ 106,523</u>	<u>\$ 9,772,192</u>
		Debt Service	721,754
			<u>\$ 10,493,946</u>

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2019

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 355,019.10	\$ 355,019.10
Court fines and assessments remitted to State Treasurer			\$ (56,528.28)	\$ (56,528.28)
Total Court Fines and Assessments retained	\$ -	\$ -	\$ 298,490.82	\$ 298,490.82
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			\$ 4,671.94	\$ 4,671.94
Assessments retained			\$ 4,587.42	\$ 4,587.42
Total Surcharges and Assessments retained for victim services	\$ -	\$ -	\$ 9,259.36	\$ 9,259.36

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 7,827.99		\$ 7,827.99
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	\$ -		\$ -
Victim Service Assessments Retained by City/County Treasurer	\$ 4,587.42		\$ 4,587.42
Victim Service Surcharges Retained by City/County Treasurer	\$ 4,671.94		\$ 4,671.94
Interest Earned	\$ -		\$ -
Grant Funds Received			
Grant from:			\$ -
General Funds Transferred to Victim Service Fund	\$ 12,921.00		\$ 12,921.00
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)	\$ 30,008.35	\$ -	\$ 30,008.35

City of Isle of Palms, South Carolina
Schedule of Fines, Assessments, and Surcharges
Year Ended June 30, 2019

Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits			\$ -
Operating Expenditures	\$ 1,693.97		\$ 1,693.97
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)	\$ 1,693.97	\$ -	\$ 1,693.97
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	\$ 28,314.38		\$ 28,314.38
Less: Prior Year Fund Deficit Repayment			\$ -
Carryforward Funds – End of Year	\$ 28,314.38	\$ -	\$ 28,314.38



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENTS AUDITORS' REPORT

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

We have audited 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 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.

McClay Kiddy LLC

Mount Pleasant, South Carolina

January 7, 2020



**City of Isle of Palms, South Carolina
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

Section I – Summary of Auditors’ 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